SYSTEMIC CORRUPTION AND CORRECTIVE CHANGE MANAGEMENT STRATEGIES: A STUDY OF THE CO-PRODUCERS OF SYSTEMIC CORRUPTION AND ITS NEGATIVE IMPACT ON SOCIO-ECONOMIC DEVELOPMENT

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Declaration

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Abstract

The focus of the study is the socio-economic impact of systemically corrupt institutions on developing countries. The unit of analysis is systemic corruption. The study seeks to make a contribution towards the understanding of, and insight into, corruption in private and public institutions. Corruption is a subsystem of the social system that is embedded in the economy, politics, science and technology, ethics, and aesthetics. Systemic corruption is not only an impairment of integrity, virtue and moral principle(s), but a departure from the original purpose, processes, structure, governance and context of systems created with the intention to be pure and correct and to enable development. Systemic corruption is destructive for development.

Corruption is a social pathology. As a systemic problem situation, corruption does not have root causes, but co-producers. These co-producers are obstructions to first-order-development of an institution and society. If these first-order-co-producers interact, e.g. when marginal groups are powerless and do not have any hope of being accommodated in formal society (that is synonymous with a better life) the impact thereof co-produces second-order-problems, e.g. alienation and polarisation. Alienated people organise themselves and for survival create their own values and culture that contradict those of formal society. For example, organised criminal groups are not accommodated within the formal structures of society; they are labelled, feared and detested. Marginal groups use the negative impact they experience during alienation and polarisation, i.e. absolute, relative, and total deprivation from goods, services, knowledge, influence, norms and identity, to justify their corrupt practices. Corruption cannot be solved with linear solutions, but should be addressed by a systemic approach, e.g. system dynamics, soft - and complex systems. This approach aims to change the 'culture of corruption' by changing the environment that contributes to corruption, i.e. by eliminating programmes that co-produce corruption, by developing moral and transformational leaders and role models, and by developing innovative, transparent and accountable institutions.

This dissertation is primarily a hermeneutic study. Exploratory research provided insight into and comprehension of the co-producers and impacts of corruption. Although a substantial volume of literature on corruption exists, very few employ a systemic framework that provides a holistic understanding of corruption and its relationship with other variables within the context of the developing world. The relationship with these variables is important to gain an understanding of the complexity of corruption. Corruption can be a concept, a condition, a manifestation, and a co-producer that contribute towards poverty and under-development. Corruption can also be a co-impact on poverty and under-development. The multidimensional dynamics of corruption to take on various 'masks' make it an elusive phenomenon. As a complex subsystem, corruption takes on a life of its own that is self sustaining - corruption strengthens corruption.

Corruption's co-producers, various manifestations and devastating impacts can at best be understood in terms of contextualising these from a systemic and complex system perspective. The dissertation offers a conceptual framework for identifying systemically corrupt institutions. Strategies were developed for change

management to transform such institutions to international best practices. These strategies are based on the principles of good governance, institutional capital and trust, quality personnel, a culture of discipline, and sustainability. The concept of 'quality' is central to the creation of social/institutional capital, an integrated institution and also in the control and management of these strategies. Strategies and processes were developed for a complete institutional change and transformation, by creating institutions that enhance participation, parity, organisation, adaptation and innovation. These strategies were developed by integration, e.g. developing social capital; differentiation, e.g. application of specialised knowledge and skills about procurement; coordination; and control of systemic corruption. For every level of differentiation, a minimum required level of integration is required. Therefore, all strategies 'balance' opposing developmental aspirations.

A discussion of developing countries' corruption problem situations, based on examples of real incidents of corruption, illustrates what can be done if reform of people and transformation of systems are applied systemically. Corrective change management strategies were tailored for suiting a unique context, governance, structure, purpose and processes. The discussion assessed the key drivers and key uncertainties with possible directions of how these alternatives can unfold in terms of the Namibian corruption problem situation. Leverage points describe how to implement the most effective containment strategies with the best outcome in the shortest time. Containing strategies include hard, formal and tactical-operational strategies. Dissolving strategies focus on soft, informal and long-term sustainable transformation.

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Dedication

To Sarie Herbert, for her unconditional love that had the most profounding influence on my life

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Relationships matter – all else are just details...

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List of acronyms and abbreviations

ACC	Anti-Corruption Commission
AGI	actionable governance indicators
AIDS	acquired immuno deficiency syndrome
ANC	African National Congress
ANCYL	African National Congress Youth League
BEE	Black economic empowerment
CA	certified accountant
CATWOE	customer, actor/agent, transformation, *weltanschauung*, owner and environment
CBA	cost benefit analysis
CBN	cost of basic needs
CBO	community based organisation
CEO	chief executive officer
CPIB	Corrupt Practices Investigations Bureau
DRC	Democratic Republic of Congo
ETSIP	Educational Training Sector Improvement Plan
EVA	economic value added
FDI	foreign direct investment
FEI	food energy intake
GDP	gross domestic product
GIPF	Government Institutions Pension Fund
GNI	gross national income
GNP	gross national product
HAT	Verklarende Handwoordeboek van die Afrikaanse Taal
HIV	human immuno virus
ICAC	Independent Commission Against Corruption
IMF	International Monetary Fund
IRR	internal rate of return
JSE	Johannesburg Stock Exchange
MIRR	modified internal rate of return
MNC	Multi National Corporation
MPs	Members of Parliament
N$1	equals R1
NGOs	non governmental organisations
NPV	net present value
OECD	Organisation for Economic Cooperation and Development

PAP	People's Action Party
PETS	Public Expenditure Tracking System
PPP	purchasing power parity
RSA	Republic of South Africa
SADC	Southern African Development Community
SOE	state owned enterprise
SWAPO	South West Africa People's Organisation
TCOs	Transnational Criminal Organisations
TI	Transparency International
UK	United Kingdom
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USA	United States of America
VFM	value for money
WASCOM	Wages and Salaries Commission
WB	World Bank
WTO	World Trade Organisation
WWW	World Wide Web

CHAPTER 1
INTRODUCTION AND OUTLINE OF RESEARCH

During the last two decades the debate about corruption and ways to contain it has acquired a new intensity and concentrated focus. Corruption rose to the top of the development agenda and governance rose to the top of the anti-corruption agenda. An example of this new intensity and concentrated focus is a bulletin of the Carnegie Endowment for International Peace about Trade, Equity and Development published during 2002. In this document, Peter Eigen, Chairman of Transparency International (TI), said that corruption is perceived as not only an ethical problem, but as a government issue that has a direct impact directly on development. For this reason, corruption is very relevant for trade relations. Actually, the theme of the bulletin is 'Controlling Corruption: A Key to Development-Orientated Trade', in which the following is said, "The economic and social costs of corruption-induced market distortions are widely recognised. In this response, civil society groups, government, and international institutions all are taking steps to put a stop to corruption's corrosive effects on development" (Eigen, 2002: 1). The World Trade Organisation (WTO) is therefore called upon to play a leading role in this regard. The argument is that 'free trade' increases competition, which in itself encourages more efficient production of goods and services. To enable this, good policy and institutions that function well and that are staffed by competent members are required. "Where the political will and the institutions for competition are weak, corruption can flourish", or more pertinently stated, "Corruption engenders bad choices, encouraging competition in bribery rather than in quality and price. By inhibiting the development of a healthy marketplace and fostering mismanagement in public institutions, corruption distorts and undermines development. Ultimately, it denies a better quality of life to the most vulnerable members of society" (Eigen, 2002: 2). This focus on the consequences of corruption is one of the reasons why Robert Klitgaard, during a presentation in Bali, Indonesia (2008: 1-7), talked about a "holistic approach to the fight against corruption".

The intensity and more concentrated focus of corruption being destructive for development is also directly related to transnational crime and the effect thereof on the phenomenon of corruption. This issue already contributed to referencing about 'failed states' and even 'criminal states'. The challenges of transnational crime and corruption to national and international governance, and security became dramatically more complex and difficult to manage during the last decade. It must be accepted that organised crime and corruption in its systemic manifestation, is an alternative form of governance in comparison with what is perceived as governance in democratic states, given the emphasis on accountability, transparency and especially sustainability in the latter.

This dissertation has been undertaken in the subject area of Business Management. Business Management is thus the anchor discipline of this dissertation. However, the corruption phenomenon cannot be studied only as a management issue. Multiple dimensions will be discussed, but the main focus will be on management. Therefore, the systemic theoretical approach was chosen about which more will be said in this dissertation. Klitgaard (2008: 6), in the Bali presentation, made in this context the following important statement: "...in the

success stories (in the fight against corruption) I have studied, 'moral initiatives' are not the crux of long-term reforms. The keys are better systems that provide better incentives for imperfect human beings to perform in the public interest – and avoid corruption". Although Klitgaard was under-emphasising the influence and the role of moral leadership, or actually the idea of individual role models that represent acceptable 'virtues' and 'values', and demonstrate 'political will', his focus on the systemic character of corruption is of key importance. It is in this form that systemic corruption and organised or syndicated crime overlap. The focus of this study is therefore on systemic corruption[1] (unit of analysis) and its impact on development. Reference to 'corruption' in this dissertation implies 'systemic corruption' unless indicated differently. Systemic corruption *vs* 'accidental corruption' (corruption within the sphere of individuals) demonstrates the working of decision making systems, action systems and rule systems. Reference is sometimes made to 'corruption as a culture' and 'corruption as a social pathology'. The current discourse about the nature and impact of corruption focuses very strongly on its systemic nature. This is evident in the metaphors that are provided. In these introductory remarks about the nature and role of systemic corruption in preparing for the explanation of why the systemic theoretical approach was chosen, something must be said about the metaphors of 'cancer' and the 'human immuno virus/acquired immuno deficiency syndrome (HIV/AIDS)'. References to these metaphors are connected to the view of Klitgaard (2010: 3) "...we must look hard at the various phenomena that go under the rubric of corruption".

1.1 CORRUPTION AS A 'CANCER'/'HIV/AIDS'

The Eritrean Ministry of Information used the metaphor of cancer to explain the impact of corruption as "...a dangerous cancer that will destroy a healthy culture, pollute the moral and accepted values of the society, undermine the rule of law, decimate the social and economic rights of the majority and retard the production capacity of the people and government. It... is the greatest threat to national security..." (Klitgaard, 2008: 1). Such cancer is also destructive for development. Bitarabeho (2003: 1), for example, stated that "...corruption is a cancer that eats the social, political and economic fabric of development and requires the involvement of every citizen to combat it".

The similarities between cancer and corruption are perhaps best illustrated by means of the HIV/AIDS metaphor, as follows: The main contributors to cancer have their roots in socio-economy or lifestyle, such as stomach cancer; and genetics, such as bone cancer. HIV/AIDS has an ethical and moral dimension that cancer does not have. HIV/AIDS tends to have a bigger prevalence rate and impact on the poor at the lower end of the socio-economic equilibrium than on the affluent. For example, some women from poor households without formal occupational skills are taking to prostitution as a means to survive, increasing their risk of contracting HIV/AIDS. Poor people are vulnerable to the impact of corruption, i.e. the poor in Zimbabwe that survive on food donations cannot afford delays in distribution because it makes a difference between life and death. The

[1] All footnotes in this dissertation are for the purpose of additional information and not to clarify a specific term or phrase in the main text of the dissertation.

affluent are also vulnerable if their comfortable lifestyles are dependent on greed. If greed is combined with lucrative opportunities, it contributes to corruption. The affluent participate in situations where they could potentially contract HIV/AIDS, such as various sexual partners, medical treatment and sport, if the probability of being infected with the disease is perceived as being low. Similarly, the affluent participate in corruption if the risks of being caught are perceived as being low. Just like HIV/AIDS, the affluent are better informed than the poor about the implications of corruption if they are caught, such as scandals and loss of social status, and are thus in a position to take better precautions and to manage the risks better than the poor.

HIV/AIDS breaks down the immune system of a patient, making him/her vulnerable to various other opportunistic infections, such as colds and pneumonia. These diseases are just symptoms of the 'real' or 'second-order-disease'. Treating only these 'first-order-diseases' will relieve the symptoms temporarily, but will not contribute to curing or preventing HIV/AIDS that reduces life expectancy. Corruption also breaks down the immune system of a social system, an institution, because it creates the atmosphere or climate for other diseases, for example kickbacks and misrepresentation. These 'symptoms' are just manifestations or multiple faces of the second-order-disease called corruption. The best treatment can extend the life expectancy of HIV/AIDS patients by several years, given the financial ability to afford the best anti-viral treatment. With corruption, institutional life expectancy can also be extended, either with more regulation and monitoring or with an increase in the abuse of political power to protect corrupt individuals. As more systems are subverted to HIV/AIDS and corruption, the disease becomes more severe and institutions 'die' like patients. Indicators of death are illegitimate institutions with no trust and no social capital where individuals operate in 'self-serving cliques' that protect their corrupt members from exposure and prosecution. Organised crime is also connected with HIV/AIDS and these 'diseases' have some symptoms in common, i.e. a high prevalence of drug abuse, women and child trafficking, and prostitution. Criminal groups and HIV/AIDS are both social pathologies that represent deeper underlying problems in a society or country. In both penetrated states and countries with a high HIV/AIDS prevalence, people become tolerant to corruption or HIV/AIDS. An indicator of such tolerance and resistance to 'treatment' is when people justify their HIV/AIDS or corrupt behaviour because the culture is that 'everybody does it'. When such a culture exists, members lose hope of a better and shared future, because the culture is so unjust and unfair that members cannot see how a change is possible.

To provide a long-term cure for corruption and HIV/AIDS, it is necessary to create legalised and 'hard' institutional structures, i.e. measures to regulate, monitor and penalise people engaging in corruption and prostitution; and 'softer' measures, i.e. improving knowledge, morality and social accountability. 'Patients' need institutional and legal protection, financial assistance, social safety networks, expert knowledge and counselling to deal with the antagonism associated with both diseases. The earlier the symptoms can be identified, the better patients respond to treatment. For this reason, health workers and anti-corruption fighters need to have expert knowledge and skills in diagnosing these diseases as early as possible. Indicators were developed to profile corruption stricken institutions. 'New patients' receive inspiration from patients that are responding positively to treatment, that are living sustainable and fulfilling lives. For this reason,

best practices are used for developing strategies to 'fight' these diseases systemically. Since HIV/AIDS and systemic corruption have commonalities with organised crime as mentioned before, a further exploration of the connection between systemic corruption and organised crime is needed.

1.2 THE CONNECTION BETWEEN SYSTEMIC CORRUPTION AND ORGANISED CRIME

Protection of and by powerful politicians and institutional elites in a culture where tolerance for corruption exists can extend such protection to include organised criminal groups in return for financial and non-financial favours. For example, Jackie Selebi, the former National Commissioner of the South African Police Service and Chief of Interpol, protected Glen Agliotti, a drug boss, calling him 'my friend finish and klaar'. When such a 'corrupt relationship' exists between formal and legitimate institutional leaders and organised crime leaders, organised crime penetrates the political power of the state (state capture) and creates what is called 'a penetrated state', threatening, what Klitgaard (2008: 1) called 'national security'. In some cases the state is not only penetrated by organised crime; political leaders take control of organised crime, transforming a penetrated state into a criminal and/or failed state, such as happened in Somalia. Such a state is doomed for 'death', with the presence of terrorism, revolutions and military coups. 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 order. International mafias such as the Italian, Indian, Israeli, Russian and Triad (Chinese) are attracted to the protective climate or culture of systemic corruption. Contraband includes "Prohibited articles, illegal imports, illegal exports, smuggled goods, unlicensed goods" (Shepherd, 2006: 188). A penetrated state provides protection, a 'safe haven' for these mafias to operate with political and police protection (Sipho, 2009: 123-175).

There is a connection between systemic corruption, local organised crime, transnational organised crime and globalisation. Transnational Criminal Organisations (TCOs) are highly proficient, dynamic, mobile and with entrepreneurial flair that enables them to operate across borders with minor inconveniences. TCOs are transnational organisations 'par excellence'. The Cali syndicate is perceived by some as the most successful transnational organisation in the world (Williams, 1994: 96-113). Cali, as a cocaine-based Latin American syndicate, expanded its product range to heroin, which has a much larger profit margin, opening additional markets in Western Europe through Spain and Portugal, an indication of its innovativeness and entrepreneurial flair (Williams, 1994: 96-113). TCOs have many advantages over public sector institutions, such as: very flexible and 'fluid' network structures *vs* fixed bureaucratic structures; excellent intelligence and technology *vs* uncoordinated intelligence and inadequate technology; not democratically accountable for their behaviour *vs* increased global and local expectations of accountability; centrally coordinated syndicates *vs* multiple departments that are semi-autonomous; and one objective to maximise profit *vs* multiple objectives, constituencies and agendas (Williams, 1994: 96-113; and Buscaglia & Ratliff, 2005: 10). The 'fluid' network structures of TCOs enable 'webs of influence' which are far more suitable than any formal

structure in allowing criminals to exploit opportunities. Such networks are loose and temporary arrangements. The key in understanding criminal organisations is the 'network' concept. All networks have value, i.e. networks in the labour market to get employment are as important as applicants' competencies; and neighbourhood networks can provide security and other social benefits of cooperation (Putnam, 2007: 137-138). Criminal networks are at the same time "pervasive and intangible, ubiquitous and invisible, everywhere and nowhere" (Williams, 2001: 64-65). Such networks cut through divisions of specialisation, rank, ethnicity, culture and wealth. These networks of social organisation enable illegal markets to be more efficient, reducing transaction costs and increasing opportunities for both buyers and sellers, upstream and downstream, e.g. drug trafficking. The network structure of TCOs enables them to neutralise law enforcement initiatives, and also to be sensitive to threats and opportunities (Williams, 2001: 74-75). The success of local criminal organisations and TCOs lies in their social organisation, the networks or webs of highly flexible and cross-cutting relations that can maximise opportunities and reduce risks. Social networks enable participants (*inter alia* criminals) to achieve goals they could never achieve without such networks. Networks of social organisation create social capital. Al Qaeda is an excellent example of an organisation with a high level of social capital (Putnam, 2007: 138). This concept will be further discussed in Chapter 2.

The integration of economies through trade (globalisation), the growth of global financial networks, technology and faster means of travel (air) and communication, e.g. the World Wide Web (WWW), are enabling transnational organised crime, for example through its manifestation in trade in drugs, wildlife, human organs and women and children, and in money laundering, cyber crime and terrorism. Williams (1994: 96-113) stated that "globalisation of international financial networks have facilitated the emergence of what is, in effect, a single global market for both licit and illicit commodities". Money made in the production and selling of drugs needs to be 'legalised' in order to enter the 'formal economy'. Such money is legalised through the buying of property and creating 'paper' or 'ghost companies' (money laundering). Some emerging economies become 'safe havens' for 'washing' the money of organised syndicates, e.g. Mexico. Once a state is perceived as 'penetrated', organised criminal groups deliberately attempt to undermine the functioning of the state. Organised crime becomes the institutional culture with its own values, such as deception, and rules of violence and ruthlessness. TCOs operate outside the formal and legal rules of states. They circumvent state policies. In such a culture, where the institutions and the systems of the state are weakened, organised syndicates deliberately infiltrate strategic components, such as customs and excise (contraband), police (think of the Agliotti-Selebi case) and procurement. The procurement of armaments with its protection provided by the secrecy of defence tenders and its large capital intensive projects is a favourite area of lucrative benefits for individuals active in organised crime. These strategic institutions, as mentioned by Buscaglia and Ratliff (2005: 10), are of importance, because the levels of organised crime and public sector corruption are determined by the quality of what they called "central state institutions". Organised syndicates form 'alliances' to infiltrate and facilitate illegal production where costs are low and allow the advantage of local knowledge; and to cooperate rather than to compete with one another. Examples of such alliances between transnational syndicates include the following: the Sicilian and

Italian mafia (cocaine and heroin), Nigerian and the Japanese yakuza (heroine), Turkish and Danish mafia, and Dutch and Turkish mafia. Such alliances are threats to national and international security, because they undermine the effective functioning of the state. Alliances challenge state monopoly on controlling organised violence and can be more destabilising than terrorist groups (Williams, 1994: 96-113).

Due to the devastating impact of organised crime on the weakening of states, the following question arises: Can citizens' involvement in such activities be profiled? Some indicators or symptoms of citizens' involvement in organised crime are as follows: First, when members' living standards are far beyond their formal and legal occupations. Secondly, when members do not want to take leave from office, because they constantly have to 'guard' the intricate network of relations in their syndicates and keep 'tabs' or control over their competitors who continuously change the rules of the game to outsmart each other for securing a monopoly. Thirdly, when illegal organised businesses are taking over legal businesses with police protection, it does not only provide an indication of citizens' involvement in organised crime, it can also be an indicator that such a state is in transition towards a 'criminal state'. Once organised crime monopolies are established, no competition is tolerated, creating uncertainty not only for potential competitors but also scaring investors away from such an insecure business climate. Such insecurity creates a negative cycle or recurring loop of attracting more TCOs.

In this nexus between systemic corruption, local organised crime, transnational organised crime and globalisation, there is not only an interconnectedness, but also an interrelatedness and an interdependency. A nexus also exists between organised syndicates, HIV/AIDS and globalisation. TCOs operational in drugs, prostitution and human trafficking are also contributing to the spread of HIV/AIDS. These syndicates, especially those that operate in states that are penetrated and permeated with systemic corruption, entice poor and/or vulnerable women and children with very limited hope of a better future into prostitution and drugs. Such syndicates exploit their powerlessness to make them dependent on these unsustainable and illegal activities that contribute to an increase in HIV/AIDS. Given some of the distortions created by corruption as illustrated by transnational organised crime and the cancer/HIV/AIDS metaphors, the author initiated the dissertation to investigate what corruption is, how it may impact on development and what the responsibilities and options are in finding a long-term cure for reducing corruption. However, before a cure can be found, the problem needs more attention.

1.3 A PROBLEM SITUATION, NOT A 'PROBLEM'

Corruption is supported by special relationships between some members of a society, organisation or institution. To think in terms of relationships, rather than in terms of deterministic rules, is not unique to science in general and business science in particular. It has always been part of qualitative descriptions, but not part of the kind of quantitative descriptions and calculations deemed necessary, ever since Kepler's insistence that 'to measure is to know' (Cilliers, 2005: 35). Many phenomena, specifically in the life sciences

but also in physics and mathematics, cannot be understood properly in terms of deterministic, rule-based statistical processes. Quantum-mechanical descriptions of sub-atomic processes are essentially relational. Even on a more macroscopic level, relationships determine the nature of matter.

A rich variety of corruption-bonded relationships were explored and are now described in this dissertation. It is generally accepted that corruption is somehow linked with values, morality and ethics. However, there seems to be a number of other co-producers in this equation. The term 'co-producer' is used because no direct cause and effect relation exists in systemic corruption. In any system, and even more so in a complex system, numerous contributors, also called co-producers, are necessary to produce its product, in this case, corruption (Gharajedaghi 1982: 7). This means that if the co-producers of systemic corruption are identified, removing one or two co-producers will not 'solve' the problem situation. The initial scoping exercise revealed that corruption is a complex phenomenon with no simple explanation for its occurrence, with various definitions, manifestations, mutations of its nature, and with varied root 'causes' in, and impacts on society. Corruption seems to be systemically bonded in social processes, becoming both the creator and the consequence of a very complex and general problem situation of ingrained deviant social behaviour, making it a 'cross-cutting issue'. This broadened the scope of the research. In particular, better private and public sector decisions and policies require that corruption be conceptualised as a societal pathology. Pathology is a biological term that refers to a condition of illness – a deviation from what is regarded as normal for vigour. A societal pathology refers to a shortage in terms of desire or ability (in terms of development) of rulers and managers to remove a persistent development obstruction (Spies, 2003: 7).

The concept of 'a problem' was found to be inappropriate for this dissertation. The idea that a problem can be defined suggests that a solution can be found that removes the problem. This is possible at the 'hard' end of the problem spectrum, where problems have clear boundaries, can be defined exactly, are quantifiable and measurable with clear outcomes and are of a repetitive nature. However, at the 'soft' end, where boundaries of problems are vague, problems are not limited to a single definition. They are of a qualitative nature, not always measurable with clear outcomes and are not repetitive. Moreover, they do not occur in such a way that allows them to be isolated from their supportive conditions. 'Hard' problems are by no means always 'easy' or 'straightforward' to solve, but the situation gains considerable complexity as the 'softer' end of the spectrum is approached. At this end, increasing uncertainty exists as to the 'cause(s)' of the problem. It is more usual to find sets of problems, which are highly interactive, in the corruption phenomenon. It was found that it is more useful to examine corruption within a problem situation, rather than as a problem as such – to understand the 'whole' before examining the particular. The next section focuses on definitions of systemically related concepts.

1.4 DEFINITIONS

Complex problem situations are difficult to grasp and even more difficult to understand when the underlying (key) concepts are superficially defined. Commonly used concepts tend to hide more than they reveal

because perceptions of the meaning of a concept are often coloured by a person's experience, practice, training and biases. The next section focuses on root definitions that can clarify precisely the true meaning of key concepts used in this dissertation.

1.4.1 Good governance

Governance is the most important strategic, political and leadership dimension needed to reduce corruption. Therefore it has justification to be discussed first. Governance is "the manner of directing and controlling the actions and affairs of an entity" (King, 2006: 1) that "involves fairness, accountability, responsibility and transparency on a foundation of intellectual honesty" (King, 2006: 15). 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 good governance[2] is a timeless and systemic definition that is used for purposes of this dissertation. Principles of good governance that will be discussed in this dissertation are the following: political, namely responsibility and accountability of political representatives; economic, namely deregulation and less licensing; and social, namely integration (inclusiveness), civic responsibility and civic respect of the law. Public management principles that will be discussed in this dissertation include: choice of public services; economy, efficiency and effectiveness; flexibility and management of change; sustainability and consistency; accountability, responsibility and transparency; and adhering to the *batho pele*[3] principles (Gildenhuys & Knipe, 2000: 111-121, 123-133). *Batho pele* is a Sotho word meaning "people first". It includes creating a framework[4] for the delivery of public services that treat citizens as customers and enable them to hold public officials accountable for the delivery and the quality of public services. The concept *ubuntu*[5] also needs to be included in the concept of good governance: 'I am because of you', meaning 'I can only achieve my optimal potential through serving all individuals in society or an institution, and I can only judge my contribution to society in perspective if I can see myself through the eyes of other members of society'. One has to encounter the 'collective we' before one can encounter the 'collective I'. *Ubuntu* is the opposite of being selfish and self-centred; it creates cooperation between individuals, cultures and nations. *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.

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[2] Good governance is not a mindless compliance with a quantitative governance checklist. The King Committee on Corporate Governance (as cited by Khoza & Adam, 2005: 32), said good corporate governance includes also the following: discipline (a commitment to behaviour that is recognised and accepted as correct and proper); independence (mechanisms to avoid and manage conflicts); and social responsibility (awareness and responding to social issues).

[3] Words in *italics* in this dissertation include the title of publications, languages other than English, and research objectives revisited in Chapter 9. Fourth level headings are also in italics.

[4] This framework consists of the following service delivery principles, namely consultation; service standards; access; courtesy; information; and correcting mistakes, and redressing failures (Gildenhuys & Knipe, 2000: 130-133).

[5] *Ubuntu* is an old African term for 'humanness', for caring and sharing (Gildenhuys & Knipe, 2000: 271). *Ubuntu* is a literal translation of 'brotherhood' and collective morality that is best expressed by the Xhosa proverb '*umuntu ngumuntu ngabantu'*, which means 'I am because we are'.

Corporate governance is generally the governance of incorporated entities such as public and private companies. The principles of quality governance apply to all incorporated entities (King, 2006: 1). Good governance is about the ability to govern an enterprise with integrity. Principles of quality governance or corporate governance can include the following: sound economic, social and environmental practices, the triple bottom line[6] (sustainable[7]) performance; effective financial accounting[8] 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). From the above definitions and principles of corporate and good governance, it is possible to deduce that good governance includes corporate governance ánd public sector governance.

Good governance cannot be defined 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. 'Moral governance' is directing and controlling the actions of an institution that are based on practices and principles that enable a distinction between right and wrong; and values that are underpinning those activities and practices that involve fairness, accountability, responsibility and transparency based on intellectual honesty. With the definition of moral governance in place, it is now appropriate to focus on the next set of definitions.

1.4.2 Ethics, morals and business ethics

The word ethics comes from its Greek root *ēthos* that includes 'character', (Shepherd, 2006: 283). Comte-Sponville (2005: 5) said that ethics is the accumulation of those things that a person "imposes himself or denies himself", not in the first place to serve his own interest, but in consideration of the rights of others. Velasquez (2002: 11-12) defined ethics as "the discipline that examines one's moral standards or the moral standards of a society". Ethics questions how these standards apply to a person's life and if these standards make sense to a person. For example, De George (1999: 19-20) defined ethics as "a systematic attempt to make sense of our individual and social moral experience, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing, and the character traits deserving development in life". This definition of De George is the most appropriate definition for the purpose of this dissertation, and therefore needs further explanation. The definition goes beyond the evaluation and application of moral

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[6] There is also a new trend called the triple top line, namely: ecology (e.g. company products that place nutrients back in the environment and sustainability); followed by economy (profit); and equality (social responsibility).

[7] The essence of sustainability (Visser & Sunter, 2002: 73-76) is that it is a wider view of business performance, beyond profits, revenue growth and shareholder value. The following are also known as the triple bottom line: economic growth, environmental quality and social justice.

[8] Effective financial accounting is not about compliance with rules and codes, it is not 'box ticking'. Enron had an audit committee, a compensation committee and a nomination committee. The audit committee was chaired by a chartered accountant. Enron's board had 100 percent attendance (King, as cited by Tricia Bisoux, 2004: 35).

standards by including “the character traits deserving development in life”. Ethics is the quality to evaluate and to determine if a person’s actions and behaviour are guided by rules, values and virtues such as integrity, honesty and justice, those “character traits deserving development in life”.

The concept ‘moral’ as applied in the definition of ethics was defined by De George (1999: 19) as “a term used 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”. 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 exist within which business could be executed.

Business ethics is a branch of general ethics, that was defined by De George (1999: 20-23) as “the interaction of ethics and business”. A precondition for business ethics is that those who study it have a clear concept of what is ‘moral’, the same precondition that applies to ethics. Business ethics will not change corrupt business practices if those engaged in such practices cannot be judged in terms of an accepted concept of what is ‘moral’. However, business ethics can produce arguments that can convince those engaged in corruption to change their behaviour for the better (De George, 1999: 26).

1.4.3 Corruption vs integrity

The World Bank (WB) defined corruption as “the abuse of public office for private gain”. This is one of the most commonly used definitions of corruption within the public domain. The expanded definition of the WB distinguished between ‘isolated’ and ‘systemic’ corruption (World Bank Report, 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 support integrity. Both formal and informal systems are strong enough to return the system to a “non-corrupt equilibrium”. Systemic corruption, on the other hand, is pervasive, or entrenched, where corruption is routine between and within the public sector, companies or individuals. Formal and informal rules “are at odds with one another”. Corruption may be illegal, but in this case it is understood to be routine in transactions with government or business. Equilibrium exists (also called a “systemic corruption trap”) where incentives for corruption are very attractive for companies, individuals and public servants – attractive to be exploited and not resisted because of a high likelihood of success in a supportive corrupt environment.

The central theme of this dissertation is that corruption is generally a systemic problem. The WB’s definition fails to accept the general nature of corruption as being systemic - a concept that suggests interdependence on deviant behaviour in public and/or private sector institutions. 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 when there is a ‘culture’ of corruption, when the risk of exposure is less than the rewards for

corrupt behaviour. This is due to mutual acceptance of, and mutual interdependence on, corrupt behaviour within sub-cultures of 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). Latin for 'integrity' is *in-teger*, meaning "what is not touched, taken away from, or interfered with" (Stanford Encyclopedia of Philosophy, 2010a). *In-teger*, can therefore be interpreted as 'wholeness'. Therefore, 'integrity' should be a central (albeit contrasting) concept in any root definition of corruption, because it represents consistency in "actions, values, methods, measures, principles, expectations and outcome" (Stanford Encyclopedia of Philosophy, 2010a; and Stanford Encyclopedia of Philosophy, 2010b). Oxford Advanced Learner's Dictionary (2005: 714) described 'holistic' as follows: "considering a whole thing or being to be more than a collection of parts" and in terms of medicine "treating the whole person rather than just the symptoms". This definition corresponds with the definition of the *Verklarende Handwoordeboek van die Afrikaanse Taal (HAT)* (Odendal, 1985: 401) which emphasises that holism is a philosophical statement "*wat berus op die beginsel dat die geheel meer as die som van die dele is*". The HAT definition emphasises the inherent holistic characteristic of the whole being larger than the sum total of the independent parts. This seems to be a most appropriate insight for the purposes of this study. Corruption can therefore 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).

The author of the dissertation can argue about "a departure from the original or from what is pure or correct" because whose standards are applicable in determining 'what is pure and correct'? Nevertheless, the essential attributes of corruption are represented in this definition and will be used in this dissertation. The focus of this dissertation is on 'institutional integrity'.

According to Spies (2003: 9), integrity means also that the norms and behaviour of every element of a social system represents the norms and behaviour of the whole. A popular view of integrity is that the actions of a person should correspond with what he/she says in the spoken word. Corruption is the antithesis of integrity (Spies, 2003: 9) because a breakdown of integrity means a systemic breakdown. This systemic contamination not only affects the cohesion of and symbioses in a social system, but it is also a direct attack on the norms and standards that drive the cohesion and symbioses of a society. It is therefore symptomatic of a society in which serious systemic imbalances occur (Spies, 2003: 9). Corruption is "a general concept describing any organised interdependent system in which part of the system is either not performing duties it was originally intended to, or performing them in an improper way", to the disadvantage of the system's original purpose (Knol A Unit of Knowledge, 2010).

Another system's perspective on corruption is that it is 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, that includes the generation and distribution of power (political), wealth (economical), knowledge (scientific and technological) and innovation and inspiration (aesthetical). Corruption can therefore not be defined properly if the general conditions under which it occurs are not described. For example, within the context of administrative behaviour, the bigger the difference between minimisation of transparency[9] and accountability, on the one hand, and the maximisation of discretionary power and responsibility, on the other hand, the more favourable the opportunities for corruption become. The bigger the said difference, the more lucrative corruption is, because the risks of exposure and/or to be reprimanded and/or to be fired and/or to receive a court sentence are less than the actual costs, namely the benefits from corruption minus the risks.

1.4.4 Corruption and general conditions within institutions

Reference was earlier made to a 'culture of corruption'. Culture and management style are important societal and organisational conditioning factors. 'Transparency', 'accountability', 'discretionary power' and 'responsibility' are crucial for the management of corruption. First and foremost, corruption flourishes within 'darkness' where no, or very limited, transparency exists. Transparency provides the 'light' for the exposure of corrupt activities so that it can be tested against some accepted code of conduct. Transparency is therefore a necessary condition for the control of corruption. Accountability is answerability for activities that should comply with allocated responsibility. Accountability cannot be delegated, it is full and final answerability or, in laymen's terms, 'where the buck stops'. Discretionary[10] power is flexibility to interpret laws, regulations and rules and to make a decision that is either strictly in accordance with the letter of the law or rule or in terms of what is fair and reasonable under the circumstances considering all relevant factors such as morality. Responsibility is the obligation to fulfil duties or tasks associated with a specific position in terms of its mandate, power, functions and discretion entrusted to such position.

Managers must manage the specific situations they are facing, namely the situations that fall within their field of responsibility. These 'specific situations' are in turn (systemically speaking) partly the products of the general conditions (including culture) that prevail in an organisation or institution. If the general conditions are conducive to corruption, even the most diligent manager will struggle to control corruption effectively. For example, scarcity and general feelings of inequality and insecurity in society affect the nature of competition for scarce resources, such as land, mineral and business rights. This can become a motivator for gaining political and/or economic power in order to gain unfair income benefits, such as tenders and

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[9] Transparency means clear and "unmistakable, easily understood, free from affection or disguise" (Upshall, 1992: 836).
[10] Discretion is the "freedom or power to decide what should be done in a particular situation" (Hornby, 2005: 417).

positions, and unfair service benefits. Such benefits can be obtained by means of abuse of power for gaining access to and/or 'grease the wheels' for 'speeding up' applications for such benefits, such as public schools and water. When a government intervenes in the distribution of scarce resources in the form of regulations, subsidies, loans and grants, a bureaucracy is created that sometimes gives rise to excessive functions, processes and structures that cause delays, inefficiencies, abuse of power and protecting of incompetence, which are manifestations of corruption. Bureaucracies also create monopolies in the production and distribution process of both private and public goods and services. In sustaining these monopolies, vested interests are protected and often give rise to a network of complex corrupt relationships that, in the long run, benefits only a small number of people to the disadvantage of society at large. Corruption therefore manifests itself in the selfish short-term focus of a recurrent nature by a group or an individual.

1.4.5 The concept 'systems' and manifestations of systems

Corruption is sometimes described as a 'system', a 'social system', (Gharajedaghi, 1982: 68); and a 'human system', (Checkland, as cited by Wilson, 1993: 25). Therefore, the concept 'system' needs to be defined and other related concepts need to be explained.

Various definitions of the concept 'system' are available but few highlight the essential characteristics of systems. For example, according to Wilson (1993: 24), a system is a structured set of objects and/or attributes that operate together through relationships between them. Boulding (1985: 9) provided a broad definition, stating a system is "anything that is not chaos". He then turned the definition around and defined it as any structure that "exhibits order and pattern".

The most precise and the core definition of a system is, probably, 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", that satisfy the following conditions:

- "Each of these parts can affect the behaviour or properties of the whole;
- None of these parts has an independent effect on the whole;
- The way an essential part affects the whole depends on what other parts are doing; and
- Every possible subset of the essential parts can affect the behaviour or properties of the whole but none can do so independently of the others".

Various manifestations of systems are described in the literature. The most appropriate description for this dissertation from a systems point of view is the one of Ackoff (as cited by Gharajedaghi, 1982: 1-11). Ackoff distinguished between mechanistic, organismic and social systems. This distinction is used to justify the application of systems theory in this dissertation. Mechanistic systems are 'machine' or 'mindless'. During medieval times, for example, and less frequently today, armies were positioned by leaders like a chess game

with no feeling or emotion or sympathy for the problems experienced by soldiers on the battlefield. This approach to systemic corruption is still present today in the mindless application of rules and regulations without considering their effectiveness. When corruption is increasing, more policies, legislation and policing are used to punish wrongdoers without considering the long-term sustainability thereof. The mechanistic model is embedded in rule-based morality, where the rules in themselves are moral, more rules are created and compliance to them is the focus. As long as everybody follows the rules, no corruption can exist. A direct cause-and-effect relationship exists based on the premise that corruption can be controlled by addressing its causes, of which one is rulelessness. It is deduced by the author of this dissertation that mechanistic systems are deterministic systems, where neither the parts nor the whole are purposeful (Ackoff, 2009a: 7-11), and therefore whatever change in parts are introduced, there can be no holistic change.

The organismic or biological model is ‘uniminded’, it is an improvement on the ‘mindless’ model but not the ideal. This model is typical of institutions that are focusing too much on central control, growth, profit and shareholder value and are not in sync with stakeholder expectations. As long as a business is increasing shareholder value, management is allowed to make decisions, even ones that are unsustainable. This approach is embedded in the morality of utilitarianism. Cost-benefit analysis and management by objectives (MBO) are management techniques that are used to make decisions in the organismic model. Functionalism and specialisation are typical of institutions where decisions are taken in isolation. One functional component is undermining another in an atmosphere where there is no holistic consideration of the implications of decisions. This silo effect contributes not only towards isolation, but also towards segmentalism, elitism and pragmatism, all obstructions to change. This approach towards increased corruption is evident in institutions that take decisions to increase the efficiency of anti-corruption measures, by increased monitoring, surveillance and ethical codes, without considering their effectiveness in terms of the institutional cultural context and societies’ tolerance for corruption. It is deduced by the author of this dissertation that organismic systems are animated systems, where the whole is purposeful, but the parts are not. One example is public entities that are transformed to State Owned Enterprises (SOEs), whose purpose change from providing public value to making profit (Ackoff, 2009a: 7-11).

The last model, the social model, is ‘multi-minded’. In the social model, human aspirations are taken into consideration in anticipating people’s behaviour when dealing with change and culture and reducing corruption. Flow of information, motivation, culture and ‘power to accomplish’ can, for example, be used to reduce corruption. The ‘climate’ or context for reducing corruption must be created to make any anti-corruption strategy sustainable. A social consciousness must be developed that creates trust between members to make change possible. This model is embedded in the morality of virtue ethics where leaders lead by example, that is competent and moral leadership. Such leaders have integrity, governance (stewardship), knowledge and skills, inspiration and business acumen. In this model, the right structures to reduce corruption are aligned with the right processes to achieve its purpose, i.e. an institution that is just and fair and has integrity, where a change of culture is supported by political or leadership commitment to

change. In this model, governance, purpose, structure, context and processes are in balance. In social systems, both the parts and the whole are purposeful, e.g. an enterprise that has duties beyond shareholder value (Ackoff, 2009a: 7-11).

Of the three models as discussed, the social model of a system best fits the description of corruption as a systemic pathology. Such systemic 'illness' is evident in Ackoff's definition of a system. Such a system consists of various subsystems that function according to their own separate agendas that affect 'the behaviour or properties of the whole'. Different subcultures (subsystems) in a corrupt institution have an impact on the behaviour of the whole institution. However, no subculture can change on its own the culture of a whole institution. The purpose of these subcultures is to break down the integrity of these subsystems and the whole system.

Although Ackoff's distinction is the most relevant and most appropriate from a systems point of view for the purpose this dissertation, it is necessary to mention also a few other writers' distinctions between different types of systems, such as Boulding and Checkland. Boulding's main aim was to argue the universality of systems in nature and society (Boulding, 1985: 9-30). He distinguished between the following: mechanical, cybernetic, positive feedback, creodic, reproductive, demographic, ecological, evolutionary, human and social systems. Checkland was an engineer who became interested in the application of systems thinking in planning and design. He distinguished between natural systems, designed systems, human systems, social and cultural systems (as cited by Wilson, 1993: 25). Checkland argued that the last typology of systems is different from the previous three in that it bridges the connection or interface between natural and human activity systems. Examples of social systems are a family, a community and a nation. He also referred to *ad hoc* 'human activity' systems that are formed by groups of people to perform some purposeful voluntary activity, namely: "A human activity system is characterised by a connectivity that must exist between each entity, the system must have a purpose, a control mechanism(s), the area must have a boundary, resources must be available within the system boundary, the chosen boundary of the system places the system at a particular level within a series of levels, the perception of the specific person(s) within the broader system(s) must be indicated, which is known as worldview or *Weltanschauung*". This view of Checkland about a human activity system is part of the soft systems approach that will be further explored in this chapter.

1.4.6 A systemic concept of development and obstructions to development

Corruption is a deviant human (including socio-cultural) 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 (as cited by Gharajedaghi, 1982: 6-11) argued that, because the parts of a social system are interdependent, when these parts are driven to perform independently as efficiently as possible ('selfishly', as in corrupt behaviour), the system as a whole will not perform as efficiently as possible. This is an obstruction to development.

To understand systemic obstructions to development, the functions (expected outputs) of a system as a whole have to be examined. Gharajedaghi (1982: 57) identified five functional dimensions in social systems (hereafter referred to as the Ackoff-Gharajedaghi Five Dimensional Design), namely:

- The generation and distribution of wealth by means of the production of goods and services (economic function).
- The generation and distribution of information and knowledge that causes understanding and insight (skills and technology function).
- The creation and dissemination of beauty, meaningfulness, excitement and harmony (aesthetic[11] function).
- The creation and maintenance of peace, conflict resolution, the challenge of "appreciating plurality of value systems", empathy, love, respect, harmony and a strive towards the good and what is right (ethics and morality function).
- The generation and distribution of power, questions of legitimacy, authority and responsibility or questions about accountability, transparency and responsibility (governance function).

Within the sphere of socio-economic and business studies, the concept 'development' is normally associated with any improvement which enhances the capacity (ability) of an entity to perform its functions. The 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 for effective and efficient behaviour, any system (human and otherwise) should have efficient elements as well as effective interactions between these elements (the contribution of each element to the whole must be according to the design of the whole).

The systemic definition of development moves beyond the enhancement of ability by pointing to the crucial role of human behaviour ('desire to serve') in a multidimensional development process. It can be argued that self-serving behaviour is the hallmark of corruption. Corruption is thus the antithesis of a 'desire to serve', as specified in the systems definition of development. The systems definition for development seems therefore the most appropriate for a discussion of the impact of corruption on development. It is even more appropriate when one understands the underlying meaning of the following concepts: needs, desires and legitimacy.

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[11] Aesthetics is a "branch of philosophy that studies the principles of beauty, especially in art" (Oxford Advanced Learner's Dictionary, 2005: 24).

By need, Ackoff (as cited by Gharajedaghi, 1982: 54) meant something that is necessary for survival, such as food and shelter. What is needed may or may not be desired. A person may desire something he/she does not need for survival, but for fulfilling, what Maslow called higher order needs. Maslow argued that there is a 'hierarchy of needs' of which the most basic are needs for survival, followed by security, social, ego-status and self-actualisation as a person develops (Bloomsbury, 2002: 1018-1019). Hertzberg separated hygiene factors that may cause job dissatisfaction from motivational factors that may lead to positive job satisfaction. The hygiene factors are comparable with Maslow's level one, two and three needs; and the motivators to levels four and five.

Gharajedaghi's distinction between needs and desires is in line with Maslow's hierarchy of needs, but within his perspective he would typify the higher order Maslow 'needs' as 'desires'. According to Maslow, man continuously wants more, but as soon as a need is satisfied it will not be a motivator any longer. According to Drucker (as cited by Bloomsbury, 2002: 1018), this does not mean that economic rewards are less important as a person moves up in the hierarchy of needs. As the impact of economic rewards as a motivator decreases, its ability to create dissatisfaction increases. This means that when a corrupt public servant earns a market-related salary, as a result of a general, across the board, salary increase for all public servants, his/her reason for exploiting corrupt opportunities decreases. Such a public servant has less reason to be corrupt because he/she does not struggle to survive anymore. However, if such a public servant perceives his increase in salary as an entitlement, it can serve as an obstruction to his/her development, by continuing to benefit from corrupt opportunities.

A legitimate desire, according to Gharajedaghi, is when an individual strives to attain something that does not reduce the ability of other individuals to fulfil their needs or legitimate desires. 'Desire' brings subjective and emotional perspectives into the equation – and thus also questions of a moral and ethical nature. A 'desire' is produced by an image or 'vision' created by the interaction of creative and re-creative processes in human behaviour. Dissatisfaction with the present is not a necessary condition for change, although when it is perceived as a threat it may stimulate the 'need' for self-serving 'fight or flight' behaviour – of which corrupt behaviour is an example. Faith in one's ability to partially control the 'march' of events is, in addition, necessary for creative and re-creative behaviour (hence, a feeling of powerlessness is perceived to be threatening). Ability is the potential means of "controlling, influencing and appreciating parameters which affects the system's existence" (Gharajedaghi, 1982: 55). Development requires an increase in ability, i.e. learning. One person cannot learn for another, one person cannot develop another but can only "encourage and facilitate" the development of another person. Self-development is thus the only type of 'development' that is acceptable within this systems perspective of development. The next section focuses on the scope, questions and objectives of the dissertation.

1.5 RESEARCH SCOPE, RESEARCH QUESTIONS AND OBJECTIVES

1.5.1 Scope and research questions

The 'scope' of a concept is the breadth or narrowness of the class of phenomena to which a concept applies (Mouton, 1998: 118). This dissertation on corruption covers selected subject areas of the disciplines of Systems Thinking, Philosophy, Ethics, Business Management and Administration, Roman Dutch Law, Common Law and Public Management. The focus is on corruption within the context of a problem situation, as outlined in Section 1.3. Because corruption is a systemic problem situation, systems thinking was chosen as the research methodology that is further explained in the next chapter.

The dissertation attempts to answer the following research questions:

- What is the essence of corruption? How can it be defined? Is it simply an ethical problem, the consequence of a moral breakdown in an institution?
- What are the co-producers of corruption?
- How does corruption manifest itself? What is its impact on the development of a particular company or institution?
- How can an institution combat corruption systemically? Which strategies can be most sustainable?

1.5.2 Objectives

The research objectives are as follows:

- To specify the nature and character of corruption.
- To identify the co-producers of corruption, and their negative impacts on the socio-economic development of developing countries.
- To illustrate some manifestations of corruption.
- To construct a conceptual framework for developing indicators to profile a systemically corrupt institution.
- To design strategic/prospective and tactical-operational/audit approaches for the institutionalising of durable values in transforming the 'hard' institutional structure and the 'softer' culture of a systemically corrupt institution to a culture with good governance and social consciousness.
- To develop operational guidelines for corrective change management strategies.
- To illustrate the application of the systems approach *vs* international best and worst practices.

The next section focuses on the research methodology of the dissertation.

1.6 METHODOLOGY

The research design as applied in this dissertation is based on systems thinking methodologies and specifically the soft systems approach. The meta-assumptions associated with this methodology are based on the following: The context is that of an open system; interactions follow a network structure of interdependent relations between numerous components. For example, a change in one component can co-produce a change in all other components and the total system, co-producing new cultures and subcultures, and reproducing new and different co-producers and changing the context. Co-producers and their interdependent components are self sustaining, creating a life of their own that is unpredictable, non-linear, that cannot be managed in a planned and predetermined and orderly manner associated with the traditional hard systems approach of management science. To change such open and complex systems requires a systemic response. These meta-assumptions provide the basis for selecting the systems approach as the most appropriate and sustainable approach for steering corruption towards a consensus.

In addition to systems thinking methodologies and the soft systems approach, combinations of the following methodologies were blended and applied:

- Conceptual analysis, that focuses on the meaning of words or concepts through clarification and elaboration of definitions of key concepts and their interpretation. The conceptual framework facilitated the systematic presentation of material and logical consistency. Corruption in its various forms is seen as a subsystem of the social system. The social system is grounded in economics, politics, science and technology, ethics and aesthetics. Conceptual pointers serve as a compass for navigating material to stay as close as possible to the primary focus of the dissertation, the socio-economic impact of systemically corrupt institutions on developing countries. The construct of socio-economic impact is further qualified in terms of ‘poverty’ and ‘underdevelopment’. These concepts are defined within contemporary literature.

- Philosophical analysis, with the focus on moral reasoning and applied ethics and, in effect, to provide clarification about the immoral nature of corruption and concepts that are key in the contextualisation thereof, such as culture and governance. A deeper philosophical basis could have been established for the purposes of ‘finer’ conceptualisation of Moral Philosophy and Ethics, specifically African Ethics. However, ethics is but one dimension of corruption. The dissertation deals with ethics as only one of the aspects that should feature in operational guidelines. To have highlighted ethics further would not only have brought about a skewed dissertation, but also diluted the central message. The unit of analysis is systemic corruption, it is an interdisciplinary topic and the subject area is in Business Management, and not in Philosophy.

- Theory-building or model-building provides a description of manifestations of corruption, classification thereof and the development of a conceptual framework to identify a systemically corrupt institution. An aspirational taxonomy is developed about common denominators in dealing with corruption in Hong Kong and Singapore, the United States of America (USA) and United Kingdom (UK) as comparative best practice case studies. Systemic and operational guidelines about how to manage and control corruption in institutional context are also developed. These guidelines provide insight and understanding for containing corruption in a specific culture and/or context.

- Hermeneutics, which entails interpretation, reinterpretation and reflection of texts on corruption where texts get a relative meaning in terms of its bigger and/or smaller context. A requirement for applying hermeneutics is that the author has had to consult an appropriate wide body of relevant literature, because all texts and their interpretations have to be 'tested' within their contexts. Thus, the necessity for distinguishing between primary and secondary sources seems irrelevant for the purpose of this dissertation.

- Exploratory research embedded in hermeneutics provides guidance to a systemic framework that offers an integrated understanding of corruption and its interface with other variables, especially in the developing world. This interface is evident in corruption, especially its 'systemic' variant that can be considered from a variety of vantage points, namely as a construct (concept), a condition, a manifestation, an impact and a co-producer. Corruption can contribute towards poverty and underdevelopment and *vice versa*. The dissertation has a preference for exploring the latter dimension and demonstrates that systemic corruption functions at different registers in the wider social system.

The description of the developing countries' corruption problem situation in the dissertation is a methodological element. As an integrity template it is applied to illustrate planning and operational guidelines about change management strategies' applicability. The author initially decided to include a real case study of an institution in a developing country, the Social Security Commission of Namibia, which was a major corruption case in Namibia. However, the problem with this case and all real cases is that they expose people and their private affairs and this makes the author vulnerable to litigation. The author decided to use a description of a developing country's corruption problem situation which is a combination of real case examples and a reflection of reality. Such corruption problem situations in this dissertation describe key drivers, key uncertainties and key interventions (strategies). To highlight examples of developing countries' problem situations throughout the dissertation, the author focused mainly on Namibia and to a lesser extent also South Africa because familiarity with the context of these countries enabled better understanding, insight and illustrating the application of the systems model. In containing corruption, tactical-operational leverage points are identified as the most optimal change management strategies to transform systemically corrupt institutions in the shortest possible time. In dissolving corruption, strategic/prospective strategies were developed for transforming systemically corruption institutions over the longer term.

Information used in this dissertation is largely of a qualitative nature. Books, journals and electronic sources were valuable in acquainting the author with concepts and definitions about ethics, morality, development, corruption, and illustrative cases of corruption in developing countries. A distinct preference for scholarly books over journal articles is evident. Nonetheless, about nine percent of all sources cited are journals. The listing of sources demonstrates a healthy balance between local (South African) and international sources.

1.7 THE FRAMEWORK FOR RESEARCH

Methodologies as discussed in the preceding section were explored and blended. Systems Theory was chosen as the framework for design of the dissertation. In order to understand the researcher's choice and motivation of the framework for research, it is necessary to focus briefly on the historical development of systems theory and the evolution of soft systems.

Systems theory can be dated back to the Greek philosophers, such as Plato. More recently, Smuts (1926) in his book 'Holism and Evolution' introduced the concept of holism that contrasted the idea of a '*geheelgreep*' in scientific thoughts with analytical or reductionistic thoughts. Since the 1930s, authors such as Koehler, Weiner and Von Neumann, Bartalanffy, Katz, Kahn, Simon and Building have written about the differences between open and closed systems and self regulation. As a result of the progress made in computer technology during the 1960s, system simulation developed. Forrester, especially, made a meaningful contribution in this regard. During the 1970s, system simulation formed the methodological basis for the first Club of Rome report, 'Limits to Growth'. During this time, a distinction was introduced between 'hard systems' that can be described with clarity and for which clearly defined solutions can be found through linear and scientific investigation; and 'soft systems' that cannot be described with clarity and for which no easily defined solutions can be found. Examples of hard systems are machines and the human body; and people in organisations are examples of soft systems. The management of soft systems is different from the management of hard systems. The social sciences study area of complexity developed from the natural sciences studies in cybernetics in the 1990s and chaos theory of the 1980s. During the 1970s the study of soft systems already anticipated the current complexity arguments. The most important aspects of complex systems have been highlighted by Ackoff and Emery (1972) in their book 'On Purposeful Systems'. Ackoff later explained it more completely and practically in his three models of organisations in which he defended his interactive planning and idealised design approaches for dealing with systemic problems such as corruption. Ackoff's greatest contribution is probably that he so much emphasised the need to approach societal systems in a different way.

Ackoff and Churchman were significantly critical about Forrester and the simulation of human systems, for example what are known as Industrial Dynamics, Urban Dynamics and Global Dynamics. Ackoff and Churchman argued issues that were only two decades later elaborated by authors of complexity theory. They also developed planning processes to manage soft systems. Gharajedaghi and Ackoff applied soft systems theory

to develop, for example, medical services and alternative school systems in Iran. Their soft systems school of thought is the only one known to the author of this dissertation that applied their operational management design applications with success in companies and government departments. It is logical that the unique and valuable conceptual clarity provided by Ackoff and Gharajedaghi in providing guidance for planning processes and operational management guidelines, is of key importance for application in this dissertation.

Within the context of the preceding historical overview, in the following discussion the author selected only what was relevant for meaningful conceptualisation. In particular, the possible application and value of system dynamics, biomatrix, soft systems studies, and complexity and chaos theory were reviewed as follows:

Key authors in **system dynamics** are Forrester, Meadows and Senge. System dynamics' main value for this dissertation is its contribution in terms of identifying 'key decision points'. This is nothing else than the posing of key questions. For different institutional components, different questions can be developed to identify co-producers of corruption. The process of an institutional component to improve upon its 'mistakes' by means of 'feedback loops' is what Senge called 'a learning organisation or learning system' (Senge, 1999: 1-204). Such an institutional component should see itself as part of and responsible for the whole institution and explore how its contribution could fit and improve the whole system. In the process of identifying 'key decision points', system dynamics assists in identifying patterns. Meadows called these 'key decision points' or 'leverage points', which has great value to planning and management of change. From a strategic perspective (high level, e.g. thoughts, values and culture), through a tactical perspective (middle level) to operational perspective (low level), Meadows discussed leverage points to bring about the biggest change in organisations with the least effort within the shortest possible time.

Biomatrix[12], as an integrated systems theory was developed by Dostal, Cloete and Járos and a group of researchers from various disciplines during the late 1990s with the aim to identify organising principles common in social, natural and technological systems (Dostal, Cloete & Járos, 2005: 2-21). The potential value of biomatrix for the purpose of this dissertation is that it provides a hierarchical approach for identifying co-producers and strategies for addressing problems of a systemic nature of a specific component or institution (Dostal, Cloete & Járos, 2005: 17, 200-205, 495). However, although biomatrix is very useful for identifying institutional problems, it is awkward in terms of application. It was thus deemed not the most appropriate approach for the purpose of this dissertation where the problem situation is not only institutional, but also embedded in the national, regional and international context.

Complex systems (or complexity) exist where there are more possibilities than what can actually be realised (Luhman, as cited by Cilliers, 2005: 2). Cilliers noted that complexity cannot be described by a definition, but rather by a 'general description'. Corruption's intricate relationships with other variables, such as poverty and

[12] Biomatrix means 'pattern of life'.

development, are a complexity. There is neither only one co–producer that contributes to corruption, nor an ultimate description, no one root definition, capable of capturing the 'mess/knot' of relationships between elements of a corrupt system. Approaching the problem situation from a systemic perspective will enable to 'dissolve' the problem situation that is too complex to be 'untied' because of this 'mess' or 'knot'. If only a few strings are pulled to untie it, the 'knot' tightens. The value of complexity theory in terms of this dissertation is its contribution of self-organisation and recurrence.[13] Cilliers' unique contribution to complexity is that he described in a nutshell and very precisely ten characteristics of complex systems of which the explanation is available in the next chapter, in Section 2.4.

Both Meadows and Gharajedaghi provided a valuable perspective on the facets of corruption that should be addressed in planning and management. From a strategic perspective, the multi-dimensional viewpoints on the functioning of human systems (social systems), that Gharajedaghi presented, is a broadening of Meadows' high level leverage points. Gharajedaghi's viewpoint includes the wealth, skills/thoughts/abilities, values/ethics, stewardship/governance and sense for aesthetics/inspiration of humans. He discussed the implications of absolute (scarcity), relative (unequal access) and threatening shortages (insecurity) and indicated that they can contribute towards social pathologies of which corruption is the outcome. Another contribution of Gharajedaghi is his five principles of open systems, namely openness (open for external influences), purposefulness (designed to perform a specific objective), counter-intuitiveness (addressing problems in an analytical way can have the opposite effect of solving it), emergent property (the ability of contributors to problems to interact that co-produce properties on a higher level), multi-dimensionality (to have various faces or masks); and his interpretation and clarification of the confusion about complex systems and chaos (Gharajedaghi, 1999: 29-55).

The term **'soft systems approach'** was coined by Checkland but earlier conceptual contributions by authors such as Ackoff, Gharajedaghi and Churchman provided a strong intellectual foundation to this approach. Churchman (1982), Ackoff (1981) and Gharajedaghi's (1999) contributions to soft systems studies were that they provided conceptual clarity about articulating and defining key concepts in addressing systemic problem situations. Soft systems mode of enquiry is largely conceptual in nature and most suitable for 'messy/knotted' and ill-structured problem situations where interdependent elements occur that cannot be analysed independently (Jackson, 2008: 183). Soft systems focuses specifically on the social and human application of problem situations such as corruption. The soft systems approach does not require clear objectives before the problem solving process can start, as is the case in the complex problem situations of

[13] Self-organisation is the ability of complex systems to take on a life of its own. This is done by changing its internal structure of relationships between elements and to manipulate its environment to its own advantage and survival (Cilliers, 2005: 90), e.g. as is the case in corrupt systems. The critical state of such a self-changing system is referred to as being 'on the edge of chaos', (Lewin, as cited by Cilliers, 2005: 98). Recurrence is the ability of complex systems to provide feedback to itself that is related to Senge's 'feedback loops'. This means corrupt behaviour can be reinforced by a corrupt system.

corruption and development. Root definitions and conceptual models assist soft systems for analysing problem situations from different perspectives.

What follows is a synthesis of the contributions of the most important thinkers on soft systems. Checkland's soft systems approach is an outstanding method for scoping of the specific system that needs to be investigated. Ackoff's interactive planning approach is a good design for involving stakeholders in the planning process, while his idealised design approach is a good framework to tackle complex and systemic corruption strategically, tactically and operationally. The idealised design approach is based on the premises that in complex systems such as societies, it is of no value to remove or prevent problems. The environment must be developed to make problems impossible to occur, to dissolve problems as already mentioned under complex systems. Ackoff's interactive planning approach has been described in Section 1.4.5, that deals with the three models of organisations, namely mechanistic (mindless), the organismic or biological model (uniminded), of which the human body is an example, and human systems (multi-minded).

Some of the critique of soft systems follows. Although soft systems is well suited for creating participation, its application is less suitable for institutional design of complex systems or for institutions with significant conflict and a history of coercion. The approach focuses heavily on creating a shared view of consensus and is less suitable for situations where an unbalanced distribution of power exists (Jackson, 2008: 202-207). Soft systems cannot be fully applied in situations where participation is constrained and power asymmetry exists, which is often the case with systemic corruption in developing countries. Soft systems is based on interpretive thinking and contains an element of subjectivism that is not suitable for designing complex adaptive systems such as institutions. In changing perceptions, soft systems is less suitable as a sophisticated social theory, because to change perceptions requires structural changes in the sense of 'hard' changes in the five dimensions of a social system that cannot easily be brought about by soft systems.

The following arguments are used to justify the choice of soft systems as the most suitable approach in tandem with other approaches (as explained in the preceding section) for this dissertation. Although soft systems is less suitable for conflict situations and where power is unbalanced, as a 'broad approach' it is flexible and compatible with innovative methods that could be more appropriate for specific situations. One example is decision making tools to prepare members of an institution over time for participation. Soft systems is interpretive and it can be applied subjectively, however, for designing complex adaptive systems such as institutions it provides alternative designs based on world views of either innovation and/or best practices. These alternative perspectives on creating better systems have the ability to enable a blending of structural or 'hard' and 'softer' changes. Knowledge of complex systems, through Gharajedaghi's five principles of open systems, Cilliers' ten characteristics of complex systems, Ackoff's idealised design and interactive planning approaches, and Meadow's leverage points, are used to change the systemic nature and character of corruption in organisations.

1.8 RESEARCH STRATEGY AND DESIGN

The research design aims to structure the sequence of the dissertation in order to support the validation of conclusions. The design divides the research into three major parts or sections:

Chapter 1: Introduction and outline of research

Part 1: Framework for inquiry, co–producers and impact

Chapter 2: The systems approach and its relevance in understanding systemic corruption

Chapter 3: Co-producers of corruption

Chapter 4: Impact of corruption on development

Part 2: A conceptual model for managing corruption towards a consensus

Chapter 5: Framework for profiling a systemically corrupt institution

Chapter 6: Operational guidelines for corrective change management strategies and processes

Chapter 7: Systems approach *vs* international best and worst practices in managing corruption

Chapter 8: A systems approach, prevention is better than cure

Chapter 9: Conclusions

Overview of Chapters

Part 1 (Chapters 2-4) of the study focuses on 'What is corruption?' **Part 2** (Chapters 5-9) answers the question 'How can corruption be controlled?'

Chapter 1 of the dissertation has provided a general introduction to the entire study and a justification for the choice of the theoretical framework that was adopted. It has included the background to, rationale of, and motivation for the study, the statement of the problem situation, core definitions and concepts, research scope, research questions and methodology of the study. The research framework, strategy and design have also been provided, and finally, the chapter concludes with an overview of each chapter.

Chapter 2 focuses on the relevance of the systems approach in understanding systemic corruption. Concepts and definitions not fully explained in Chapter 1, e.g. poverty, quality, culture and change, are explained in this chapter. The interdependent relationship between culture and change is discussed, while different levels of development and change are also explained. A distinction is made between the concepts reform and transformation.

Chapter 3 focuses on the co-producers of corruption that consist of first and second-order-obstructions to development, which are representative of the five dimensions of human aspirations. In exploring the drivers of human behaviour, questions are answered, such as Why do people strive for economic well-being?

Conflicting human aspirations that obstruct development are discussed, for example poverty *vs* wealth. Human aspirations that co-produce second-order-obstructions to development are also discussed, such as alienation, polarisation and corruption.

Chapter 4 focuses on the devastating impact of corruption on development, *inter alia* through resource unlocking for self-fulfilment, and institutional integration and differentiation. Of greater significance than just the impact of corruption, are the emerging interactions between various impacts that also act as obstructions to development. The more these obstructions are created, the bigger the opportunity that they will interact, and the more severe their impact will be and the more complex to 'dissolve' them.

Chapter 5 develops a framework for profiling and identifying a systemically corrupt institution. This normative framework consists of a strategic/prospective approach developed mainly from indicators of good governance; and a tactical-operational/audit approach developed from indicators of moral leadership, a moral and durable culture, institutional integration, institutional integrity, and institutional trust.

Chapter 6 develops operational guidelines for corrective change management processes and strategies for cultural change. Strategies are based on integration and differentiation of conflicting developmental aspirations. In these strategies moral and transformational leaders play a commanding and coordinating role. Individual freedom and institutional security are created through participation and institutionalising good governance. People's potential is harnessed to provide increased collective consciousness for the application of cross-cutting and specialised skills to complement the development of social capital - the 'soft' side of the systems approach. Order is increased through creating a moral and ethical structure of relations between people. Stability and organisation are created through unlocking scarce resources for increased efficiency. Uniformity and conformity are increased through creating a transparent legal and regulatory environment through penalties (risks), increasing the probability of detection (enforcement) and institutionalised financial rewards and protection for whistleblowers - the 'hard' side of the systems approach. Corrective strategies for cultural change are also discussed, e.g. how to overcome resistance to change. This chapter also explains how systems processes, systems dynamics and soft systems can be applied to transform a systemically corrupt institution.

Chapter 7 compares the systemic approach with international best and worst practices in managing corruption. An aspirational taxonomy is developed that is the author's interpretation of the application of the systems model in terms of comparative best practice case studies of Hong Kong, Singapore, USA and UK. The discussion of developing countries' corruption problem situations is a combination of real examples, a reflection of reality, that illustrates the application of the systems model. A contextual discussion is provided of corruption as developing countries' corruption problem situations. A synthesis is articulated in terms of the five dimensions or social subsystems (key drivers), key uncertainties, and probable directions based on

key assumptions and how they could determine alternative directions of activities. The synthesis is embedded within the characteristics of complex systems.

Chapter 8 discusses a containing phase to stabilise the corruption problem situation with a few carefully selected containing (operational, hard and formal) strategies, as well as dissolving (strategic, soft and informal) strategies to create the environment for long-lasting transformation. Leverage points illustrate the best places to start with in containing systemic corruption to achieve a tipping point or change of phase as quickly as possible. Dissolving focuses on changing the context for preventing systemic corruption in creating a transparent, accountable, and sustainable culture with universal standards. Strategies for the transformation process include opposing development applications, such as the strategic/prospective *vs* tactical-operational, formal/hard *vs* informal/soft, legal/enforced *vs* voluntary, bridging (own choice, e.g. across racial/cultural/ethnic groups) capital *vs* bonding (no choice, e.g. family) capital, transparency and trust *vs* subverting the subversive, incentives *vs* penalties, coordination *vs* control, and inspiration *vs* enforcement. These dialectic and opposing strategies form a synergy of integrated developmental improvements for sustainable change and transformation of systemic corruption.

Chapter 9 concludes the dissertation with recommendations regarding core issues and areas for future research. Research questions and objectives are revisited to assess their achievement. This chapter provides a synthesis of the dissertation and focuses on the contribution of the study towards increased insight into and understanding of systemic corruption.

1.9 SIGNIFICANCE OF THE STUDY

The contribution of this dissertation is embedded in explaining why corruption is a systemic and complex problem situation that is connected with development. This dissertation questions the traditional approaches to manage and control corruption, i.e. from only an ethical and moral, or economic, or political perspective. This dissertation explains why the systems approach is suitable for containing systemic corruption; and how the approach can be applied to manage and control systemic corruption. The description provided of the obstructions to the five dimensions of development (co-producers of systemic corruption) has not been done before at the same length as in this dissertation. The impact of systemic corruption emphasises why and how corruption is so destructive for development. An aspirational taxonomy developed from comparative best practice case studies of USA and UK, and Hong Kong and Singapore respectively is the author's interpretation of why reforms in these countries were systemic, compared to other international best and worst practices. The development of systemic and operational guidelines from best practice cases, provide insight for containing corruption. A key contribution is a discussion of developing countries' corruption problem situations. Key drivers, key uncertainties, and key strategies demonstrate how systemic corruption can be contained and dissolved.

1.10 SYNTHESIS

During the last two decades corruption has received more attention, emphasising its destructive impact on development. Its systemic nature impacts directly on trade relations, and is manifested in transnational organised crime, 'penetrated', and 'failed' or 'criminal' states. Systemic corruption was explained as a governance issue where political will is absent to contain corruption, increasing the complexity of and causing a threat to national and international security. Corruption is not only an ethical and moral issue, but a systemic and complex problem situation of mutual serving behaviour that 'self-organises' and manifests differently under different circumstances depending on its changing function, behaviour, components, governance and environment. Systemic corruption cannot be analysed and 'solved' by direct cause and effect strategies, but needs to be dissolved by systems supported by political will, good policies and durable institutions. Reference was made to systemic corruption as a social and human system and, a culture as well as a social pathology. The metaphors of cancer and HIV/AIDS were used to explain the nature and character of systemic corruption. The connection between transnational organised crime, globalisation and systemic corruption was also explained. Having introduced the topic of the dissertation, problem situation, objectives, research questions and key concepts, the focus now shifts towards the relevance of the systems approach in understanding systemic corruption.

PART 1:
FRAMEWORK FOR INQUIRY, CO–PRODUCERS AND IMPACT

CHAPTER 2
THE SYSTEMS APPROACH AND ITS RELEVANCE IN UNDERSTANDING SYSTEMIC CORRUPTION

Chapter 1 focused on the inherent characteristics of complex systems, the principles that should be followed when thinking about systems behaviour, and how systems unfold and manifest. Chapter 2 focuses on systems concepts and principles[14] not fully explained previously, in order to understand systemic corruption. The focus is on the multi-dimensionality[15] of complex systems' nature, meaning 'what complex systems look like'. Multi-dimensionality is a thought framework for understanding complex systems that are described in this chapter as follows.

First, the interaction is discussed between poverty and corruption and the need for developing social capital for enabling social networks for bonding and bridging to steer towards an integrated and inclusive society. The focus is also on quality societies and quality people, because quality determines the effectiveness of the behaviour, relationships and interactions of and between people.

Secondly, the systems context is discussed that focuses on sustainable human improvement in the larger system by developing interdependent strategies. The systems approach, with reference to the context of systems, requires that both short and long-term strategies need to be applied to create conditions that will not support corruption.

Thirdly, systems order is explained, meaning how systems arrange themselves in hierarchies and how they govern themselves. Systems order is relevant because corruption control and management must face the challenge that corruption cannot be 'solved' at the level it is experienced.

Fourthly, an explanation is provided on how complex systems change, because in complex systems the environment that stimulates co-producers should be changed. Just removing co-producers will not solve a problem situation.

Fifthly, obstructions to organisational change and development are described, because these obstructions hinder and prevent qualitative or sustainable change. The discussion also includes differences between first

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[14] Principles of complex systems include: openness, purposefulness, counter-intuitiveness, emergent property and multi-dimensionality (Gharajedaghi, 1999: 29–55).

[15] The principle "maintains that the opposing tendencies not only coexist and interact, but also form a complementary relationship". More than two variables may form complementary relationships (Gharajedaghi, 1999: 39). E.g. limited accountability, large responsibility, wide discretion and limited transparency complement each other to co-produce corruption.

(temporal) and second-order-(qualitative) change, - learning and - development, as well as between a 'tipping point' and a change of phase.

Finally, the difference between reform and transformation is discussed. Reform is more incremental, evolutionary and longer-term improvement compared to transformation that is more comprehensive and a total/fundamental change of a system.

Following from Chapter 1, the section that follows focuses on systems concepts.

2.1 SYSTEMS CONCEPTS

A discussion about poverty and social capital is essential for the following reasons: First, poverty is one of the major co-producers of corruption. Secondly, corruption co-produces poverty. Both corruption and poverty are problem situations that are systemic in nature and suggest deviant behaviour. Thirdly, social capital is broader than just the antithesis of poverty. Where social capital exists, poverty is not pervasive and not systemic. Social capital is also broader than the antithesis of corruption, but is a very essential part of reducing corruption. If social capital is in abundance, neither poverty nor corruption can be systemic. Reducing poverty and corruption have an increase in social capital in common.

2.1.1 Poverty and social capital

Nearly 1.3 billion people struggle to survive below the extreme poverty line with an income of US$1.25 or less a day. Close to 2.5 billion people live on less than US$2 a day (World Bank Group, 2012: 1). Poor people have very limited access to goods and services, they are usually illiterate, cannot exercise their freedom, struggle to adhere to the value system of the rest of society, and cannot create meaningfulness in their lives. Poverty[16] is therefore a major obstruction to development, because it coincides with a number of other first-order-obstructions. First-order-obstructions are malfunctions of any one of the five dimensions of a social system (Gharajedaghi, 1982: 63). These five dimensions were explained in Chapter 1. Examples of first order-obstructions include deprivation and scarcity under the economic dimension. First-order-obstructions are further explained under Section 2.3. Poverty is not only a severe obstruction to development, it co–produces corruption. Therefore, in order to prevent corruption, poverty should be tackled as a first-order-obstruction, and its purpose, structure, process, environment and co–producers should be managed and changed. If poverty is to be removed, the societal capacity to do so should be developed. This capacity is called social capital.

[16] About 80 percent of all people live in countries where the gap in income is increasing (Mortimore, as cited by Smit, 2009: 5).

Poverty is traditionally measured in terms of asset poverty; monetary poverty, such as income inequality as measured by the Gini-coefficient[17]; and outcome poverty, such as access to services. These traditional approaches are superseded by other measurements, e.g. the needs approach, also known as the Cost of Basic Needs (CBN), that estimates the minimum cost of a bundle of basic goods to survive; the food energy intake (FEI) method[18]; and the food-share approach. CBN[19] has proven to be the most popular method especially in developing countries (Schmidt, 2009b: 1-11). Trend analysis is used to develop a better understanding of changing patterns in global and national poverty trends.

According to Spies (2003: 1) poverty is not the same as being poor - a poor person is not just somebody without money. Impoverished people "are caught in a trap of hopelessness and meaninglessness because of their inability to serve their own needs and of the communities within which they exist". Poverty is a struggle to survive "without hope and vision – a communal state that ultimately produces a vicious cycle of alienation and societal degradation".

Poverty is a societal pathology, as is corruption. It is characterised by complexity in causality that includes lower levels of human development, inability, incompetence and endemic poor living conditions (Spies, 2003: 9). The processes that steer it are also complex. Poor people are separated to the periphery of society, to the shacks of scarcity and struggle to survive, corruption and criminality. Examples are prostitution and the formation of gangs which disrupt the value structure and general functioning of the whole society. In this 'grey area' of illegality, a parasitic living order is created in which the affected ones become systemically dependent on the rules, values, aims, processes and structures of the poverty culture – separate with its own rules and logic, however part of the broader society. It is, for example, possible that there can develop a symbiotic relationship (mutually enhancing) dependency between the broader society and poverty – between corrupt politics, corrupt officials and poverty, or between economic dominance, exploitation and poverty (Spies, 2003: 9).

The focus shifts from poverty towards a revisit of Ackoff-Gharajedaghi's Five Dimensional Design. There is a mutually enhancing relationship between the outcomes of one part of dysfunctional conditions – such as suffering and inability – and other conditions in a society. This means there is a mutually enhancing relationship between the first-order-obstructions, such as poverty, and the second-order-obstructions, such as corruption. Second-order-obstructions occur when first-order-obstructions of any of the five dimensions of a social system interact. Second-order obstructions, such as pathological alienation, polarisation and corruption

[17] The most popular measure of inequality that ranges from 0, representing perfect equality, to 1, representing perfect inequality (Schmidt, 2009a: 5).
[18] FEI estimates the expenditure/income level at which the food energy intake is just enough to meet food energy requirements that are predetermined; and the food-share approach "sets a maximum share of food in total consumption above which a household is considered to be poor" (Schmidt, 2009b: 3).

in societies, cannot be addressed effectively by simplistic actions, such as policing, or state subsidies for housing or political transformation (Spies, 2003: 10). Although these linear actions are appropriate to address symptoms, more systemic actions are needed to tackle the deep-rooted interactions between dysfunctional dimensions, e.g. between poverty and corruption.

Where there is poverty, there is little social capital, because the 'investment bank' of social capital is "firstly in human development and secondly, in the coherence and strength of human organisation and social networks" (Spies, 2003: 1). Putnam (2000: 19) was the first to develop the concept of social capital, and in his writing (2007: 138) he said that "where levels of social capital are higher, children grow up healthier, safer and better educated, people live longer, happier lives, and democracy and the economy work better". It is very important to define 'social capital' from a systems perspective. The most appropriate definition of social capital for the purpose of this dissertation is the free translation from Spies' (2003: 4-5) definition "Social capital is based on human capacity, but the driving force of it comes from objectively focused and coherent functioning of a society. The 'investment bank' of social capital lies in a togetherness, in quality economic and societal institutions, in social and economic networks, in active civil organisations, in the developmental culture of a society, in an internal locus of control and a sense for meaningfulness that steer a society, in strong societal ethics, in a sense for reasonableness and respect of dignity – in other words, those factors that maintain high quality interactions between the different elements of a society, and focused on the desired outcomes".

From the definition of Spies, it can be said that social capital consists of two parts, on the one hand the developing of institutions, and on the other hand the developing of cross-cutting 'social contracts', networks of mutual responsibility between people. One part of the definition focuses on the 'hard' institutional side, and the other part focuses on the 'softer' civil accountability side. The latter part is the most challenging to develop, because it has to do with changing people's perceptions and resistance to change. The institutional part deals with creating and legitimising of 'hard' performance-driven institutional standards that determine 'formal' moral institutional compliance with rules and regulations. The 'softer' deals with creating moral standards, perceptions, social culture on a civil level and takes much longer to establish. This social character is based on a collective spirit and trust between people and is not based on individual accountability, but forms an effective social control mechanism to control corruption 'unofficially'. This 'informal' control is more effective than 'formalised' control through legislation, because it is based on social commitment and not on compliance. A social consciousness develops in which people are 'bound' collectively when they 'test' and realise the implications of their individual behaviour *vs* that of the larger social groups in an institution.

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[19] CBN defined a minimum amount of money for a bundle of basic goods needed for a household to survive (Schmidt, 2009b: 1-11).

In returning to the concept of social capital, Putnam (2000: 19, 288-290) made a distinction between 'bonding' and 'bridging' capital. 'Bonding' capital develops from socialising between people who have a number of similarities, often family, race and religion. 'Bridging' capital develops from socialising between people who have very little in common, for example people of different race or ethnic group. Bridging capital is needed for building connections between heterogeneous groups within and between institutions to address problem situations that arise from second-order-obstructions to development, such as systemic corruption. Within this context of bridging capital and the concepts of 'softer' civil accountability and 'informal' control, Klitgaard (2010: 24) mentioned "subverting corruption", meaning that this 'testing' helps to 'subvert the subversive' to the moral behaviour of society at large.

'Social capital' is too broad a concept to just act as an antithesis of poverty *per se*. Its impact goes beyond the borders of addressing only poverty. The systemic development of social capital can impact on all primary obstructions to development in social systems. This relationship between social capital and corruption is shared by Castiglione, Van Deth and Wolleb (2008: 288) who stated that there is significant evidence that "corruption is at least related to low social capital across the world, at the aggregate and individual levels".

Social capital is systemic in nature. It develops from the interactions between quality societies and consists of quality people. Poverty alleviation in the first place includes human development (Spies, 2003: 5). If poverty can be alleviated by means of creating or developing social capital of a community, it can also have a positive resonance on corruption as a second-order-obstruction to development. The more social capital that is 'banked' in societies, the better the ability and desire (development) to prevent corruption.

2.1.2 The concept 'quality' and manifestations of quality

Central to the previous discussion about social capital is the concept of 'quality' that includes institutions or societies and their interactions. In a corrupt environment, the quality of the environment is poor (Pirsig, 1999: 251). Because quality is often used with reference to developing social capital, it should be defined. Quality people and societies are broader than just the antithesis of corrupt people and corrupt societies. Quality people have the ability to remove first-order-obstructions to development. Quality people have the ability to exercise integrity.

Boyed, Walker and Larréché (1998: 239-240) defined quality in terms of "reliability, superior ethics (how a product looks and feels), or conformance (degree to which the product meets prescribed standard)". Gavin (as cited by Boyed, Walker & Larréché, 1998: 241) defined quality in terms of performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality. Both definitions have in common that quality is defined only from a business perspective. It is worthwhile to look at quality from a meta-philosophical perspective to gain a better understanding of the variables influencing it, i.e. Aristotle (as

cited by the Stanford Encyclopedia of Philosophy, 2010b) identified four qualities, namely “habits and dispositions, natural capabilities and incapabilities, affective qualities and affections and shape”.

A common perception in the business world is that quality is what is defined by the customer. Pirsig said that quality is a result of care and it is also a value. People differ on quality not because quality is different, but because people have different experiences. If people have the same experiences, their perceptions about quality will be the same (Pirsig, 1999: 249). This description of quality is more meaningful than the business-orientated definitions. For the purpose of this dissertation, the concept ‘quality’ is the relationship of care between the subjective - the customer, or beneficiary that includes emotions, excitement, values, and a short-term focus and the objective - matter, rationality, logic, reason, facts about how things work, the laws of nature, and a long-term or durable focus.

Pirsig carried out an extensive study (1999: 202-285) to reconcile romantic quality (subjective) and objective (classical) quality and described the relationship between the two concepts. Quality is the relationship between subjectivity and objectivity with each other (interaction) that is concerned with the ‘whole’, (Pirsig, 1999: 239). Therefore, quality is a systems concept. A ‘quality person’ is a person with a ‘balanced’ view, a view of ‘care’ between the short and the long term, a person who is sustainable in behaviour, actions and decisions and the implications thereof. A ‘quality society’ is not just more of the same, meaning not only more ‘quality people’, but also the effectiveness of the behaviour, relationships and interactions of and between people. This includes a balance in the manifestations of all five dimensions of social systems.

2.2 SYSTEMS CONTEXT

Churchman was one of the best known systems thinkers of the late 20th century (Ulrich, 1999). One of his most important conceptual contributions to this field of study was to emphasise a system’s dependency on its context[20], and on the need for understanding this context when faced with the challenge of ‘dissolving’ a problem situation. For instance, applying one’s mind to the general operating conditions that can support the control and managing of corruption, the context must be understood. As a philosopher his quest was to answer the question: “Is it possible ‘to secure’ improvement in the human condition by means of the human intellect?” He explicitly used the words ‘to secure’ as a concept of sustainability.

But what is improvement? In order to ensure ‘sustainability’ of improvement, cultural assumptions should be challenged to uncover alternative contexts of meaning (Ulrich, 2009: 1-17). This will support effectiveness by creating the appropriate conditions for a desired and integrated (systemic) outcome to ensure that improvement persists over time. Optimisation of improvement in management science threatens “to become

a hidden source of suboptimisation[21]" without clear and valid standards for such improvement (Ulrich, 2009: 5). This means that in an institution, optimising scarce resources is ethically defensible, but no agreement on optimising standards for improvement is realistically possible due to conflicting values, needs and interests. It is possible to deduce that the systems approach fails in terms of its expectation to be comprehensive enough to solve problem situations of opposing arguments. However, the answer lies in a dialectic framework, meaning to enter into discourse on conflicting perspectives and to learn to understand them as mirrors of the systems approach's failure to live up to the expectations of an all-inclusiveness approach to solve all rationality problem situations (Ulrich, 2009: 7).

Improvement of the human condition, as described by Churchman, and therefore also human development, requires a multi-dimensional systemic approach (Spies, 2003: 10). This approach requires that both short and long-term strategies need to be applied to create conditions that will not support corruption. Enforcement of legislation, policing and arrests are needed on a short-term basis. However, this alone will not address the deep-rooted problems. Longer-term development of the human aspirations of knowledge is needed, as well as potential or empowerment of people to do something about corruption, stewardship, values and aesthetics. A system should, for example, be designed that attacks the manifestations of corruption through linear short-term strategies. This will, to use the HIV/AIDS metaphor, bring down the temperature and stabilise the 'patient' so that not only the symptoms, but the real disease can be treated. The design of the system should be such that increased understanding of corruption should emerge. Increased understanding (knowledge) implies an "enlarged capacity for control[22]" (Ulrich, 2009: 9). The grand strategy for the new design should include not only increased understanding, but also increased participation, i.e. in reporting corruption, the design of new ideals such as moral leaders and the design of new values. Leaders should communicate knowledge and values in an inspirational way to motivate people to take part in the long- term controlling of corruption.

Guidelines on human development and increased understanding have been included in the constructing of an anti–corruption framework for this dissertation, because they enlarge the dissertation's contribution to control corruption.

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[20] Climate or context is a principle of complex systems that consists of the contextual (uncontrolled) and transactional (that can be influenced) environment. Climate is mutually enhanced by another principle, namely openness.
[21] Suboptimisation is to put all your energy in one specific activity that should often not be done at all (Beilock, as cited by Spies, 2003: 10).
[22] To control means "that an action is both necessary and sufficient to produce the intended outcome" (Gharajedaghi, 1999: 31).

2.3 SYSTEMS MODELLING

An important concept in the process of building conceptual models of real-world problem situations, is that the higher the level of complexity, the broader the description of the situation, and therefore the less detail is needed for building a conceptual model (Wilson, 1993: 318-320). Usually, the highest level in the hierarchy consists of a broad description of the situation with 'low resolution' or, in other words, less detail. The lower levels consist of much more detailed descriptions of the problem situation that is being modelled. Table 2.1 illustrates the Ackoff-Gharajedaghi Five Dimensional Design, where the first-order-obstructions to development consist of 15 categories of possible known obstructions (each category is not exhaustive). At the second level, only three possible categories of obstructions: alienation, polarisation and corruption.

Table 2.1: Ackoff-Gharajedaghi Five Dimensional Design

		Primary or First- Order-Obstructions Emergent I Properties			Second-Order-Obstructions Emergent II or Properties of the Whole		
Dimensions of Social Systems	**Expected Yield**	**State of Scarcity Absolute Exclusion**	**State of Maldistribution Relative Exclusion**	**State of Insecurity Total Exclusion**	Alienation	Polarisation	Corruption, Terrorism,*Xenophobia and *Organised Criminality
Economic	Goods/ Services *Wealth (plenty)	Poverty Inefficiency	Disparity Exploitation	Fear of deprivation Instability			
Scientific	Information Knowledge Understanding (truth)	Ignorance *Incapability Incompetence Rolelessness	Elitism/ Illiteracy *Populism Lack of communication	Obsolescence			
Political	Influence (Participation) *Recognition (liberty)	Impotency *Ineffectualness Powerlessness	Centralisation Autocracy *Minority *Majority	Illegitimacy			
Ethical/ Moral/ *Spiritual	Peace (good) *Fairness *Consciousness *Fulfilment	Normlessness *Nihilism *Disconnection/ *Detachment	Conflict Discrimination *Conflicting values	Fanaticism			
Aesthetic	Sense of belonging *Innovation *Inspiration Excitement (beauty)	*Isolationism Meaninglessness Hopelessness Boredom	Lack of shared image of desired future Selfishness/ Selflessness	Fear of loss of identity and individuality/ Fear of loneliness and isolation			

Note: Between brackets ( ): Ackoff, as cited by Gharajedaghi.
The author's own additions are indicated by an *

Source: Gharajedaghi, 1982: 64.

Corruption control and management must face the challenge that corruption cannot be 'solved' at the level it is experienced. Each of the five dimensions of a social system has first-order-obstructions. These first-order-

obstructions of the three dysfunctions (scarcity, maldistribution and insecurity) interact and 'resonate' or co-produce the next higher level of obstructions, known as second-order-obstructions. In terms of the interaction of first-order-obstructions, a distinction is made in literature between two types of emergent properties, 'emergent I properties' (first-order-obstructions) to development and 'emergent II properties' (second-order-obstructions), (Gharajedaghi, 1999: 45). Emergent II refers to properties of the 'whole', meaning they are products of the interactions of the independent parts of the three types of dysfunctions. Examples of emergent II properties are function (purpose), process (behaviour), structure (means or components), environment (context) and governance (participation). They are not a sum of the parts, meaning the efficiency of the independent parts does not make the 'whole' system more efficient.

These second-order-obstructions will be explained later in this chapter in greater detail. Corruption is an example of a negative emergence in society. Emerging outcomes are not directly predictable from the original 'causal' activities. Emergent II properties are co-produced, not 'caused'. An outcome will often have a contradictory[23] effect on an original impulse as a result of systemic feedback processes (Spies, 2003: 11), due to the circular effect associated with emergent II properties, where a change in one or more components of a system can have unforeseen changes on emergent II properties. They cannot be understood on their own terms and cannot be measured directly as only their manifestations can be measured. Corruption cannot be measured, but its manifestations can be measured.

First-order-obstructions should be removed before interaction occurs, as previously explained. If the processes, meaning the interaction between the purpose, structure and environment that co-produce emergent II properties are removed, they cease to exist. If programmes that create opportunities for corruption are eliminated, corruption ceases to exist. Corruption cannot exist if the officials for executing such functions are not employed anymore, and if no rules or regulations exist to enforce such programmes that can cause delays or inefficiencies. Examples of elimination include removal of subsidies, permits, licences; legalising of prostitution and drugs; and the benefits to bribe officials to obtain scarce benefits or to speed up processes (Rose–Ackerman, 1999: 39-42).

2.4 COMPLEX SYSTEMS AND CHANGE

This section about complex systems provides the context for the justification of the systems approach. Corruption is systemic, because it suggests interdependence on deviant behaviour. It is a complex problem situation, because it consists of sets of problems that together form problem situations. The existence of one problem, e.g. poverty, supports another problem, e.g. obstructions to development. Interactions of first-order-

[23] 'Contradictory' is here used in the context of one of the principles of complex systems, 'counter-intuitiveness', meaning "actions intended to produce a desired outcome may, in fact, generate opposite results (Gharajedaghi 1999: 48). For example, increasing enforcement of an illegitimate system to penalise corrupters and corruptees will not deter people *per se* from engaging in corruption.

obstructions to development can co–produce corruption. The outcome is a 'mess' or 'knot' of problem situations, as explained in Chapter 1.

Complex systems consist of a very large number of interdependent elements, where each element influences a great number of other elements, which are in turn influenced by a great number of other elements (Cilliers[24], 2005: 2-7). Van Tonder (2004: 230-231) also described complexity as "a mixture of a sizeable number of variables, a high degree of interdependence, as well as a high degree of interaction among these variables…complexity commences when three or more variables are interdependent and interact on a consistent basis (e.g. a variation in one result in variations in the other)".

Complex systems cannot be 'solved' within their own environment or climate. 'Solutions' focus on removing the problem – which is generally impossible when faced with complexity. Complex systems should be 'dissolved', their "nature and/or environment of the entity in which it is imbedded should be changed" (Gharajedaghi, 1982: 30), meaning the conditions that sustain and propagate complex problem situations should be removed. Figure 2.1 illustrates the components that are essential for 'Dissolving' complex systems.

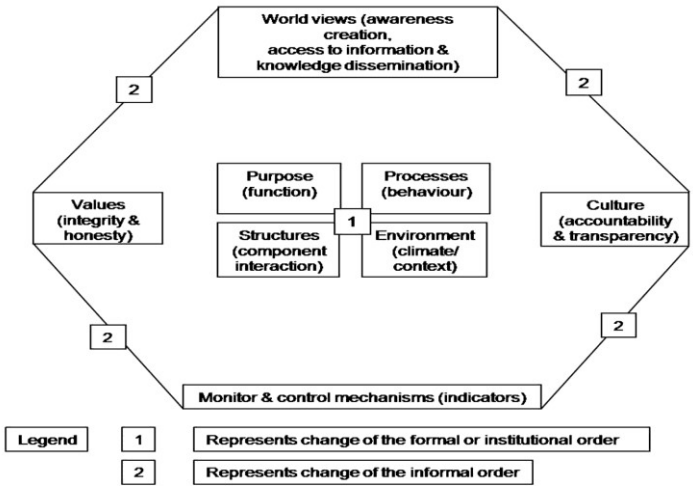

Figure 2.1: 'Dissolving' complex systems

Source: Own compilation, based on Gharajedaghi (1982: 7-11, 17-26)

In this way, the problem situation is changed by means of the following: First, through changing the existing social and institutional order that supports the societal organisation of corruption, namely its purpose or

[24] Cilliers (2005: 2-7) identified and described ten elements of complex systems. Complex systems consist of numerous elements, e.g. variables influencing the economy of a country. Elements in a complex system have to interact and this interaction must be dynamic. Interaction is fairly rich, and non-linear, for example any element in the system influences and is influenced by quite a few others. Interactions usually have a fairly short range; information is received primarily from immediate neighbours. Loops exist in the interactions, also known as recurrency. Complex systems are mostly open systems, meaning they interact with their environment. Complex systems operate under conditions that are not in balance. Complex systems have a history. They evolve through time and their past is co-responsible for their present behaviour. Each element in the system is ignorant of the behaviour of the system as a whole. Complexity is the result of a 'rich' interaction of simple elements that only responds to the limited information each of them is presented with.

function (that benefits corrupters and corruptees), its processes (its behaviour is a 'mess' or 'knot' of interactions), structures (how components interact), and environment (climate). Secondly, through changing the world views (awareness creation, increased access to information and knowledge dissemination), values (such as integrity and honesty) and culture (e.g. civil accountability, transparency and diligence) as well as better monitoring and control mechanisms, provided the capacity thereof is established.

Societal organisations, including corrupt social subsystems, tend to display resilience[25] against change because of vested interests in the existing state of the system. Resistance is a result of corrupters' and corruptees' perceptions of mutual dependence on their corrupt practices. Socio–cultural systems (organisations and communities) "manifest greater inertia and resistance to change than their individual members" (Gharajedaghi, 1982: 21).

Systemic corruption is an interdependent self-supportive societal pathology (illness), as referred to in Section 1.3 – i.e. corruption strengthens corruption – and it will be necessary to approach the problem situation from a multi-dimensional and systemic point of view. Conditions which resist change of systemic corruption should first be broken down before corruption control and management can be effective. For example, conflict and criminality keep people dependent on corruption, because poor people may be dependent on theft to survive. This resistance must first be broken down before change can start. The focus now shifts towards culture and change of social systems and the key concepts related to them.

Systemic corruption is also a culture, a corrupt culture that suggests deviant behaviour. Both corruption and culture are dependent on and reinforced by social interactions, for example habits. People participating in corruption can become dependent on a corrupt culture because they can benefit from it for their survival. Therefore, it is necessary to gain a better understanding of the concept of culture, its manifestations, obstructions to change it, and guidelines on how to enable successful or a quality change. In the following section, culture will be discussed. Culture is one of the factors that produces supportive circumstances for particular practices within organisations and communities. An organisation as a social system is characterised by the relationship of its members to one another and to all members who are part of the organisation. These relationships represent the structure of a social system, which is defined by the nature of the bonds that link and keep components of the social system together (Gharajedaghi, 1982: 17). Human beings create images of things that may not exist (abstractions represent 'their world') which are co–produced[26] by people's creativity and their conditioning environment. The extent to which the image of an individual corresponds with the 'shared image' of a society determines the degree of his membership in that society.

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[25] "The ability of a substance to return to its original shape after it has been bent, stretched or pressed" (Oxford Advanced Learners' Dictionary, 2005: 1243).
[26] Co-producers also act as primary obstructions to development.

2.4.1 The concept ‘culture’ and manifestations of culture

The ‘shared image’ as discussed in the previous section is called ‘culture’ by Gharajedaghi (1982: 20). He said that ‘culture’ “incorporates their experiences, beliefs, attitudes, and ideals and is the ultimate product and reflection of their history and the manifestation of their identity – man creates his culture and his culture creates him”. United Nations Educational, Scientific and Cultural Organisation (UNESCO, 2010) states that culture is the "set of distinctive spiritual, material, intellectual and emotional features of society or a social group and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs". This definition of UNESCO is comprehensive, captures various manifestations of culture and corresponds with Gharajedaghi’s definition. However, the definition of Gharajedaghi will be used as the core definition of culture in this dissertation, because its explanatory value as a systems definition is more appropriate for the purpose of this dissertation.

Now that the systems definition of culture is in place, it is necessary to focus on the concept ‘organisational culture’ as a manifestation of culture. ‘Culture’ is synonymous with ‘organisation’, and ‘strategy’ is synonymous with ‘culture’ (Bate, 1995: 9). Culture is strategy and strategy is culture (Bate[27], 1995: 17, 28-33). This definition implies that, in order to change ‘organisational culture’, strategy should be changed and *vice versa*. This definition of ‘organisational culture’ by Bate corresponds with the systems definition of culture of Gharajedaghi and will also be used in this dissertation. Cultural forms provide a strategic function and strategies are cultural forms. It can be said that culture is a product not only of strategy, structure, people and style, but also of systems. Although from different perspectives, there is nonetheless a link between Bate’s and Gharajedaghi’s definitions of culture and strategy. Culture is a complex phenomenon that cannot be defined within a linear equation. Culture is so comprehensive and dynamic that it cannot be demarcated in universal size one-fits-all institutional applications. Every institution’s culture is unique. Only elements of a culture can be articulated.

2.4.2 Cultural change

The culture of systemically corrupt institutions needs to be changed from an unsustainable culture with limited self-discipline to a culture of sustainability, self-discipline and durability. Systemically corrupt institutions that are un- and underdeveloped should be changed to institutions that achieve the triple top line

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[27] Bate (1995: 20) provided a comprehensive list of definitions of culture, namely: “Directions for performance (Directives). Guiding beliefs and philosophies, recipes, a design for living, coded instructions. ‘This is the way things are; and this is why they ought to be as they are’. A set of means for achieving designated ends. A system of meanings. ‘It shapes the way we organized our experiences and choose our actions’ (dispositions to action). A collective orientation\positioning. A set of limits – prescriptions and proscriptions of conduct. Propositional knowledge. A set of interpretations and propositions. Signposts. Conventionalising signals. A historically emergent set of ideas. A prevailing logic. A framework governing behaviour. A framework giving order and coherence to lives. A way of thinking. A way of proceeding.”

of ecology, economy and equality. To enable the change from systemic corruption to isolated corruption, strategy is needed. Culture and strategy are interdependent. However, culture cannot be managed directly like strategy. A culture of a corrupt institution can only be prepared for change, prepared for control and prepared to be managed. Second-order-learning, as a qualitative process, can create 'preparedness' for a corrupt culture to be controlled and managed in the direction of a culture with integrity. Second-order-learning is explained under Section 2.4.5.

Corrupt cultures are products of strategy, systems, people, management style and structure. These products can be used as follows in preparing for institutional change:

- Strategy, for responsiveness; for changing the context or environment that allows or stimulates the existence of co-producers; for reducing and mitigating the impact; and for enforcement.
- Systems, changing an institution to enable: production of goods and services and their equal distribution to address poverty; participation and power sharing to create legitimacy; providing timely information, declaration of interests and disclosure to create transparency; mediation and arbitration for peaceful conflict resolution; and creating a sense of belonging and shared identity.
- People, developing quality people, enabling second-order-change, and second-order-social learning.
- Management style, moral and transformational leadership, fulfilling the fiduciary powers of directors in creating top management or political commitment for change.
- Structure, environment, or context in which change is taking place; developing institutional capital, trust and a culture of whistleblowing.

The focus now shifts towards obstructions to cultural change.

2.4.3 Obstructions to organisational change

Corruption and culture are manifestations of social subsystems. Corruption is part of established patterns of thought and action (culture) of organisations. Change of a corrupt culture is therefore a systemic process, for example changing an organisation's strategy, structure, systems, people and style of management. Therefore, it is essential to identify obstructions to organisational change to prepare the ground for cultural transformation. Bate (1995: 97-101) identified seven obstructions to change in what he called 'cultural features'/'bad habits of thinking'. Although the relation is not very clear, there is nonetheless throughout a link between Ackoff-Gharajedaghi's first-order-obstructions to development (indicated in brackets), (as cited by Gharajedaghi, 1982: 54), and the following obstructions to organisation change:

- Segmentalism, meaning silos that cause ‘pulling in different directions’ (poor governance or political and ethical, i.e. due to conflicting values)

- Conservatism, meaning ‘the power of inertia, antibodies’ meaning vested interest in the existing system (poor governance or political and economic, i.e. if vested business interests are protected by businessmen and/or politicians)

- Isolationism, meaning ‘inward – looking’ (aesthetic, i.e. groups that isolate themselves tend to do so because they experience a fear or loss of identity)

- Elitism, meaning “status consciousness” (economic; political; and science, technology and knowledge, i.e. the better educated differentiate themselves from the ‘poor’ populists who cannot afford to buy brand name products)

- Neologism, meaning ‘discontinuous change, fads and fashions’ (political, i.e. the latest and ‘coolest’ or ‘flavour of the month’ gossip is used as a reason for change)

- Structuralism, meaning ‘an obsession with organisational culture’ (political, i.e. any problem is temporarily ‘solved’ by means of changing the organisation and establishment, meaning the functional structure of an institution)

- Pragmatism, meaning ‘strong on doing, but weak on thinking, lack of vision’ (economic and political, i.e. any problem must be solved temporarily without keeping in mind the longer-term implications).

Strategies to overcome resistance to change are discussed in Chapter 6. The focus of the section that follows is the concept ‘change management’.

2.4.4 Change management

As a general definition, the concept ‘change’ means to stop having one state, position or direction and start having another. This view of change is complementary to the view of change “as a process resulting in a difference of varying magnitude and nature in the state and/or condition of a given entity over time – whether the entity is a phenomenon, situation, person and/or object” (Van Tonder, 2004: 6-8).

From the above definition the following can be deduced about change: Change is a process[28], that is evident in the difference in the state or condition, in this dissertation between systemic corruption *vs* isolated corruption. Change is bounded by its context or environment and cannot take place without changing its

environment. The difference in state or condition takes place over time. Sustainable change of a systemically corrupt country, in the case of the USA, took place over a period of about 40 years. Change is uncertain and unpredictable, it can be ignored, resisted, responded to, capitalised upon, and created. Change cannot be managed "to march to some orderly step-by-step process" (Van Tonder, 2004: 224), and change can be prepared for and steered in a direction.

The focus of the next section is to make a distinction between different types of change and development and 'change of phase' or long-term change.

2.4.5 First and second-order-change, - learning and - development, and change of phase

The structure of a system defines its components and their relationships and these relationships depend on the nature of the bonds that are linked and through information flow (Gharajedaghi, 1982: 25). This means that knowledge creation and dissemination are necessary. The adaptive and change ability of institutional culture is vested in its creativity to meet the challenges of continuously new desires and ideals (Gharajedaghi, 1982: 21), to change it to an organisation that has the capacity to control and manage corruption. This change process (second-order-learning/second-order-change) demands adaptation to new ideas (e.g. zero tolerance for corruption) and the 'enrichment of the common' or 'shared image' of integrity. It is a social learning process that requires coordinated changes in motivation (incentives for reducing corruption), knowledge, understanding (of the severe negative impact of corruption) and action (managing corruption). This social learning, Bate (1995: 153-156) called 'second-order-change', and Gharajedaghi called 'second-order-learning' (Gharajedaghi, 1982: 22-26), and also 'social learning' (Gharajedaghi, 1999: 87). Second-order-learning is a qualitative change of corrupt institutions that challenge the existing assumptions about first-order-change. It redefines the rules of 'first-order-learning' or what Bate called 'first order change' that is temporal or short-term change which Gharajedaghi (1999: 87) called quantitative change. These definitions of first-and-second-order-learning/first-and-second-order-change are the definitions that will be used for the purpose of this dissertation. The critical issues of second-order or qualitative change need to deal with social pathologies that demand incorporation of second-order-learning processes (Gharajedaghi, 1982: 23). This requires 'ideal seeking systems' that realise the full potential of a purposeful[29] organisation that includes the following: A participative process to define the 'shared image' of

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[28] A process is "a series of things that are done in order to achieve a particular result" (Oxford Advanced Learner's Dictionary, 2005: 1157).

[29] Purposefulness consists of decisions based on choice consisting of rationality (based on self-interest of the decision-maker), emotion (beauty and excitement) and culture. Choice is the product of the interactions among the three dimensions (Gharajedaghi, 1999: 33-35).

integrity; a learning and adaptive system that is able and willing[30] to change; and a diverse social setting that will challenge entrenched assumptions about a corrupt culture (Gharajedaghi, 1982: 26).

First-order-change/learning is needed for first-order-development. First-order-change is "A quantitative and rational change of limited scope in one or a few dimensions, within and consistent with existing schemata (present understandings or meaning structures)" (Van Tonder, 2004: 231). This is the definition for first-order-change that is used for the purpose of this dissertation. First-order-change enables first-order-development, because both concepts have temporal change in common. First-order-development is first-order-change, temporal change, quantitative change or change in numbers. In first-order-development, a 'change in phase' is not possible. This is the definition for first-order-development of the author for the purpose of this dissertation. Examples of obstructions to institutional first-order-change/development include what have been discussed in the preceding section, namely conservatism, neologism, structuralism, pragmatism, elitism, segmentalism and isolationism. Other examples include wealth, knowledge and skills.

Gharajedaghi (1982: 33-34) defined 'change of phase' as "..., when the state of a system depends on two or more variables a quantitative change in one variable alone, beyond a critical point, will result in a change of phase in the state of the system. This change is a qualitative one,...". This systemic definition of Gharajedaghi is used for the purpose of this dissertation. 'Change in phase' here includes qualitative change, a discontinuous change, resulting in institutional terms in a second-order-change, what Van Tonder (2004: 234) called a "multidimensional and multilevel change", in general terms resulting in a 'new world order', i.e. a new political order in terms of the Ackoff-Gharajedaghi Five Dimensional Design. Change of phase takes place when, in a corrupt system, policing, arrests and enforcement of legislation are temporarily increased as part of a longer-term transformation process (as discussed under the section 'Systems Context'). This increased detection is maintained until such time that a 'change of phase' is reached that 'tips' the system. 'Tipping point' is the popularised concept, however, 'change of phase' is a long-standing systems characteristic.

Second-order-change/learning is needed for second-order-development. The difference between first-and second-order-change/learning is of a qualitative and behavioural nature. Qualitative change is second-order-change, also known as second-order-development or second-order-social-learning. This type of change is multi-dimensional and change in strategic intent/direction that is manifested in institutional integration and differentiation. Figure 2.2 illustrates the tendency towards integration and differentiation and how the synergy of both is needed to make development possible.

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[30] Ability and willingness to change are also critical in development (Ackoff, as cited by Gharajedaghi, 1982: 54, 56).

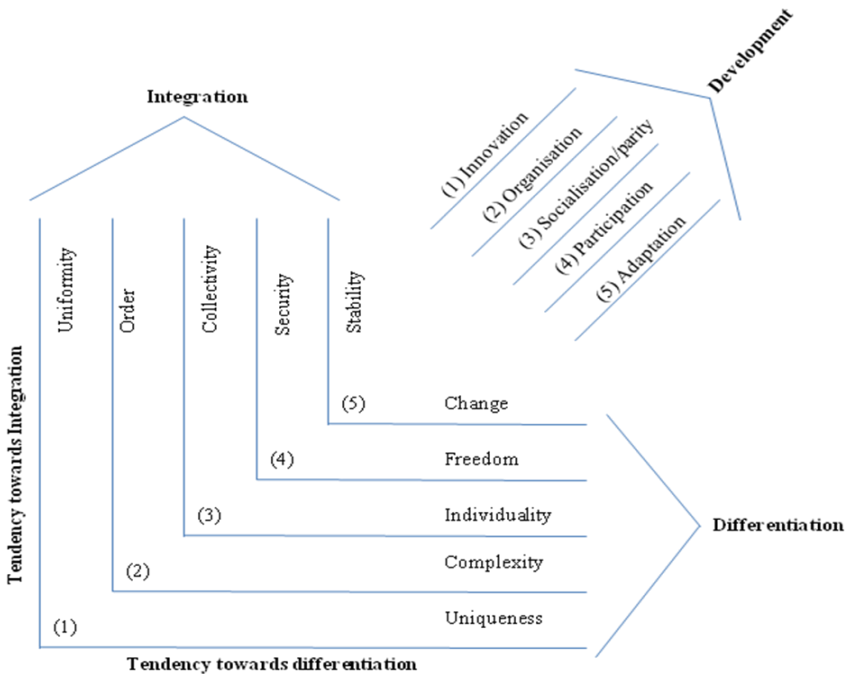

Figure 2.2: Tendency towards integration and differentiation

Source: Gharajedaghi (1982: 38)

Integration is characterised by an increase insecurity (governance), stability (economic), order (skills and knowledge), uniformity (aesthetic), conformity and collectivity or collective choice (moral), and maintenance of structure (Gharajedaghi, 1982: 60). Differentiation is essential for increased variety, execution of creativity and bigger 'choice', for the execution of 'free will' and the fulfilling of increased desires as people develop. Differentiation is characterised by an increase in freedom (governance), change (economic), complexity (skills and knowledge), uniqueness or creativity (aesthetic), and individuality (values or moral), and creation of new structure (Gharajedaghi, 1982: 37-38). From the interaction of differentiation and integration, processes emerge, namely participation (governance), adaptation (skills and knowledge), innovation (beauty), socialisation (parity) and organisation (wealth), that together form a 'whole', and co-produce what is called second-order-development. This systemic definition of second-order-development is used for the purpose of this dissertation.

2.4.6 Reform and transformation

Strategies to overcome resistance to change are critical. However, more than resistance is at stake to change an institution completely. Such a complete change requires a focus on the concepts of reform and transformation. The concept 'reform' means to "form again or form something again, especially into a different group or pattern with the intention to improve or correct" (Hornby, 2005: 1223). From the previous

sources and Shepherd (2006: 678), the general meaning is that 'reform' means to improve, to rebuild, to remodel, and to amend.

Reform is "a complete change in somebody or of something" (Oxford Advanced Learner's Dictionary, 2005: 1572). 'Transformation' consists of two parts, 'trans' which is the Latin for 'across' and 'form' which means to give shape, to create, to begin (Hornby, 2005: 585, 1571). This is the definition of the concept transformation that is used for the purpose of this dissertation. The concept 'transformation' includes the concept 'change'. To transform means to change the internal "structure, nature, and shape or appearance of the organisation" (Van Tonder, 2004: 107). To change can include first or second-order-change, but not transformation. Transformation emphasises the result or consequences of change. A systemically corrupt institution is different in its appearance and character once transformation has taken place (Van Tonder, 2004: 105). This type of change is a fundamental 'remaking' of an institution. It is likely to affect an institution in all those dimensions[31] and factors that are meaningful for its functioning and survival (Van Tonder, 2004: 107). By implication, a systemically corrupt institution will be transformed when the interactive five dimensional design for human development is 'totally changed', a metamorphosis, of integration and differentiation (second-order-development). Transformation is when a systemically corrupt institution is officially 'declared dead' and a 'new' institution is 'conceived' that co-produces processes associated with the interaction of integration and differentiation. Compared to the concept 'change', a system can be transformed, while people can only be 'changed', in other words, 'developed'.

When a comparison is drawn between the two concepts 'reform' and 'transformation', reform focuses on evolutionary, incremental improvement over the long-term, such as the USA example, in line with Churchman's writings about human improvement. 'Transformation' is used in a more comprehensive context with a focus on radical revolutionary change. However, the two concepts are used interchangeably in this dissertation.

2.4.7 Synthesising corruption as a complex system and the relevance of change

Obstructions to change, as identified by Bate, were integrated in this chapter with Ackoff's first-order-obstructions to development. Although culture and strategy are interdependent, culture cannot be managed directly like strategy. A cultural change of a corrupt organisation can only enable preparedness for change, for control and for management of such culture. Corrupt cultures are products of strategy, structure, systems, people and management style. The Ackoff-Gharajedaghi Five Dimensional Design will be used as a guideline for preparing for organisational change in this dissertation. Second-order-learning and -change as a qualitative change process can create 'preparedness' for controlling and managing a corrupt culture.

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[31] Deduced from the Ackoff-Gharajedaghi Five Dimensional Design of a social system.

2.5 SYNTHESIS

Corruption is an interdependent self-supportive societal pathology. It is necessary to address the problem situation of systemic corruption from a multi-dimensional and systemic point of view. The systems approach provides the 'how' to transform systemically corrupt systems. The approach includes a 'hard' institutional rule and compliance part, and a 'softer' civil accountability and commitment part. With this view in mind, the interaction between poverty, development and corruption was explained. Poverty is also a societal pathology. Social capital is the opposite of poverty. Creating social capital and specific bridging capital as the 'softer' part of the systems approach is imperative in removing obstructions that co-produce corruption. To reduce corruption, social capital is needed for developing quality societies and quality people who can participate actively in social networks and building social trust. The more social capital, the less corruption there will be, because social capital enables the networks and the cross-cutting skills needed for changing corruption.

The relationship between culture and strategy is evident from the discussion. Culture and strategy are interdependent, however, culture cannot be managed directly like strategy. A cultural change in a corrupt organisation can only prepare conditions for change. The corrupt culture of an organisation has first and second-order-learning and change in common; and both are products of strategy, structure, systems, people and management style. These dimensions/subsystems will be used as guidelines for organisational change of systemically corrupt institutions in later chapters.

Within the context of the systems approach and conceptual clarification provided, the next chapter focuses in greater detail on the co–producers of corruption.

CHAPTER 3
CO–PRODUCERS OF CORRUPTION

Besides systems concepts and principles, another aspect that is important in systemic corruption is the co-producers of corruption. This chapter explains why and how co-producers act as obstructions to development. First, an overview in the form of a general explanation is provided. Secondly, explanations are provided about specific concepts, including interactive dimensions of human aspirations; conflicting aspirations that obstruct development; and segmentation of aspirations that co-produce second-order-obstructions to development.

With the plan of the chapter in place, the overview is provided now. Each of the five dimensions or social subsystems' co–producers is explained in this chapter. Every subsystem is purposeful, producing the following: goods and services (economic), information and knowledge (scientific and technological), influence and participation (political), peace (ethical), and sense of belonging and excitement (aesthetical). Each subsystem has three categories of dysfunctions, emergent I properties. Table 2.1: Ackoff-Gharajedaghi Five Dimensional Design outlines each subsystem, its dysfunctions and emergent properties. Dysfunctions act as first-order-obstructions to development: absolute exclusion (through poverty), relative exclusion (through disparity) and total exclusion (through deprivation). These dysfunctions can interact, for example absolute poverty (economic) and normlessness (ethical). If dysfunctions of different subsystems interact, they co-produce second-order-obstructions, emergent II properties, such as alienation. Emergent II properties are properties of the 'whole'. These properties are interactions of the independent parts of the dysfunctions. These dysfunctions have an impact on the whole system[32].

The overview shifts towards alienation, polarisation and corruption. People who are alienated are excluded from formal society, its benefits and its rules. They are marginalised, and form their own rules and values that govern their behaviour. This type of behaviour is generally outside the formal legal system. Such people polarise into groups, e.g. gangs and drug addicts. They are de-motivated and without hope to re-join formal society. These people cannot and/or do not want to break away from their polarised groups. Their options are limited and they engage in corruption.

With the overview of the chapter in place, the focus shifts towards the explanation of specific concepts. The first one is producer-product. For explaining corruption, a cause–effect explanation is inadequate. Causes are supposed to be both necessary and sufficient for corruption – which cannot be true when faced with systemic problem situations. For examining systemic and complex systems, the producer–product relationship is required, as identified by Singer (as cited by Gharajedaghi, 1982: 7). In a producer–product relationship, a

[32] E.g. society and community.

producer never completely explains its product. This is because a producer (e.g. abuse of power) cannot determine its product (e.g. corruption) alone or on its own.

The term co-producer is the motorised element of this dissertation. Co-producers synergetically co-produce a particular product or outcome. Each co-producer is embedded in its own context and complexity. A change in one co-producer can reproduce new co-producers, each one with its own and unique context, complexity and self-sustaining behaviour that is embedded in its own subculture of the larger culture of systemic corruption. The contexts of co-producers provide coverage (righteousness) for the justification of these unique subcultures of systemic corruption.

The following discussion focuses on purposeful systems and the role of the environment: The purpose of an institution, together with its co–producers and environment, determines its product. Because a producer is not sufficient to cause a product, environment (context) is also required to explain everything about a product (Ackoff, as cited by Dent, 2009).

In the previous paragraph purposeful systems are mentioned as an element that is co-responsible for its product. The purposes of systems determine how they behave. Systems behaviour is about how systems manifest themselves in terms of how their behaviour is integrated. Ackoff and Emery (as cited by Gharajedaghi, 1982: 9) distinguished between three types of systems behaviour, namely a ‘reaction’, a ‘response’ and an ‘act’. The focus is on the last two behavioural types. A response is an event of which the system itself is a co–producer, for example corruption strengthens corruption. An act is based on foresight; it is self-motivated, self-determined, autonomous behaviour, such as elimination of practices that co-produce corruption. A system displaying this capability is called a ‘purposeful system’. Purposeful systems can learn, adapt and create their own behaviour. Corruption is a purposeful system of which the purpose is the impairment or decay of integrity[33].

The next section focuses on the drivers of human behaviour.

3.1 INTERACTIVE DIMENSIONS OF HUMAN ASPIRATIONS

The five dimensions that drive human behaviour are the search for plenty, truth, good, recognition or fairness, and beauty. In exploring the drivers of human behaviour, questions that need to be answered include the following:

[33] With reference to the systemic definition of corruption as discussed in Chapter 1.

The first question is: Why do people strive for economic well-being? All goods and services are not available in abundance to everybody who needs and desires them. Those that experience comparative disadvantages will strive to attain these goods and services. If everybody would have enough of everything, nobody needs to attain more than the next person, because competition would not be necessary. In cases of absolute scarcity, i.e. poverty, people strive for the removal of disparity and exploitation to get equal access to services, such as privatised health and medical services; and goods, such as property. Wealth is stored by the rich in the form of property. Property provides security and stability. Security and stability are the most basic needs, according to Maslow. The poor do not have assets that can be used as collateral to convince banks to lend them money to buy property. The poor are 'exploited' by landlords who ask the market price for renting property. Those that do not possess property feel insecure, and fear deprivation.

The second question is: Why do people strive for truth, knowledge and gaining of technology skills? Information and knowledge are needed for increasing understanding and insight, one of the higher order needs that Maslow called 'self-actualisation'. If information about the truth is not available, those deprived thereof cannot be developed to their optimum potential. If people are not developed to their optimum potential, they feel neglected, excluded from sharing in the right to have equal access to development compared to advantaged people who have an abundance of opportunities to achieve self-actualisation. Although all people are not born equal in terms of potential, everybody should have the right of access to equal opportunities. What they do with their potential, is their own choice, as long as they are not restricted comparatively.

The third question is: Why do people strive for fairness and justice in governance? Power and influence are not shared to create a common concern amongst communities and political groups. Some groups benefit proportionally more than other from their positions of power, for example when a ruling party is mainly representing one ethnic group. Governments are sometimes illegitimate because they do not represent the will of the people, such as dictatorships. It often happens in developing countries that, once a political party becomes the ruling party, it tries to monopolise the distribution of power. Some ethnic and minority groups are excluded from power, and that deteriorates the common concern. People are searching for fairness in terms of political power, because the group(s) that is controlling the power, also has the means to gain a comparative advantage in striving for economic well-being, self-actualisation, identity, morality, and to decide what is fair and just.

The fourth question is: Why do people strive for goodness, harmony, morals, and value-driven circumstances? People that think alike form their own groups with their own values; this is social group behaviour. The values of groups differ and are conflicting. Group members are devoted to the protection and preservation of their group values and morals, because it enables them to fulfil their basic need of sense of belonging, and to provide for themselves, their family and other. If groups, for example ethnic majorities, have the power to discriminate against other groups, they will exercise their power to this effect. These

groups that are discriminated against, for example ethnic minorities, feel insecure. These minority groups strive for fairness and equality and want these obstructions removed so that they can experience harmony and peace.

The fifth and last question is: Why do people strive for beauty, innovation and association? It is human nature to associate with other. It is a basic human need to have a sense of belonging, because human beings feel they have a need to fulfil a role, an identity that provides meaning to their lives. People express their identity in innovative and creative ways. For example, African collectivism is based on the sense of belonging, that a person's identity can only be experienced through the eyes of another person(s). However, some people are excluded from fulfilling this basic need. With the interactive dimensions of human aspirations in place, it is appropriate to discuss three categories of dysfunctions.

3.2 CONFLICTING HUMAN ASPIRATIONS THAT OBSTRUCT DEVELOPMENT

All human aspirations are supposed to have in common the development of an institution. This means improving the quality of life of all people with whom an institution interacts. Development always requires change, first-and-second-order-change and -development. Conflicting human aspirations are obstructing development, creating dysfunctions. Three categories of dysfunctions can be distinguished, namely absolute exclusion, relative exclusion and total exclusion. With the general explanation of dysfunctions in place, the focus shifts towards 'responses' to conflicting human aspirations. Table 2.1: Ackoff-Gharajedaghi Five Dimensional Design outlines conflicting human aspirations as follows:

3.2.1 Poverty *vs* wealth

First, the focus is on conflicting aspirations in striving for economic well-being that create the following dysfunctions:

Absolute exclusion is a state of scarcity of goods and services that is measured independently. Goods and services are not available to everybody. All people cannot afford luxury products. Some goods and services are expensive to produce, while others are produced in limited quantities. Different quality of goods and services are produced, for example public and private medical care. The system of producing goods and services can be inefficient, such as delays in public services. Scarce resources, e.g. land, water, capital and entrepreneurship, are wasted during the inefficient production process. Scarcity in the economic subsystem co-produces poverty. Governments intervene to control the production of goods and services to make them equally accessible and affordable to everybody, especially the poor. In this intervention, governments subsidise products and regulate prices, such as the prices of flour and milk. Products are produced beyond their market value. This creates price and market inefficiency. Delays, bottlenecks and excessive regulation

are created. Governments also intervene in the distribution of goods and services. They try to make them accessible to people at distribution points where the private sector does not want to do so.

Relative exclusion from goods and services is, for example, when the role of government increases to reduce the exploitation of people. This happens when monopolies exist in the private sector. In remote areas an only supplier can ask any price for a product as long as the customer is willing to pay for it. Such a supplier exploits customers. In order to reduce exploitation and to make services accessible to people, governments intervene in the production process. A popular intervention in many developing countries is the creation of SOEs. These SOEs are the only producers and distributors of specific goods and services, soon resulting in new monopolies[34]. These monopolies do not have competition, so they can increase the price of their goods and services to compensate for their inefficiencies. As a result, some people are totally excluded from much-needed goods and services. They are deprived from fulfilling their basic needs, namely food and shelter. They fear the future because they struggle to survive the present. Their present is unstable and their future is insecure.

To conclude this section, the response to conflicting aspirations in striving for economic well-being co-produces the 'haves', who have resource power, the wealthy that do not want to share this economic power *vs* the 'have-nots', the poor who have neither access to the factors of production nor the distribution thereof.

3.2.2 Ignorance/Incapability *vs* knowledge and skills

Secondly, the focus is conflicting aspirations in striving for knowledge and gaining of technology skills that create the following dysfunctions:

Some people are relatively excluded from sharing in the aspiration of the search for the truth and striving for knowledge and gaining of technology skills. To produce information and knowledge is costly. It requires the application of scarce resources. These resources require highly sophisticated competencies to educate and train people for specialised jobs, e.g. surgery and psychology. Not all people have the ability and/or capabilities to be developed for these specialised jobs. Therefore, information and knowledge come at a price. Institutions are not willing to train people for free, to share all their information and market secrets with their competitors. If they do so, they will lose their competitive advantage and go out of business. Because all information is not accessible to everybody, some people will be excluded and ignorant[35]. Ignorant people who are absolutely excluded from information and knowledge, become incompetent to do their jobs. As specialised knowledge comes at a price, for example Master of Business Administration

[34] Namibia has created 66 SOEs since 1990. They are all monopolies (Sherbourne, 2009: 299-317).
[35] E.g. about the latest global trends and new software applications.

(MBA) course fees, people who cannot afford such pricey knowledge, become incompetent if they cannot explore other less expensive avenues of gaining specialised knowledge and skills. This affects their role in the institution. After a while they experience that they add minimal value to the institution.

Total exclusion is when people are excluded from going to school. They cannot read or write. Because they are illiterate, they cannot communicate effectively. They cannot achieve self-actualisation. They are not able to fulfil a position in the institution where they feel valuable and appreciated. Other people in the institution can be highly educated and skilled. Some of these people feel that they are superior compared to illiterate labourers. Such feelings of superiority are based on competencies, experience, and contribution to the institution's objectives; it stimulates elitism and segmentalism and forms of alienation that are greed-driven. People of superior competencies organise themselves in cliques. They develop their own subcultures and behaviour that differs from the institutional culture. Total exclusion is when people are not only ignorant, incompetent or illiterate but also obsolete in an institution. They have no role to play in the institution. They are unnecessary and unwanted.

To conclude this section, the response to conflicting aspirations in striving for knowledge and gaining of technology skills co-produces those that are ignorant/incapable of experiencing expert power *vs* those that are knowledgeable and skilful and feel 'superior'.

3.2.3 Minority *vs* majority, elitism *vs* populism and discrimination *vs* indiscrimination

Thirdly, the focus is on conflicting aspirations in striving for fairness in governance that create the following dysfunctions:

Not all share equally in influencing the community. Absolute exclusion from power in striving for fairness in governance is when power is not shared amongst groups. In some developing countries, some groups are more powerful than other. Because one political group benefits more from their position of power than other groups, they abuse their power. They protect their political and incompetent appointees in government. These appointments are based on patronage, nepotism and favouritism. Groups that are excluded from power do not participate in developing solutions for shared problems. They are also excluded from contributing to the objectives of the institution. Because they are not allowed to make a contribution for the common good, they are weak and without the ability to achieve much. They are ineffectual and powerless. Their freedom is in theory, but not in practice. They cannot exercise their freedom[36] to live as they choose, because of too many government restrictions. For example, they may have the right to vote, but they cannot decide who is on the party list or the ranking on the list. They may have a representative in parliament. However, the

[36] An explanation of 'liberty' (Oxford Advanced Learner's Dictionary, 2005: 850).

representative is not from the party he/she supported, not the one he/she voted for or representing his/her specific constituency[37]. Such decisions are the prerogative of a small number of party leaders. Strong party discipline enables strong control of fellow party members. Such control is used to prevent any attempt of cooperation with the opposition.

When groups are relatively excluded from power and influence, it can manifest in two forms, namely centralisation and autocracy. Centralisation of power creates opportunities for a ruling party to control and increase their hold on power and the benefits resulting from such abuse of power, such as allocation of tenders. Centralisation shifts power from a balanced distribution, between regional and local governments, towards central government. This inequilibrium in power creates too powerful institutions and positions, which are not accountable. Incumbents protect their biased decisions and actions. If powerful leaders abuse their positions, they can become autocratic. In an autocracy, all decisions and actions are vested in one person or a small number of persons who control everything in an institution. The dysfunction that follows is total exclusion from power. This is when the government is not representing the will of the people, the common concern. Such a government is not elected by majority vote and is illegitimate. Examples of autocracies include tyrannies and dictatorships. Relative exclusion from power and influence can create two responses. First, the minority can be excluded because they do not share in the power to make decisions in their own interest as the majority decides on their behalf. Secondly, the powerful elite protect and increase their selfish influence and manipulation of government affairs to exclude the populist from sharing in this power.

To conclude this section, the response to conflicting aspirations in striving for fairness in governance co-produces those with a 'hunger' for legislative and representative power, the minority, who do not want to share this power and influence, *vs* the majority and/or the elite who make the decisions (discriminate) *vs* the populist who do not want to be discriminated against (indiscrimination).

3.2.4 Nihilism *vs* moral governance

Fourthly, the focus is on conflicting aspirations in striving for goodness, moral and value-driven circumstances that create the following dysfunctions:

Not all share equally in moral, value-driven opportunities that enable them to distinguish between right and wrong, to manage conflict and to experience peace and harmony. Some people's character development is excluded from rules, values and virtues. They do not live according to reason and rationality. Such people do not make decisions based on the values and virtues of society. They live according to their own values that

[37] Under a proportional representative system.

may or may not represent a narrowly focused interest group. Examples are ethnic groups, cultural groups, sport groups or religious groups. Absolute exclusion from the rules, principles, norms, standards, values and virtues of society creates normlessness where 'anything goes'[38]. Rights of individuals and interest groups are overemphasised at the cost of individual responsibility. Nobody must be hampered in the exercising of their rights. The effect is that individual responsibility is neglected that increases the moral responsibility of government to create 'moral order'.

Relative exclusion from ethics and morals is when people are experiencing conflicting values[39]. For example, in developing countries disadvantaged people are raised on traditional values. However, most of them pursue their tertiary education based on western values. When they are appointed in positions, they are confronted with conflicting values of the traditional *vs* the western[40]. The traditional society provided funding for enabling them to complete their tertiary education. They can now put pressure on appointees to return the favour, e.g. in the form of tenders and favouritism. Such appointees can be uncertain as to when to apply which value system. When faced with conflicting values of different persons or groups who are supposed to be treated equally, they are biased. They discriminate against others and cannot make a fair judgement.

Total exclusion from ethics and morals may create extreme beliefs or behaviour, for example anomic behaviour[41]. This entails favouring narrowly focused groups that contribute towards fanaticism. These beliefs and behaviour are totally removed from reason and logic. Such behaviour is totally biased and cannot be justified, because it is not in the general interest of society. Total exclusion from ethics and morals can co-produce 'nihilism' that originates from '*nihil*', the Latin for 'nothing'. From it 'nothingness' is deduced. 'Nihilism' includes "disbelief in anything, scepticism, universal doubt, agnosticism, amorality; nothingness, emptiness, non-existence; anarchism, radicalism, iconoclasm; lawlessness, irresponsibility, licence, chaos; terrorism; alienation, anomy" (Shepherd, 2006: 558). Nihilism is the antithesis of moral governance where governance is "the manner of directing and controlling the actions and affairs of an entity" (King, 2006: 1) and good governance "involves fairness, accountability, responsibility and transparency on a foundation of intellectual honesty" (King, 2006: 15). 'Moral governance' as defined in Chapter 1 is directing and controlling the actions of an institution that are based on practices and principles that enable a distinction between right and wrong; and values that are underpinning those activities and practices that involve fairness, accountability, responsibility and transparency based on intellectual honesty.

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[38] Anything is acceptable, nothing is forbidden.
[39] The private moral lives of leaders have nothing to do with the leaders' public function, e.g. former USA President Clinton's relationship with Monika Lewinsky (Van der Walt, 2001: 697-698).
[40] The legacy of the traditional system is so strong that even if an official studied in a western country and returned to the country after independence, he/she is still subject to constant pressure to submit to traditional values (Alatas, as cited by Hope & Chikulo, 2000: 46).
[41] From the term 'anomie' that means "a lack of social or moral standards" (Oxford Advanced Learner's Dictionary, 2005: 52).

To conclude this section, the response to conflicting aspirations in striving for goodness, moral and value-driven circumstances co-produce those who believe in 'nothing', who are normless or create their own norms and values *vs* those who have moral power and influence in governance.

3.2.5 Sense of belonging *vs* isolationism and innovation *vs* boredom

Fifthly, the focus is on conflicting aspirations in striving for a sense of belonging and innovation that create the following dysfunctions:

Not all share equally in opportunities to experience the beauty of excitement, innovation, inspiring working conditions and a sense of belonging. Some people are absolutely excluded from these opportunities. For example, people working in factories performing routine work. Such people become bored with these repetitive tasks and they become unhappy. People can live and work in absolute slums, houses made of a combination of any possible waste material. These houses leak when it rains, have dirt floors and are insecure in a high crime environment. Such people's lives are uninspiring and stripped from comfort. They have no hope to raise their children in a beautiful environment. Such people lose hope. Life becomes meaningless for them. There is nothing that excites and motivates them. Nothing stimulates their creativity and innovation.

Relative exclusion from beauty is when these de-motivated people without hope do not share a vision of a better future, because they know it is not likely to happen. On the other hand, people who 'share' in an abundance of beauty can become selfish. Such people can be so individualistic that they are not prepared to 'share' their access and ability to create beauty. People can be so selfless that they share without reservation their competencies to create beauty. For example, teaching drug addicts to paint, irrespective of the cost, and to work indefatigably for orphans and old-age homes. Total exclusion is when people are so excluded from a sense of belonging that they are completely isolated from other people and their surroundings. Such people live in their own dream world to protect themselves from the reality of their uninspiring surroundings. They are not only isolated but also lonely. For them, their greatest fear is that they will lose their identity and individuality. Any type of self-actualisation is completely beyond their dreams, beyond their ability and capability. They feel that they belong nowhere.

To conclude this section, the response to conflicting aspirations in striving for a sense of belonging and innovation co-produces those with access to personal power and the ability to express themselves *vs* those that are isolated and bored with their work and life.

3.3 SEGMENTATION OF HUMAN ASPIRATIONS THAT CO-PRODUCE SECOND-ORDER-OBSTRUCTIONS TO DEVELOPMENT

Now that the first-order-obstructions to development are in place, the focus shifts towards how segmented human aspirations co-produce second-order-obstructions. 'Segment' means "a part of something that is separate from other parts or can be considered separately" (Hornby, 2005: 1323). Segmentation means to pull in opposing directions. The first segmentation is alienation, followed by polarisation and corruption.

3.3.1 Alienation

From previous discussions in this chapter, it is known that an institution is a purposeful system. It is also a voluntary association of members, because people decide to be part of it or not (Gharajedaghi, 1982: 63-64). Although everybody is free to leave, members who cannot identify themselves with the institution anymore, receive protest and resistance if they want to leave. Such resistance can take many forms and can include intimidation and violence. A member becomes alienated[42] from the institution he/she is a member of. Alienation can co-produce one or a combination of the following responses that are neither exhaustive nor exclusive:

3.3.1.1 Deprivation

People who are poor and exploited experience deprivation from goods and services that can contribute towards their happiness. The word 'deprived' means to be "without food, education, and all the things that are necessary for people to live a happy and comfortable life" (Hornby, 2005: 393). All people want to be happy. For enabling them, it is imperative that their needs are fulfilled. Basic needs, namely food, clothing and shelter are survival needs. These needs are followed by security, social, ego-status and self-actualisation (Maslow, as cited by Bloomsbury, 2002: 1018-1019). If people such as the abject-poor are excluded from fulfilling their basic needs, there is no possibility that they will be able to fulfil their higher order needs, namely ego-status and self-actualisation. Such people feel deprived of the opportunity to be happy and comfortable. They are born with equal rights to share in resources, but they do not share equally in opportunities. They are second-class citizens while the rich exploit them unreservedly and with greed. The poor become frustrated with the unfair and unjust system. They feel insecure and unstable because they cannot get access to influence the factors of production and distribution to enjoy life in abundance. They are deprived in striving for economic equality. They become frustrated and alienated from 'formal' society. The poor and wealthy have nothing in common. A rift develops between the rich and poor. Both groups become

[42] The word 'alienate' means "to make somebody less friendly and sympathetic towards you" (Oxford Advanced Learner's Dictionary, 2005: 35).

alienated from each other. If this rift becomes too large, it can co-produce violence and revolution, as shown by the French revolution of the 17th century and the Russian revolution of 1917.

3.3.1.2 Obsolescence

The word 'obsolete' means "out-of-date, out of fashion, out of use, passé, old-fashioned, outdated, outmoded, antiquated, antique, archaic, bygone" (Reader's Digest Family Word Finder, 2006: 569). Generally, with age, people are less likely to learn new skills. People prefer their comfort zones. This is also applicable when they stay for decades in the same position and/or employed by the same institution. Limited promotion opportunities can also deter people from not challenging their comfort zones. On the other hand, people can be so fulfilled with activities outside their job that they do not have the motivation to stay on par with their occupation. Over time they become frustrated with their decreased contribution towards their institution. They also become frustrated with their inability or unwillingness to keep themselves up to date. Such people become unwanted and unneeded, because their knowledge and skills are obsolete, they are incompetent and they cannot communicate effectively. Such people feel their contribution in an institution is not relevant any longer, they do not have a role to play. Their striving for knowledge and skills to apply is irrelevant. They experience anxiety and become alienated from their positions and their institutions.

3.3.1.3 Autocracy

The opposite of powerlessness is absolute power. The word 'autocrat' originated from the Greek *autokrator*, "ruler by himself", designating the Roman Emperor that entered England via the French Revolution. The word 'autocratic' means "having absolute power, dictatorial, monarchical, tsaristic, tyrannical, tyrannous, despotic, imperious, repressive, oppressive, ironhanded". Antonyms of autocratic are "constitutional, democratic, egalitarian, lenient, permissive; indulgent; forbearing, tolerant" (Shepherd, 2006: 70). To conclude, an autocracy is a system of government of a country where one person has complete power. Such a ruler is able to do what he/she wants and is not accountable to anyone or any institution. An autocrat[43] is in a position to abuse power, e.g. Presidents Idi Amin of Uganda, Ferdinand Marcos of Philippines and Mobutu Sese Seko of the former Zaire (Rose-Ackerman (1999: 116). The more power an autocrat has, the more he can abuse it. An autocrat does not allow resistance. Any idea that is not in line with what he/she wants is repressed, opposed or presented as his/her's. All other people not sharing the power to make decisions about how society should be organised (politics) experience anxiety and fear. These people want to participate in power-sharing but they are not allowed to do so. The autocratic government is illegitimate because it does

[43] Another form of an autocrat is a 'kleptocrat', an autocratic ruler with the goal of personalised wealth accumulation by exercising corruption (Rose-Ackerman, 1999: 114-115).

not represent the will of the people. People feel frustrated because their needs and rights[44]to strive for fairness in governance are ignored. This frustration co-produces resistance, violence, civil wars[45] and coups.[46]. Members become alienated from the very institution they were supposed to be a part of.

3.3.1.4 Fanaticism

If people and/or a group are not treated fairly they feel that they are discriminated against. Double standards and inconsistent decisions contribute towards unfairness. Inconsistent behaviour co-produces unpredictability and insecurity that causes frustration. People feel that their rights are ignored. On the one hand, people discriminated against feel insecure because they do not know what will happen to them. A feeling of indifference develops, because they are discriminated against in their need and right to strive for moral equality and governance. On the other hand, people can believe so strongly and passionately in their own group values that they can become fanatical about it. The word 'fanaticism' means "zealotry, enthusiasm, extreme zeal, intemperance, ruling passion, obsession, monomania, extremism, wild and extravagant notions, activism, militantism, radicalism, dogmatism" (Reader's Digest Family Word Finder, 2006: 304). People can be so biased in their treatment of others that their whole judgement is skewed. Fanatics do not treat other people as individuals and they lack discretion. People generalise and stereotype about religion, culture, ethnic group and race. For example, after the September 11 incident in the USA, most Muslims were treated unfairly as fundamentalists and religious fanatics. However, only a fraction of Muslims were responsible for September 11. Some religious groups can become so focused and passionate about their institution's mission that they are prepared to do anything to achieve it. Such slavish indoctrination of people comes with strong control. Dissatisfied members who want to break away from such groups are faced with extreme resistance and violence. Such people are frustrated with their membership and become alienated from the group.

3.3.1.5 Loss of identity

People with a lack of a shared image of a desired future experience that their unique qualities are suppressed. Their uniqueness as a person is ignored and they lose their identity. The word 'identity' means "to recognize somebody or something and be able to say who or what they are"; and 'individuality' means "the qualities that make somebody or something different from other people or things" (Hornby, 2005: 739, 760). People

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[44] The right to say what you want, to associate with whom you want, to write what you want, etc. without limiting the rights of other.

[45] In the Democratic Republic of Congo (DRC), various military and ethnic groups have competed for ownership of the rich endowment of the country's diamonds, gold, timber and copper. They used the revenues extracted from illegal exports to enrich the top military leaders and to purchase weapons to increase a war that has claimed two million lives (Kabemba, 2003: 234).

who are leading meaningless lives without hope of sharing in a shared and desired future, feel that there is nothing that makes them unique. Nobody asks their input or encourages suggestions from them about how to improve their working environment. They are not allowed to make their work more meaningful. They feel that they are just a number. For example, prisoners are outfitted with the same clothes, eat the same food and receive the same treatment. They become a number in a prison, irrespective of who they are or what they have done. This 'facelessness' is part of their penalty of not adhering to the norms and values of society. All people have the need to feel special, unique and appreciated. Such uniqueness makes them feel valuable. People whose individual qualities are not recognised, feel frustrated. They are excluded from experiencing a sense of belonging to a group where they can fulfil their need to strive for creativity and innovation. Their lives are without meaning and hope. They feel hopeless and become detached from their jobs. These people become alienated from their positions and institutions.

With the interactions of conflicting human aspirations that co-produce alienation in pace, the next second-order-obstruction is polarisation.

3.3.2 Polarisation

The word 'polarise' means "to separate or make people separate into two groups with completely opposite opinions" (Hornby, 2005: 1121). If people are separated in opposing groups they are unwilling to work together. They focus on each other's weaknesses and accentuate their differences. These differences are reinforced by conflicting ideologies[47] of political groups. A systemic definition of the word 'ideology' is "complex, abstract, comprehensive and integrated systems of beliefs about politics" that are based on "fundamental ideas and assumptions about human nature, society and politics and on a set of basic values relating to the central concepts of political life including justice, liberty, equality, freedom and democracy…; they offer a view of the political world and a sweeping interpretation of it" (Newton & Van Deth, 2006: 242). From this definition it is clear that an ideology includes principle ideas and assumptions about all social subsystems based on basic values. Sweeping statements, including generalisations and stereotyping, are used to propagate ideologies. Although very dated, a timeless reference about the application of ideology reflects "that ruling groups can in their thinking become so intensely interest-bound to a situation that they are simply not longer able to see certain facts which would undermine their sense of domination" (Manheim, as cited by Churchman, 1979: 157). From this definition, it is clear that ideology is not based on reason alone. Ideologies are non-scientific statements that cannot be proven (Newton & Van Deth, 2006: 243). Emotions, feelings and fears are created in making sweeping statements about political opponents.

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[46] Institutional or state disintegration can be classified in two groups, 'failed states' or a state that was once functioning; e.g. Yugoslavia; and 'quasi-states' or states that never establish functioning state structures, e.g. the DRC (Loges & Menzel, 2004: 148).

[47] E.g. democratic ideologies include conservatism, liberalism, Christian democracy, socialism and social democracy, nationalism and green political thought (Newton and Van Deth, 2006: 244-255).

Generally, in developing countries politics is built upon conflicting ideologies. These ideologies vary on a continuum from extreme left to extreme right. Generalisations and stereotyping of political opponents and their supporters are destructive verbal weapons that are used to propagate and deteriorate ideologies. It is also used to humiliate and 'to divide and rule', a proven method applied by colonial and foreign rulers[48]. The population is polarised into highly opposing groups. These groups treat each other as enemies[49]. Splits develop in society[50], meaning deep and persistent differences. These splits cause political conflict that is common during pre-election campaigns in developing countries. These conflicts include intimidation, harassment, violence and political murders. For example, voters of opposition parties were intimidated prior to and during the 2008 elections in Zimbabwe. Polarisation is further reinforced by ethnic[51], cultural, religious, language and racial differences. Often, these differences are based on centuries of violence. The Middle East is known for its religious wars. Millennia of bloodshed provide the foundation for polarisation. The vicious cycle of hate and violence seems impossible to break. In developing countries, opposition parties are not strong enough to govern without cooperation from other parties. However, they have enough power to disrupt and undermine the effectiveness of the policies of the ruling party. The system is vulnerable to be sabotaged and simultaneously difficult to manage. Such a situation is complex and a paradox (Gharajedaghi, 1982: 66).

In developing countries, once a ruling party seizes power, it creates monopolies through control of institutions, appointments and tenders. Ruling parties are usually not willing to share power and to follow a conciliatory and inclusive approach. They are not tolerant to alternative ideas from their 'enemies'. Hatred of the ruling party unites the opposition who tries to end their ruling. This brings more violence and military coups[52], e.g. Liberia (1980) and Nigeria (1966 and 1993). Political groups re-organise and the cycle repeats itself. Any attempt at cooperation and conciliation is met with fierce resistance from both ruling and opposition parties. The ruling party uses its power to tighten its control over the opposition[53]. The system oscillates between two extreme ideologies, locked into a vicious cycle of destruction. Splits are engrained in society. Once a new group seizes power, everything that the previous regime has developed is quickly destroyed. Any reference to the previous regime's cultural heritage is destroyed. Monuments are defaced, and museums, textbooks are rewritten, names of streets, towns, villages, cities[54] and even the country, are

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[48] In Africa, nationalism as an ideology was a potent force that swept over the continent, contributing towards the independence of most African states during the 1950's and 1960's.
[49] E.g. Julius Malema, President of the African National Congress Youth League (ANCYL), said that he would murder for Zuma, the fourth democratically elected President of the Republic of South Africa. He said later that he did not mean it literally (Retief, 2009).
[50] E.g. referring to each other as 'Boers', 'Coloureds' and 'Kaffirs'.
[51] E.g. Nigeria with more than 256 ethnic groups.
[52] A sudden and sometimes violent change of government, also known as *coup d'état*, from French (Oxford Advanced Learner's Dictionary, 2005: 335).
[53] E.g. national intelligence and security forces are used to control the opposition.
[54] As is the case in South Africa and Namibia.

changed to reflect the heritage[55] of the new group. South West Africa became Namibia and Rhodesia became Zimbabwe. Senior public servants of the previous dispensation are replaced with trusted supporters of the ruling party. The administrative memory is lost. Public systems are changed for the sake of destruction, not based on merit. This causes discontinuity of developing a cultural heritage that could be used to unite and integrate society. It also causes discontinuity of development initiatives that could have benefited society.

Manipulating of the illiterate majority by educated elites reinforces polarisation of the population. As the new ruling elite seize power, a new educated elite is appointed in positions of power and to manipulate the illiterate. They exploit the opportunity to become powerful. Arguments are based upon emotions, not on reason and logic[56]. They create fear amongst groups[57]. The elite use dogmatic[58] statements about the ruling party's ideology. They propagate the virtues of the latter ideology. The elite humiliate opposing ideologies by using destructive labels and slogans. The illiterate are confused by contrasting 'prophets' and 'gurus' of different groups. Their perceptions swing between extremes like a pendulum (Gharajedaghi, 1982: 67).

From the discussion about polarisation, it is clear that it is a separation of groups and individuals based on ethnic, cultural, ideological, religious, language, racial and class differences that create a vicious cycle of destruction that cannot be broken easily. The next section focuses on corruption as the last second-order-obstruction to development.

3.3.3 Corruption

A society where multiple first-order-obstructions to development exist, contributes towards dysfunctions of absolute exclusion, relative exclusion and total exclusion from wealth, knowledge, influence, innovation and values. These dysfunctions co-produce alienation on their own and/or through a combination of their interactions. Alienated people become detached from the institutions to which they are supposed to make a meaningful contribution. People who are frustrated and alienated are polarised into political and social groups through conflicting ideologies. These groups are intolerant and dogmatic. Polarisation is further reinforced through differences in religion, ethnicity, culture, race and language. Group differences in wealth, knowledge, influence, creativity and values also reinforce differences. All these differences develop into 'splits' that separate the majority of the population into opposing groups. The ruling party seizes the power

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[55] The history, traditions, and qualities of a society over many years that are considered an important part of its character (Oxford Advanced Learner's Dictionary, 2005: 699-700).
[56] Known as demagoguery (Oxford Advanced Learner's Dictionary, 2005: 388)
[57] E.g. the National Party during the *Apartheid* Era created fear amongst the Afrikaners about '*die totale aanslag van die Kommuniste*' to win votes for the party.
[58] Dogmatic means "being certain that your beliefs are right and that others should accept them, without paying attention to evidence or other opinions" (Oxford Advanced Learner's Dictionary, 2005: 432).

and is not prepared to share it[59]. Power is abused and corruption is co-produced. A history of corruption develops, that consists of vicious cycles reinforced by negative recurring behaviour. This recurring behaviour cannot be broken by 'hard' and/or linear strategies, i.e. increased policing or implementing more rules and regulations.

Corruption is an interdependent, self-supportive societal pathology. The word 'pathology' in this sense not only means an 'illness' but "the inability of a social system to change" and renew itself (Gharajedaghi, 1982: 71). Corruption strengthens corruption. It is necessary to approach the problem situation of corruption from a multi-dimensional and systemic point of view. Conditions which resist change of systemic corruption should first be broken down before control and management can be effective. Abuse of power and protecting incompetent appointees keep politicians dependent on corruption. Politicians depend on patronage to survive politically and economically. Structural changes are needed to break this resistance, for example moral and transformational leadership and political commitment for change. Such a mindset change is a cultural and behavioural change that can take a long time. Political leaders will only support transformation of a corrupt system if they benefit themselves. These benefits are unlikely to be attractive while politicians are benefiting more from corruption. Patronage increases the inefficiency of a public service. Such inefficiency drains scarce resources. Generally, in developing countries faced with such a problem, a strong leader is given absolute power to transform the system. However, the leader's absolute power creates opportunities for unaccountable actions that are too attractive for him/her to resist. The leader becomes autocratic and corruption becomes an accepted way of life. Paying a bribe is common practice to get a public service. Public perceptions become tolerant of corruption, justifying it as normal and acceptable.

Salaries of public servants deteriorated after developing countries gained independence and wage scales became compressed (Rose-Ackerman, 1999: 71-72). Corruption is a survival strategy for low-paid public servants[60]. This is because the difference in the 'level of temptation' between a public and a private job of comparable qualifications, competencies, training and experience is high (Rose-Ackerman, 1999: 71-75). Public servants create delays and bottlenecks to 'top up their salaries'. Bureaucracy provides the means to extract bribes from customers.

To provide in the demands of a fast-growing population, developing countries with small economies have to increase the provision of goods and services[61]. The government takes over the production process and leaves

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[59] A structure of corruption has been created in Kenya that "has one primary purpose, to maintain the ruling elite's hold on state power and therefore, the primary mode of economic accumulation" (Githongo, 2000: 2-3).

[60] Low wages for trade officials, higher domestic prices and a contracted supply provides the opportunity for corrupting trade officials (Oviaso, 2000: 9).

[61] The social responsibilities of governments towards citizens also increase, e.g. social security; policy formulation; education; disaster planning; health issues, such as HIV/AIDS; employment and gender equity; land use planning; addressing past imbalances through affirmative action; black empowerment; land reform and land resettlement.

the distribution of services to the private sector. After a while the public may start complaining about the poor quality of goods and services produced by the public sector. The government privatises to reduce the inefficient public service. Services are contracted out to a private sector with limited competition. Such limited competition creates monopolies. These monopolies accommodate their own inefficiencies by passing them on to their customers. They increase the prices of basic commodities, e.g. water and electricity. In doing so, such services become unaffordable for the majority of the population. However, these monopolies reward themselves with luxurious salaries. The government starts to regulate the prices of these basic commodities to keep their political support and power intact. Goods are produced beyond their market value. As a result, inefficiency and waste increase.

Corruption does not only exist in governments and public services of developing countries. Corruption is also rife in some developed countries (Rose-Ackerman, 1996: 177-182) as a second-order-obstruction to development. A very good example is USA corporate practices. Since the economic boom of the 1990s, USA companies have often created value where very limited value existed to keep shareholders interested in their shares. Shareholders are like ‘gamblers’, mainly interested in increasing share prices. Very few of them have loyalty to a specific company. As long as the share price of a company is increasing, shareholders are satisfied and not concerned about the track record of the CEO (Garrat, 2003: xx-xxiv). Board members tend to re-elect the chief executive officer (CEO) who put them on the board, creating a cycle of mutual-serving behaviour that provides opportunities for abuse of power by the members and protecting of incompetent CEOs. Overvalued share prices are created to comply with the greed of shareholders; and the mutual serving behaviour of CEOs and board members creates sophisticated accounting -, financial -, banking - and property systems of artificial value. There are sophisticated corrupt corporate systems that are partly ‘protected’ by the complexity of the interactions and relations between different components in corporate systems. These systems create first-order-obstructions that co-produced obstructions to development, i.e. greed of shareholders and complexity of understanding sophisticated systems’ co-produced corruption.

Corruption is a complex and systemic problem situation. Corruption depends on multiple interactions and is supported by other second-order-obstructions, such as alienation and polarisation. To break the recurring negative behaviour of a corrupt system requires a systemic approach. A number of activities need to be executed simultaneously. First, the corrupt system needs to be stabilised. One option is to increase policing temporarily to reduce theft and violence. Secondly, structural changes, for example programmes that co-produce corruption, should be eliminated. Thirdly, innovative, transparent and accountable institutions should be developed. All these strategies can only take place with political commitment and support and/or a national consensus from the public that pressurises politicians to transform. These strategies will be discussed in Chapter 6.

3.4 SYNTHESIS

Co-producers of corruption consist of first and second-order-obstructions to development that are representative of the human striving for the following five aspirations: economic well-being (wealth and comfort); knowledge gaining and technology skills (truth and understanding); goodness and moral, value driven circumstances (harmony and peace); fairness in governance (influence and participation); and beauty (motivation and inspiration). Corruption is co-produced not only by first and second-order-obstructions, but also by the purpose of the system, its environment/context, processes, governance and structure. Cause-and-effect is unable to explain corruption, because co-producers are only partially responsible. First-order-obstructions act as dysfunctions. The interactions of a combination of dysfunctions co-produce second-order-obstructions. These dysfunctions impact independently on the whole system. Second-order-obstructions include alienation, polarisation and corruption. Alienation co-produces frustration and unsympathetic behaviour within the very system to which a member is supposed to make a meaningful contribution. Polarisation co-produces separation of political and social groups based on conflicting ideologies. Such separation is further reinforced by structural differences, such as ethnicity, race and religion and self-serving educated elites who manipulate the masses. Corruption is eventually co-produced from the interactions between alienated people and polarised groups. As described in this chapter, corruption is a complex and systemic problem situation.

The next chapter focuses on the impact of corruption on development.

CHAPTER 4
IMPACT OF CORRUPTION ON DEVELOPMENT

In any complex system, impacts are co-produced that act as primary obstructions to development. Impacts cannot be separated from co-producers, because all impacts also act as co-producers and *vice versa*. The impact of co-producers has already been discussed in Chapter 3. The concept 'impact' includes "effect, brunt, burden, shock, thrust, implication, repercussion" (Shepherd, 2006: 419-420). For the purpose of this dissertation, the concept 'impact' includes any effect, burden, shock, thrust, implication and repercussion, measurable or immeasurable, occurring in all five interactive dimensions of human aspirations. Corruption is a social subsystem and 'an instrument of those it affects' or impacts upon. The principle purpose or function of a social system is enabling[62] the development of 'those' it influences (Gharajedaghi, 1982: 15). However, corruption is also a social pathology of which the purpose is not to develop the whole, but to serve the particular, to impair or decay the integrity of social systems and subsystems as a whole. The purpose of corruption is not to destroy the whole, but to selfishly and exclusively serve the corrupted. The result is the destruction of the integrity of the whole, an obstruction for and an obstruction of development.

In terms of the systems approach to development, Ackoff's definition of mechanistic and organismic systems emphasised two characteristics of purposeful social system behaviour. The first is to act purposefully. A purposeful system means a system that can produce the same outcome in different ways in exactly the same environment; and it can also produce different outcomes in the same as well as different environments (Gharajedaghi, 1982: 11). Such a system has the ability to change ends (function or purpose or outcome) under constant conditions. This is called 'free will' (choice) that depends on a person's own motives and ability that he/she exercises independently. The second characteristic of a system is the potential for change and development as result of a person's position in an institution. This deduced potential (for development) includes organisational support and assistance, such as in-service training.

This chapter discusses the impact of corruption on developmental aspirations as follows:

- The unlocking of resources for self-fulfilment, because corruption reduces the ability of a person to create and manage resources.
- Institutional integrity and trust, because corruption impairs the trust between individuals.
- Institutional integration, because corruption deters the emerging processes associated with institutional integration, for example participation and the ability of an institution to create social cohesion.

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[62] Enabling means "to encourage and facilitate" the development of those it affects (Gharajedaghi, 1982: 15).

- Institutional differentiation, because corruption deters the ability of an organisation to renew and transform itself, impacting negatively on innovation and inspiration.
- Cultural integrity, because corruption makes corrupt people dependent on the benefits of corruption and deters their ability to break such dependency.
- Moral leadership, because corruption tends to centralise and create excessive and unbalanced power. Such unchecked power strengthens further corruption, secrecy and a judicial system that is influenced by politicians and businessmen.
- Good governance, because corruption impairs the ability of leaders to lead with courage and creativity in applying the values of a society with consistency, to be fair, accountable, responsible and transparent.

The chapter also focuses on the following:

- Contextual variables such as 'hot spots' and how the combination of incentives and costs can increase the probability of corruption taking place.
- Categorising the costs of the impacts of corruption as unproductive (direct, severe and measurable) costs and non-productive (indirect and hidden) costs.
- Increased complexity co-produced by the impact on institutions, since emerging interactions between various impacts also act as obstructions to development.
- Interactions between co-producers, because just removing some co-producers will be counterproductive.
- The interrelationship between co-producers, impacts and manifestations since all three form a knot or mess that represents the complexity of the problem situation of corruption.

In order to make development possible, resources are needed. Resources are always limited. Corruption makes resources scarcer. The next section focuses on why and how corruption prevents the unlocking of resources for achieving self-fulfilment.

4.1 IMPACT ON RESOURCE UNLOCKING FOR SELF-FULFILMENT

Corruption creates scarcity, scarcity of access to services, scarcity of service providers to provide goods, to compete in a market, by limiting competition for tendering, limiting competition for the appointment of people, limiting of qualifying for subsidies, for grants and for starting a business. The moment that scarcity

of competing service providers is created, competition for service provision is less and corruption can occur unchallenged. In reducing competition of service providers, corruption creates service provider monopolies that go not only without competition, but without the motivation for improvement of the quality of those services. Corruption also reduces the efficient use of scarce resources. Less can be done with the limited resources available.

Corruption can restrict or impair the ability of people to become less dependent on certain scarce primary resources, such as land, minerals and fish. The impairment of the ability to become less dependent on primary resources can also restrict the ability of society or an institution to develop 'other' resources that are more 'taken' than 'given'. The more developed a person is, the more resources he/she can create or extract from primary resources (Gharajedaghi, 1982: 13). Corruption negatively affects the ability of people not only to develop themselves, but also their ability to become less dependent on 'given' or provided resources and more dependent on 'taken' resources'. This means that corruption impacts negatively on the ability of a person to create and manage resources, through exercising of entrepreneurial activities, and the aspiration to design a 'system' that is both attractive and inspirational for change.

Corruption impacts negatively on the ability of people to become autonomous and self-reliant. Over the long term, corruption can decrease a person's motivation so much that it can negatively affect a person's free will or ability to act independently. Such a person can then develop a dependency relationship in which he/she cannot rely on his/her own ability anymore. This means that his/her ability to develop is reduced. Such a person cannot perform his/her responsibilities optimally. Institutional support and assistance to such a person reduce, because he/she is not performing as expected or required. Corruption negatively affects or reduces the ability and desire of individuals to perform, and in effect also their 'quality' as a person, their character. The next section focuses on the deterring impact of corruption on institutional integrity and trust.

4.2 IMPACT ON INSTITUTIONAL INTEGRITY AND TRUST

The quality of institutions and people determine the quality of the relationships and interactions between their members. Social capital has a strong relationship with the interdependency of people in society or in an institution (sense of belonging and identity); and the potential of such a well-ordered society to ensure the dependency of its individuals on each other. An example of such a sense of belonging is *ubuntu,* as explained in Chapter 1. 'Corruption breaks down or 'impairs' this dependency relationship between individuals in society.

Corruption impairs the development of 'economic quality' and affects the quality of interactions between individuals in a society to develop institutional trust. One of the unproductive costs of the impact of

corruption is its impairment of trust between individuals in society and an organisation[63]. The concept 'trust' "is the belief that somebody or something is good, sincere, honest, etc. and will not try to harm or trick you" (Hornby, 2005: 1586). Trust implies honesty in individual actions. Trust is a means and an outcome of social capital. Corruption impairs the development of interpersonal and institutional trust. To do business in or with an institution where very limited trust exists is economically not cost effective, because relationships are not the 'backbone' of such a business, but the 'shrewdness' of those who can afford the best lawyers who can identify 'loopholes in the fine-print'.

To conclude this section, corruption affects the development of institutional integrity and trusting relationships that are needed to fulfil its purpose with efficiency and effectiveness. The next section focuses on institutional integration and differentiation.

4.3 IMPACT ON INSTITUTIONAL INTEGRATION AND DIFFERENTIATION (SECOND-ORDER-DEVELOPMENT)

The integration of society, its members' actions and interactions are negatively affected. Corruption deters or impairs the emerging processes associated with social and institutional integration, e.g. participation[64]. These emerging processes cannot stand alone but together they form the whole of what is called 'integration', and "co-produce the process called development" (Gharajedaghi, 1982: 59-60). Corruption impacts negatively on integration of social systems. It also deters the maintenance of the structure of society or an institution. Integration in an institution is essential for social cohesion. Corruption can impact on all the components or elements that make a contribution towards integration in society. Corruption negatively affects institutional integration where the emphasis is on instrumental value systems (integrity, honesty, fairness and justice); the pursuit of increased order (enforcement of rules for rewards and penalties); increased uniformity (standardisation for increasing efficiency); conformity (creating a shared image); collective choice (desired future or vision); and stability (maintenance of structure, meaning interactions and relationships of components).

Corruption negatively affects the ability of institutional differentiation, because an institution is hampered in its ability to renew and transform itself to adapt to changes in its environment. Corruption can negatively affect differentiation (Gharajedaghi (1982: 60), the pursuit of increased complexity, increased variety (such as choice of public services), increased individuality (such as choice to satisfy legitimate desires and self

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[63] Corruption "distorts poor people's relationships with and trust for public officials…" (World Bank Group, 2001: 1).
[64] Participation, through generation and dissemination of shared knowledge; adaptation is the process of learning; innovation is the creative process of discovery of new dimensions with all their implications; organisation is "the painful process of re-conceptualisation, reformulation and integration of all the variables involved in a new ensemble with entirely new relationships and characteristics of its own" (Gharajedaghi, 1982: 59-60).

actualisation), and creation of new structure. Differentiation in society is important because it makes provision for the pursuit of innovation and excitement (such as entrepreneurship), renewal and change (such as culture).

The ability of an institution to integrate and differentiate is second-order-development. Thus, corruption impairs second-order-development. The next section focuses on the impact of corruption on cultural integrity.

4.4 IMPACT ON CULTURAL INTEGRITY

Corruption affects the culture of a society because it locks people in a corrupt culture where they become dependent on the benefits of corruption. This dependency maintains and sustains the corrupt culture and resists renewal to change. If corruption is led or shared by politicians and top officials, any reform effort will be resisted and is doomed for failure. Reasons are that no politician will support reform if he/she risks losing the support and power of his/her corrupt supporters who also share in the benefits of corruption. In a corrupt culture, people are tolerant of corruption. This tolerance exists because they either benefit from it, or they are alienated and do not have influence, or they do not participate in corruption. The more people who participate in corruption, the more their experiences are shared and the more their perceptions change negatively. A typical cliché is that 'I am going to be corrupt, because everybody else is corrupt' and: 'Why would I wait for two months for my business licence if I can get it like John in one week?' If the institutions that are supposed to regulate, administer and control corruption (financial regulators and anti-corruption agencies) become corrupt, people have nowhere to go to complain[65] and can lose all hope of changing such a corrupt culture.

From the discussion on the impact of corruption on cultural integrity, the following can be deduced: any attempt to change a corrupt culture must reduce the incentives or benefits for corruption; increase the costs - punishment and risks for participating – and create incentives for reporting it. Those reduced incentives and increased costs can determine particular probabilities that corruption will, or will not take place. The next section focuses on why and how probabilities of corrupt opportunities co-produce impacts.

4.5 PROBABILITIES OF IMPACT

Corruption favours those with no reservations about corruption and those with connections over those who are the most efficient. The need to pay bribes is an entry barrier in an expectation to unlock opportunities, as

[65] Including the police who can also be corrupt in a systemically corrupt system.

a result of privatisation, inefficient subsidies, and monopoly benefits (Rose-Ackerman, 1999: 9-26). These opportunities are 'lucrative' because the costs - payoffs, risks of being caught or exposed or fired or penalised - are less than the benefits, the monetary and other value received from corrupt activities. The impact of corruption on development is affected by the availability of these lucrative opportunities. Such opportunities are closely related to administrative behaviour of the environment. Some conditions, e.g. the deduced potential (such as discretion) from the position of a person, are just more favourable than others. Components in the administrative environment of which the 'mix' determines the favourability of opportunities include responsibility, power, competency, discretion, accountability and transparency. The bigger the difference between large responsibility, extensive power and wide discretion *vs* limited competency, limited competition, limited accountability and limited transparency, the more lucrative these opportunities are. The more lucrative or enticing the opportunities, the more severe their impact is.

The absence, availability, excessiveness (efficiency with limited discretion) and inconsistent (inefficient and unequal) application of administrative control mechanisms can increase or reduce the impact of corruption. Corruption flourishes at certain 'hot spots', such as the application of control mechanisms when the 'book is thrown' at customers (i.e. monopoly of approval, excessive control and no discretion). These 'hot spots' also include control mechanisms that are not applied, or applied in a skewed or in an incorrect way in order to extract payoffs (i.e. unlimited discretion and limited accountability). The creation of control mechanisms as a response to corruption increases its impact as an 'add-on cost' to administration. This is similar to an additional tax (but comparatively causing a higher profit loss) and increases inefficiency (unproductive costs explained later in this chapter). The hidden costs are the distortions created, the impact on the increasing tolerance of people when they hear about or are exposed to actual experiences of corruption (non-productive cost explained later in this chapter). Examples of administrative and regulatory control mechanisms can include the following: licences (e.g. fishing and transport), permits (e.g. passports and identification documents), regulations (e.g. environmental, occupational health and safety, and labour), and inspections (e.g. taxation and construction sites), (Rose-Ackerman[66], 1999: 18). The discussion in this section focuses on how a combination of incentives and costs can increase the probability of corruption taking place. Those who have the power to design, manipulate and steer administrative behaviour are leaders. Corruption deters those qualities needed to change administrative behaviour. The next section focuses on how corruption impacts on moral leadership.

4.6 IMPACT ON MORAL LEADERSHIP

The celebrated words of Lord Acton "Power tends to corrupt; absolute power corrupts absolutely" (The New Dictionary of Cultural Literacy, 2002), described the impact of corruption on power most appropriately. In a

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[66] Examples in brackets were added by the author of this dissertation.

developing country with weak administrative control mechanisms, the possibility of corruption occurring and its negative impacts manifesting, escalates as a strong casual relationship develops amongst the following variables:

The first variable is the centralisation of power in the leadership of any arm(s) of government. If power is not 'balanced' amongst the executive, legislative and judiciary, also known as the *trias politica*, the danger is that any arm(s) of government can dominate the other, as happens with authoritarian and kleptocratic leaders. If any institution in the executive, legislative or judicial becomes too powerful, the 'balance' of power shifts and such 'unchallenged and unchecked' all-too-powerful institution(s) can dominate all the other institutions. For example, a legislative system with one dominant party with a two thirds majority can take unilateral decisions in parliament. In the USA, multiple sources of authority ensure that no single group has absolute power. The legislative power, for example, has various veto points. Institutionalised checks and balances in the USA is part of the accepted culture, developed over hundreds of years, that makes it unlikely for corruption to remain unchallenged. The more that the challenging of power is institutionalised and becomes part of the culture of a society, the more difficult it is for corruption to occur, and if it occurs, to remain unchallenged. The impact of the centralisation of power also applies to the relation between revenue and expenditure in decentralisation. The less income-generating power that is decentralised and/or is economically viable to be decentralised, the higher the possibility of corruption. If officials and/or an institution have authority to spend money, but not to generate it, or if decentralised units do not have the revenue to function on a self-sufficient basis, there will be no realistic or 'balanced' perspective on aligning expenditure with income. It can also happen that the centralisation of power is used as an 'additional excuse' by immoral leaders for appointments based on patronage, nepotism and favouritism at sub-national level, as seen in the current centralisation of local government in the Republic of South Africa (RSA).

The second variable is if transparency is limited and decisions are made in secrecy. The role of the media is perceived as an important fourth pillar to the *trias politica* to report on and to evaluate the work of the legislative, executive and judiciary. The media need to be independent and free from government to enable unlimited reporting on government activities. However, the higher the levels of illiteracy, the lower the possibility that the media can play a valuable role in creating transparency (as is not uncommon in developing countries). Illiteracy is generally associated with poverty. If the government does not identify the concerns of the poor[67], the poor and illiterate will not have the ability and the confidence to speak out, partly due to their vulnerability.

The third variable is the judiciary. An independent judiciary is imperative to ensure that the executive and legislative powers remain under scrutiny. Problems with the nature of the laws, where laws are vague,

[67] The poor tend to have higher levels of illiteracy than the rich.

contradictory, difficult to find, written in the language of the colonial power and where it is difficult to divine what the law says, are conducive to corruption. Problems with the nature of the laws create an uncertain business climate. Investors do not have certainty that discretionary power will not be abused, and that contracts will be honoured. Weaknesses in the administration of justice, where court cases are delayed, where years of backlog exists, create an informal judicial sector. People do not make use of the courts, because they have lost trust in the judicial system. A judicial system that is not independent from the executive and legislative cannot serve as a constitutional watchdog and cannot be a guarantor of impartiality to investors (Rose-Ackerman, 1999: 152-158). An independent judiciary is imperative for securing fairness in governance. The next section focuses on the impact of corruption on good governance.

4.7 IMPACT ON GOOD GOVERNANCE

Governance, as defined in Chapter 1, is "the manner of directing and controlling the actions and affairs of an entity" (King, 2006: 1) that "involves fairness, accountability, responsibility and transparency on a foundation of intellectual honesty" (King, 2006: 15). Governance will be good when a government achieves its ultimate goal of creating conditions for a good and satisfactory quality of life for all citizens (Gildenhuys & Knipe, 2000: 91). In Chapter 1 good governance is defined to include corporate governance, public sector and moral governance. Corruption impacts on and deters or decays the ability of quality governance of companies and institutions in both the public and private sectors. This means that all civic institutions, such as churches, sport organisations, tax-payers associations, trusts and close corporations, are affected by the negative impact of corruption. Corruption also impacts on moral governance. It has an impact on moral and transformational leadership. Corruption impacts on the ability of leaders to make a distinction between right and wrong, to apply values consistently, to lead with fairness, accountability, responsibility, transparency and intellectual honesty. Corruption impairs the ability of leaders to be competent, moral and to transform a systemically corrupt institution to a just and fair institution with integrity. The next section focuses on categorising the costs of the impacts of corruption. These categories are necessary to develop change strategies later in this dissertation.

4.8 CATEGORISING THE COSTS OF THE IMPACTS OF CORRUPTION

The discussion in this chapter covers a comprehensive variety of impacts. From what has been discussed, it is now possible to categorise the costs of the impacts. These costs can be categorised as unproductive and non-productive. Unproductive costs are severe costs, such as waste of resources; equalising demand and supply for services; clearing the market from competition for corrupters to benefit unfairly; and incentive payments to bureaucrats for taking the risk of corruption. Other examples include inefficiency, such as unresponsiveness, higher transaction costs and reduced tax revenue, reduced company and economic growth, higher costs and risks for small entrepreneurs. Unproductiveness in a system is recognisable when a system

does not function optimally and efficiently during the process of generation and dissemination of commodities of value.

The second type of costs is non-productive costs, what Rose-Ackerman (1999: 2-26) called “the most severe costs”, the underlying distortions that corruption reveals. Non-productive costs include implementing of control and monitoring systems; an increase in policing; deteriorating of the social concept of belonging; and reducing interactions in society that bind people together for the creating and sustaining of the common good or social capital. Other examples include fiscal distortions; increase in public spending, reduced foreign direct investment (FDI) and domestic investment; environmental damage; macro-economic instability; increase in the unofficial economy; increase in drug and people trafficking and violence; political favouritism and conflict of interest; failure of the legislative to convene; ignorance and misgovernment; erosion of legitimacy; erosion of morals, common values and family values; mistrust; loss of faith; and lack of creativity. With the unproductive and non-productive costs of impacts in place, it is now appropriate to revisit the description of the concept ‘impact’ at the beginning of the chapter. The concept ‘impact’ includes any effect, measurable or immeasurable, co-produced by corruption directly (unproductive costs) or indirectly (non-productive costs) in all interactive dimensions of human aspirations. The next section focuses on why and how corruption increases the complexity of institutions.

4.9 INCREASED COMPLEXITY

The discussion so far has focused on a variety of unproductive and non-productive costs of corruption and on their impacts on development. The impacts and the co-producers are so intertwined that it is not possible to categorise them without posing some questions about their relationships and interactions. For instance, poverty can act as a co–producer of corruption. However, corruption can also co–produce poverty. Both poverty and corruption can impact on each other as well as on development. Poverty is also a complex problem situation, as discussed in Chapter 2. If two complex problem situations form a ‘knot’, each with its own components that interact, the complexity and impacts increase exponentially.

To understand corruption as an interactive subsystem of a social system one must not only know what the purpose or ends of the parts, system and containing systems are, but how their purposes affect their interactions (Gharajedaghi, 1982: 11). Corruption, as a purposeful subsystem, can learn and adapt and it can also create its own supportive environment – a process resembling cancerous growth which can destroy social development. In order to understand the impact of corruption on an institution, it needs to be contextualised in terms of its purpose, processes (e.g. behaviour of corrupters and corruptees), structure (e.g. interactions of strategy, people and management style), context and governance (e.g. leadership and good governance), see Table 4.1: Impact of corruption on a social system for an illustration.

Table 4.1: Impact of corruption on a social system

Interdependent components of a social system	Impact of corruption
Purpose	Breaks down the integrity of the system
Process	Self-supportive behaviour of segment(s) of society
Structure	Interaction of strategy, people (e.g. abuse of power) and management style (e.g. autocratic)
Context	Adapts and changes its own environment
Governance	Limits participation and sharing of a common concern

Source: Own design, based on Gharajedaghi (1982: 6-11)

The next section focuses on the interaction of components of corruption and their recurrent relationships.

4.10 INTERDEPENDENCE OF CO-PRODUCERS, IMPACTS AND MANIFESTATIONS OF CORRUPTION

With an awareness of the various components of corruption, it is appropriate to look at its structure and the interaction between some of the components. There is a recurrent relationship between the impact of co-producers and the manifestations of corruption. Co-producers can impact on corruption and their impacts can, in turn, also act as co-producers. The impact can also manifest itself in terms of different symptoms or 'faces', also known as dimensions or forms of corruption, that are recognisable for identification. This double-loop interrelationship amongst co-producers, impacts and manifestations is a knot or mess that represents the complexity of the problem situation of corruption. This knot is an indication of the complexity of developing strategies for changing corruption in an institution.

Removing one co-producer that impacts on development is not necessarily going to have an improvement on the larger system of an institution. For example, if delays and inefficiency in a bureaucratic licence application system are removed, and the number of officers is reduced from ten to two (based on improved procedures and smaller workload), the whole system can be more efficient. However, the two remaining officers now have less competition as 'service agents', but a more lucrative opportunity to ask for higher bribes. This example is an indication that removing or improving only one set of elements or components of a systemic problem needs to be carefully considered in terms of its 'new' impact on the larger system. Removing a co-producer(s) can increase corruption if only efficiency and economic aspirations are considered, for example, delays while reducing the number of officers dealing with licence applications. 'Recurrent' impact cannot always be anticipated with certainty, because the other human aspirations - values

and culture, sociology, legal-institutional and knowledge and technology - can also play a role. One of these human aspirations is social or culture. Not only the collective spirit, but also the individual behaviour (psychology) plays a role in human behaviour. This is what was called ‘free will’ (choice) at the beginning of this chapter, that depends on a person’s own ability that he/she exercises independently. The next section is a synthesis of this chapter.

4.11 SYNTHESIS

This chapter has discussed the impact of corruption on developmental aspirations, namely resource unlocking for self-fulfilment, institutional integrity and trust; institutional integration and differentiation; cultural integrity; moral leadership; and good governance. The chapter also focused on categorising the increased probabilities of impacts, costs of impacts, increased complexity of institutions; interactions between co-producers; and the relationship between impacts and manifestations.

The emerging interactions between the various impacts that also act as obstructions to development are of greater significance than just the impact of corruption on social systems. The more these obstructions are created, the bigger the opportunity that they will interact, the more severe their impact will be and the more complex it is to ‘dissolve’ them. Measuring the impact of corruption can be useful for developing and prioritising change management strategies. Where the biggest impact is and where the impact is most severe (social harm), can determine the best places to intervene in the system so that the smallest efforts can make the biggest change possible. However, this must be executed with caution. Just tampering with small and temporary actions of improvement must be considered systemically in terms of anticipating the impact on all other components (the whole system), their anticipated interactions, keeping them under control and manageable. If this is not done, change can be counterproductive, and a waste of resources over the long term. For sustainable change and transformation, the anchors created in the discourse about the relevance of the systems approach in understanding systemic corruption, its co-producers and impact on development, will be used for strategising how corruption can be reduced, the focus of part two of the dissertation.

The next chapter focuses on developing a normative framework of indicators to profile a systemically corrupt institution.

PART 2:

A CONCEPTUAL MODEL FOR MANAGING CORRUPTION TOWARDS A CONSENSUS

CHAPTER 5
FRAMEWORK FOR PROFILING A SYSTEMICALLY CORRUPT INSTITUTION

This chapter focuses on the development of a normative framework that can be used as a template to identify whether an institution is systemically corrupt or not. Information about the nature of corruption, conditions that make corruption systemic, co-producers of corruption, how the impact of corruption impairs developmental aspirations and manifests itself, is used for developing a framework of normative guidelines. The purpose of these guidelines is not to diagnose corruption-stricken institutions with absolute certainty, but to provide guidance to identify and/or recognise the broad profile of a systemically corrupt institution for further investigation and validation before developing appropriate anti-corruption strategies. This chapter develops indicators from a strategic/prospective approach, and from a tactical-operational/audit approach. The strategic approach includes indicators from good governance, and the audit approach includes indicators from moral leadership, moral and durable culture, institutional development, institutional integrity and institutional trust. The relations between all these indicators that are representative of both approaches make no distinction between institutional *vs* individual values and principles. The larger the difference between institutional *vs* individual values and principles [68], and the reason for existence of the institution *vs* individual role and/or job orientation, the higher the possibility will be of systemic corruption.

In a systemically corrupt institution, an overemphasis exists on operations represented in quantitative, temporary change. Such an institution can be identified by an undisciplined culture where there is limited self-discipline, inaccurate and irresponsible actions that are not sustainable. The following obstructions to cultural change can be identified in a systemically corrupt institution: conservatism, a preference for what is known; neologism, a relentless temporal change without value; structuralism, an obsession with organisational structure; pragmatism, a preference for short-term-efficiency and problem solving; elitism, an overemphasis on status consciousness; segmentalism or pulling in different directions; and isolationism that resist ideas from outside. A systemically corrupt institution obstructs institutional development because it prevents participation for creating power sharing, adaptation for enabling a context of change, innovation for stimulating creativity, socialism for creating parity, and organisation for creating stability. Such institution also obstructs institutional integrity because it breaks down trust and the quality of relations between members. Ultimately, systemically corrupt institutions obstruct institutional integration and differentiation, of which both are needed in tandem and in balance for institutional development. This chapter also discusses indicators, other to what have been mentioned in the preceding paragraphs, considered for developing a normative template, namely manifestations and impact, and their limitations.

The next section focuses on how to apply the principles of the template.

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[68] Including expectations about the future.

5.1 INSTRUCTIONS TO APPLY THE FRAMEWORK

The normative framework developed in this chapter, should not be treated as a quantitative checklist to determine if an institution is systemically corrupt. Checklists are generally not systemic in nature, unless they can be validated. Systemic corruption is too complex to be treated in a quantitative and analytical way. Indicators need to be rephrased in the form of questions. All answers need to be followed up by further questions for validation. Table 5.1 provides a diagnostic outline for profiling a systemically corrupt institution that is a snapshot about this chapter.

Table 5.1: Diagnostic outline for profiling a systemically corrupt institution

STRATEGIC APPROACH
Absence of indicators from good governance
Accountability & responsibility of all members
Social integration
Deregulation
Respect & obedience of the law
Public management principles
Batho Pele principles
Corporate governance principles
Fiduciary powers of directors

TACTICAL-OPERATIONAL APPROACH
Absence of indicators from moral leadership
Political, decision-making & administrative power
Judiciary weaknesses
Absence of indicators from a moral & durable culture
Sustainability, stability, effectiveness, inclusiveness, adaptation & integration
Absence of indicators from institutional development
Participation, adaptation, innovation, socialisation & organisation
Absence of indicators from institutional integrity
Quality & integrity of members
Absence of indicators from institutional trust
Reliability, integrity, honesty & openness

Source: Own compilation, based on all references as indicated in Sections 5.3 and 5.4.

5.2 PARAMETERS

From the definition of corruption in Chapter 1, it is possible to identify four parameters serving as the boundaries within which the framework can be developed, namely:

- "…an impairment of integrity, virtue or moral principle". Indicators developed from 'quality' address this parameter, which describes the deterioration of values and standards.

- "depravity, decay, and/or an inducement to wrong by improper or unlawful means". Indicators developed from 'best practices for reform' address this parameter, which describes that which is illegal and punishable.

- "a departure from the original or from what is pure or correct". Indicators developed from 'social capital' and 'institutional trust' address this parameter, which describes a movement away from the original purpose of a system that was designed to make a contribution to a society, such as improving the quality of life of all its members.

- "and/or an agency or influence that corrupts". Indicators developed from 'culture' address this parameter, which describes everybody participating in corruption, in whatever role (Merriam-Webster Dictionary, 2010).

With the boundaries of the framework in place, the next step is to focus on the strategic approach as the foundation of the framework and indicators that can be developed from this foundation.

5.3 STRATEGIC/PROSPECTIVE APPROACH

This approach evaluates the likelihood that corrupt practices may emerge. This approach builds on direction from the systems approach linked with indicators from good governance.

5.3.1 Indicators from good governance

Good governance is an umbrella term that includes both corporate and public governance. In this discussion indicators are developed of which some apply only to private, some only to public and some to both public and private institutions. The discussion will start with an interpretation of good governance as defined in Chapter 1. Good governance is about the ability to govern an enterprise with integrity driven performance[69], it is quality governance[70], the delivery of quality goods and services by quality people to improve the quality of life of customers and society. Good governance is not the mindless application of a quantitative checklist. To illustrate this point: Worldcom had an audit committee, a remuneration committee, a certified accountant (CA) as chairman of the board and complied with all the corporate governance 'box ticking'. However,

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[69] Integrity-driven performance is a concept used by *King's Counsel: Understanding and Unlocking the Benefits of Sound Corporate Governance. Corporate Governance Executive Guide to King III* (PriceWaterhouseCoopers, 2009: 3).

[70] Quality governance principles include "fairness, accountability, responsibility and transparency, based upon a foundation of intellectual honesty" (King, 2006: 123). Fairness is "the quality of treating people equally or in a way that is reasonable" (Oxford Advances Learner's Dictionary, 2005: 529). Intellectual honesty means one has to employ one's mind in an uncontrolled, unrestricted and unbiased way so that making a decision is always in the best interest of the company (King, 2006: 15).

Worldcom was permeated with corruption. Worldcom is an example that shows compliance with good governance is not enough. Integrity-driven commitment to performance is required.

The coinciding absence of the following good governance principles in general, can provide an indication that a public institution is systemically corrupt:

Acceptance of responsibility and accountability is essential for all members – managers, leaders, shareholders and stakeholders. Accountability is answerability about all decisions and actions that include collective (which is institutional and individual) answerability. Private institutions are not in the same way publicly accountable to taxpayers, however, institutions should have social and environmental accountability. The lack of or limited appliance of accountability 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. German and Japanese companies give a lower emphasis to shareholder accountability compared with their American and European counterparts. Shareholder accountability should be shouldered with stakeholder accountability and market share. Shareholder accountability encourages a short-term profit orientation. 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).

Systemic corruption can also be indicated by the absence of the following good governance principles:

- Social integration and participation of all stakeholders and their ideas
- Deregulation of excessive and unnecessary processes that cause bottlenecks, delays and inefficiency
- Respect and obedience of the law
- Public management principles as discussed in the paragraph that follows.

The coinciding absence of the following public management principles [71] can more specifically provide an indication that public institutions are systemically corrupt:

- Economy, efficiency (i.e. minimum use of resources to achieve an objective) and effectiveness (i.e. exercising the right choices and/or pursuing the right direction)
- Sustainability[72], consistency and innovation of the transition to sustainability

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[71] Public management principles that overlap with good governance principles were combined.

- Flexibility and management of change
- Transparency by means of disclosure, declaration and management of conflict of interest[73]
- *Batho pele* principles.

The coinciding absence of the following *batho pele*[74] principles can more specifically provide an indication that public institutions are 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, i.e. time taken to connect a residential stand to water and electricity with less than a five percent come-back of 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. Keeping of statistics to anticipate customer response.
- Creating access to services. The more accessible services are, the less scarcity and the less motivation exist 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 making provision for complaint procedures, redressing mechanisms and providing rebates[75].

The coinciding absence of the following corporate governance principles can provide an indication that both public and private institutions are systemically corrupt:

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[72] Sustainability is one of two core principles identified in *King's Counsel: Understanding and Unlocking the Benefits of Sound Corporate Governance. Corporate Governance Executive Guide to King III* (PriceWaterhouseCoopers, 2009: 2).

[73] Transparency is "substance over form coupled with the truthful and prompt communication of important decisions" (King, 2006: 123).

[74] *Batho pele*, a Sotho phrase, means 'people first', that can be used to create a framework for the delivery of public services, it can introduce more 'customer-focused' ways of executing public officials' functions (Gildenhuys & Knipe, 2000: 130).

[75] A rebate is "An amount of money that is paid back to you because you have paid too much" (Oxford Advanced Learner's Dictionary, 2005: 1212). In the context of the study, the amount is 'too much' in relation to the quality of services or goods received.

- Sound economic, social and environmental performance; the triple top line that 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[76] and a healthy cash flow[77]

- Integrated risk management[78] 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 to accept liability for institutional negligence

- Independent auditing and verification of financial statements.

The coinciding 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. He/she must ensure 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[79]'.

- Care: he/she must ensure that the company uses its assets as if they are the assets of his/her own family. Care involves seriousness in dealing with institutional challenges, stewardship[80], "transparent communication" and protecting the company's reputation.

- Skill: every director must use his/her ability, whatever that ability is, in the interest of the company he/she represents, e.g. how a director evaluates information submitted to the board; and the honest application of a director's mind.

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[76] E.g. a year on year profit growth rate that does not place serious constraints on working capital in case of a steep decline in profits, market share or share price.
[77] Another example is to apply Economic Value Added (EVA) principles.
[78] King III requires from companies not only to have audit and risk management committees but that risk management should be an integrated part of the audit committee (PriceWaterhouseCoopers, 2009: 51,73).
[79] Meaning not in a controlled or restricted manner (Oxford Advanced Learner's Dictionary, 2005: 1610).
[80] Stewardship is "the act of taking care of or managing something" (Oxford Advanced Learner's Dictionary, 2005: 1450). Garrat (2003: 1-128) also wrote about stewardship.

- Diligence: a director must do his/her homework, he/she must study information about the industry and the company's relationships with stakeholders supplied to him/her and ensure that he/she understands it (King, 2006: 29-30, 52-53).

The impact of not fulfilling fiduciary powers can appear in various manifestations, such as conflict of interest (good faith), unaccountability (care), incompetence (skill), and negligence (diligence). Understanding these manifestations can provide insight into systemic corruption.

Now that the indicators of good governance are in place, the following section focuses on indicators deduced from the impact of corruption on moral leadership, as discussed in Chapter 4.

5.4 TACTICAL-OPERATIONAL/AUDIT APPROACH

This approach evaluates the status of institutions with reference to manifested corruption.

5.4.1 Indicators from moral leadership

The following indicators from moral leadership[81] can provide an indication that both public and private institutions are systemically corrupt, namely, if:-

- Political power[82] (leadership and management) is centralised in the executive, and not balanced with legislative power (board members or trustees) and judiciary power (independent regulatory control). Such an unbalanced distribution of power can be abused by an authoritative and/or charismatic leader.

- Decision-making power is centralised and employees have unrestricted spending authority, there is an inequilibrium between expenditure and income. Such inequilibrium creates opportunities for excessive expenditure *vs* limited sensitivity and accountability towards income, because there will be no realistic or 'balanced' perspective about aligning expenditure with income or 'breakeven'.

- Administrative power is centralised it creates scarcity for access to goods and services, and scarcity for approval and monopolies. In addition, if administrative control measures are weak, the following can emerge: limited accountability, large responsibility, wide discretion, limited transparency and unregulated monopoly power.

- The judiciary is not independent, when laws are vague, contradictory, difficult to find and written in the language of the colonial power. When it is difficult to interpret the law, it creates an uncertain

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[81] As explained in Chapter 4.

business climate. Weaknesses in the administration of justice delay court cases and give rise to an informal judicial sector. Under such conditions, contracts are not enforced and people do not bring lawsuits to the courts.

5.4.2 Indicators from the antithesis of a moral and durable culture

A systemically corrupt institution is not prepared to undergo second-order-social-learning, and second-order-development. Such learning and development is necessary to change from an overemphasis on operations[83] to a more strategic/prospective and sustainable (long-term) focus that is durable[84]. Quantitative change, meaning a change in numbers and growth, e.g. profit and market share, is the focus, instead of a holistic and durable change.

5.4.2.1 An undisciplined culture vs a moral and durable culture

The following discussion about the culture of durable institutions can be applied to both private and public institutions. A culture of discipline is a common denominator of Collins' (2001: 120-141) eleven most visionary and sustainable institutions, a selection made from the best companies that appeared on the 1965, 1975, 1985 and 1995 listings of 'Fortune 500'. Four selections[85], based on rigorous financial criteria were made to select these 11 companies. A substantial part of Collins' study is about the distinctive culture of these 11 companies. Collins (2001: 130) found that companies with an undisciplined culture are unsustainable. Not having an enduring culture means an unsustainable culture that is 'stuck' in first-order-quantitative development. Such companies do not develop as they should to adapt to a changing environment. The less adaptive a company is to change, the higher the possibility that it will be unsustainable. Such companies have an undisciplined culture and can be, but need not inevitably be, systemically corrupt. Such companies, that meet the three overlapping criteria[86], need to be tested against the other indicators of the framework to determine with certainty whether, how and why they are systemically corrupt.

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[82] That includes influence, participation and liberty (Gharajedaghi, 1982: 64).
[83] First-order-learning or change
[84] Second-order-learning or change
[85] The first cut was made by selecting only USA companies that comply with a common reporting standard. The second cut from 1435 to 126 companies was made by selecting companies that showed "substantial above average returns" in the time spans, 1985-1995, 1975-1995 and 1965-1995; and preceded by average or below average returns. The third cut to 19 companies was made based on the cumulative capital returns of each company relative to the general market, looking for good-to-great capital return. Any company that met any of 11 criteria was eliminated. The fourth cut to 11 companies was made based on companies that made sustainable transitions, not industries that made sustainable transitions (Collins, 2001: 219-227).
[86] Three criteria of non-sustainability, undisciplined culture and un- or under-development

In an undisciplined culture, people do not have self-discipline and their actions and decisions can be described as haphazard[87]; not rigorous[88] , inaccurate and not precise'; not determined and not focused; not diligent[89]; not systematic and methodical; unaccountable and irresponsible[90]; inconsistent in applying policies and activities; and not considering the long-term impact of activities (Collins, 2001: 120-141).

In a corrupt culture, some people benefit from corruption and are alienated. Such alienation is characterised by a unique subculture of corrupt norms and values. Those who do not participate in corruption are characterised by another 'corrupt free' subculture and are subsequently also alienated. Table 5.2: Indicators of a systemically corrupt culture *vs* a moral and durable culture, summarises the indicators of both cultures and provides examples of how a systemically corrupt culture is linked with primary obstructions to development. The interaction of the following obstructions to cultural change can be indicators of a systemically corrupt institution, because they co-produce conflicting developmental aspirations, and first-order-development *vs* second-order-development.

Table 5.2: Indicators of a systemically corrupt culture *vs* a moral and durable culture

Indicators of a Systemically Corrupt Culture	Examples of Primary Obstructions to Development	Indicators of a Moral and Durable Culture
Undisciplined culture	Conflicting values	Morality and Durability
Conservatism	Fear of loss of identity	Innovation
Neologism	Meaninglessness	Sustainability
Structuralism	Inefficiency	Stability
Pragmatism	Ineffectiveness	Effectiveness
Elitism	Obsolescence	Inclusion
Segmentalism	Powerlessness	Integration
Isolationism	Selfishness	Adaptation

Source: Own compilation, based on Bate (1995: 97-101); Collins (2001: 219-227); and Gharajedaghi (1982: 63-66)

[87] Meaning "with no particular order or plan, not organised well" (Oxford Advanced Learner's Dictionary, 2005: 677).
[88] Rigorous means "done carefully and with a lot of attention to detail" (Oxford Advanced Learner's Dictionary, 2005: 1261).
[89] Diligence is one of the fiduciary powers of directors of companies, as discussed before under good governance.
[90] Also a good governance indicator.

5.4.2.2 Conservatism vs innovation

The older the norms, traditions, beliefs, 'stories', the bigger the challenge is to overcome resistance to what is known, comfortable and secure. Conservatism can be explained by stereotyping about professional groups. Engineers and accountants are, for example, perceived to prefer evolutionary designs, to be defensive, imitative and to follow known trends. On the other hand, research and development scientists and 'softer' scientists can be stereotyped as radical, offensive, novel, experimental, setting trends and 'frame breaking', (Bate, 1995: 112). Generally, conservatives are willing to undergo first-order-change[91]. However, they tend to resist second-order-change[92] that requires a deliberate and continuous change of mindset.

5.4.2.3 Neologism vs sustainability

Neologism is about discontinuous change, fads and fashions and a lack of a consistent philosophy of change. Flavour-of-the-month ideas are 'the name of the game', not because they are necessarily better, but because they are newer. Quotations from the latest management 'gurus' and a religious adoption of their strategies take precedence over long established and tested truths and practices. Attraction to the latest fads and fashions wears off as soon as newer ones come on the market. The value is not in the innovation, but in its newness. Neologism is related to the fashion industry[93]. A constant replacement of fads, 'gimmicks', untested management slogans and technology is done 'for the sake of change'. A waste of valuable resources takes place that could have been used for sustainable development and improved services and products. Such a waste of resources is corruption.

5.4.2.4 Structuralism vs stability

Structuralists' obsession with organisational structure prioritises structure before strategy. If there is any type of problem, the structure must be changed. As a result, jobs and teams are constantly changed. Structuralism causes instability in team performance, innovation and creativity. Before project teams are settled, teams are changed, institutional capacity is lost, and new members are continuously re-educated. Processes and strategies are changed constantly to fit a new organisational design and structure. Organisation and development specialists do not see the bigger picture of strategy before structure. They 'fiddle' or 'tamper' with the structure in a constant effort to solve all problems under the banner of structural issues. Everyone in the organisation is constantly reminded of their responsibilities, positions on the 'organogram', job descriptions, about what they must do, can do, cannot do and should do[94], reporting procedures, line

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[91] Acquiring new and improved competencies and change of the conscious mind.
[92] Change in attitude, meta-conscious or subconscious mind.
[93] A distinction is made amongst the following layers in society: fashion, commerce, infrastructure, government and nature (Brand, 1999: 34-39).
[94] The civil service in Namibia is a good example of practising structuralism.

functions, staff functions, span of control, job design, and role clarification. Structuralism unsettles people and contributes to underperformance, inefficiency and waste.

5.4.2.5 Pragmatism vs effectiveness

The concept of pragmatism is rooted in the philosophy of utilitarianism[95] of which Bentham, Mill, James and Dewey were the leading contributors (Parsons, 2005: 45-46). Pragmatists are strong on doing, weak on thinking, anti-conceptual, mechanistic and lack vision. As practically minded people, pragmatists are 'quick fixers, sprinters and fire-fighters'. A culture of pragmatism lacks long-term vision. As long as a problem is fixed now, this month or this year, it is 'solved'. Pragmatists tend to be short-term-efficiency orientated without considering effectiveness of decisions and actions. A linear, rational, and process-orientated philosophy is followed. Problems are concrete, well definable and outcomes are measurable. Other problems that cannot be solved rationally and/or mathematically, are not 'real problems' and not worth solving. Due to fire-fighting and short-term solutions, pragmatists do not see the bigger picture of recurring issues/patterns/trends. Pragmatists can become depressed about fighting the same problems daily. A technical, almost mechanistic approach to solve non-linear problem situations, such as corruption, is counterproductive. Treating the symptoms of corruption will not solve deep-rooted problems related to institutional culture and integrity.

5.4.2.6 Elitism vs inclusion

Elitism includes status consciousness. Managers talk only to managers and employees do not talk to supervisors. The culture is one of 'we are up here and you are down there, we see you but we do not hear you'. Status and position are more important than performance. People are paid for their positions, not for their performance. Weak vertical coordination of activities exists. Innovation and creativity are blocked by vertical and diagonal boundaries of status. Procedures and channels of communication are ineffective. Upward and diagonal communication is minimal. An over-emphasis on downward communication enables the quick execution of instructions. Horizontal communication is only permitted when it is with people of the same rank and file. Protocol is important and no communication levels may be skipped. Status consciousness creates bureaucratic procedures that stimulate inefficiency and a waste of resources. Operational people are not allowed to report deviations to higher authority. People in top and senior positions lose touch with what is happening on the ground. These invisible 'bubbles' of status or boundaries create favourable conditions for corruption to flourish, because 'we see evil, but we are not allowed to talk about it'.

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[95] The "greatest happiness for the greatest number of people" (Parsons, 2005: 45).

5.4.2.7 Segmentalism vs integration

Segmentalism entails pulling in different directions and a lack of cohesion. Segmentalism is a follow-on of elitism when groups are alienated from other groups as a second-order-obstruction to development. In organisational terms, segmentalism is characterised by departments or functional groups that protect their 'turf'. They do not want to lose their unique identity. As an example, engineers generally tend to be rational, logic, mathematical and follow a linear approach to solve recurring problems in concrete and exact terms. Results must be proven before they are accepted. Research and development scientists are generally part of the 'softer sciences' where results cannot always be proven. In these soft sciences, large sums of money are invested without concrete evidence that results will be measurable and tangible. In the non-linear approach of the 'softer sciences', everything cannot be explained. 'Gut feeling' is important and not only numbers and concrete results. Owing to the different perspectives of professional thinking it is common for different groups to segmentalise themselves. Once these groups are formed and start reinforcing their known labels, it is very difficult to get them to cooperate. Cliques are formed and benefits are channelled to sustain these groups and their survival. In a systemically corrupt institution, people may segmentalise in the following groups:

- 'Hard liners' or known corrupters and corruptees
- 'Saints' that 'see all evil, hear all evil and do no evil'
- Opportunists/rent-seekers who are shrewd and take their chances only when lucrative opportunities arise
- 'Undecided' people who have not decided yet to join the opportunists, or the 'saints' or to form their own group.

5.4.2.8 Isolationism vs adaptation

Isolationism is an inward-looking focus that builds a wall around groups. Isolationism means resisting ideas from outside, hampering and restraining creativity and innovation. Isolationism is a belief that 'we know it all'. 'Nobody else outside the institution can be trusted'. 'No alternatives outside the institution are worth looking at'. Irrespective of developments outside the institution, 'we are exclusive in the way we do things'. Isolationism prevents adaptation to '*weltanschauung*' because the 'world view' is ignored, development is impaired and opportunities for corruption are created.

The discussion that follows focuses on the absence of indicators for institutional integration.

5.4.3 Indicators from institutional development

The strength of the network of mutual obligations between members of an institution provides a desired future that creates a distinctive shared culture amongst its members. An institution with a high level of development has no motivation for corruption, because it is not part of their members' future. All members have a role to play and a shared identity. Individual attempts of corruption by some disgruntled members are sanctioned by durable values and principles of the shared culture. The absence of systemic development can be used as an indicator for corruption, by measuring the strength of development indicators.

To stimulate institutional development, the following indicators are needed:

- Participation, to ensure the just and fair sharing of power and influence
- Adaptation, to enable a changing and shared environment
- Innovation, to stimulate new ways of operation that inspire people (Hornby, 2005: 769)
- Socialisation, to create parity between people where ethical/moral, educational and economic inequality exist
- Organisation, to create stability where disparity, exploitation and instability exist. See an illustration of these indicators or emerging processes outlined in Figure 2.2: Tendency towards integration and differentiation.

The absence of indicators of development can provide an indication of under-development. An institution that does not develop is a stagnant institution. Such institution does not have the ability and/or willingness to adapt to a changing environment. The less development that is present, the higher the possibility is that an institution can be systemically corrupt.

5.4.4 Indicators from institutional integrity

A direct relationship exists between integration and the quality of people. The higher the quality of its members, the stronger is integration. The quality of people determines the strength of their relationships and interactions. Corruption affects the quality of interactions between individuals. Corruption impacts on integrity that judges the quality of a system, meaning its ability to achieve its goals. Quality people have the ability and the willingness to exercise integrity and to develop trust[96]. Trust and quality are a means and an

[96] "Trust is the bond in a society, an industry, a business and of any important set of relationships" (Kuper, 2006: 38). Confucius, when doing leadership coaching, told Tzu-kung that three things are required for government: weapons,

outcome of social capital. Corruption impairs the development of interpersonal and institutional trust. If trust is limited, social capital and quality people will also be limited. Integration, quality, integrity and trust can be used as proxies for measuring systemic corruption.

5.4.5 Indicators from institutional trust

Institutional trust plays such a critical role in integrity and quality institutions that a better understanding of the concept is needed. Trust is defined as the belief that somebody or something is "good, sincere, honest, etc. and will not try to harm or trick you" (Hornby, 2005: 1586). Gills (2003: 238-239) defined organisational trust[97] as "the organisation's willingness, based upon its culture and communication behaviours in relationships and transactions, to be appropriately vulnerable, based on the belief that another individual, group or organisation is competent, open and honest, concerned, reliable and with common goals, norms and values".

Based upon the previous definition, together with all the other indicators of integration and integrity, if the following two indicators are absent, institutional trust is limited and can provide an indication that an institution is systemically corrupt: First, a specific social setting with a specific conducive culture[98] is needed to develop institutional trust. Secondly, people need to prepare themselves in order to be placed in 'a vulnerable position' based on criteria and evaluation of risk (Binikos, 2006: 45)[99], so that institutional trust can develop.

Factors that promote trustworthiness within an institution include reliability, integrity, honesty, openness[100], competence, a concern for employees and identification (Paine, Gills, Claybrook & Binikos, as cited by Holzhausen, 2009: 239). Institutional trust overlaps with the indicators of the following: institutional integration; quality institutions; institutional integrity, the culture of the most endurable companies as described by Collins (2001: 120-141); and good governance indicators.

5.5 ALTERNATIVE INDICATORS CONSIDERED

The following discussion is to provide an indication of the suitability of alternative indicators that were assessed for profiling a systemically corrupt institution. The first choice considered was manifestations. The impact of corruption manifests itself in multiple faces, of which the most common include bribery and fraud.

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food and trust. If a ruler cannot keep all three, he would be wise to give up weapons and food. However, trust, he said, should be kept to the end (Kuper, 2006: 37).

[97] Organisational and institutional trust are synonyms.

[98] The culture of the top endurable companies overlaps with this type of culture.

[99] An evaluation of risk in terms of institutional trust is based on characteristics within an institution that promote the institution's level of trustworthiness.

Manifestations are just the tip of the iceberg, the visible part that can be seen and labelled. The web of mutual obligations, the knot of the intricate network is generally hidden and protected by vested interests of mutual dependency. Manifestations can be used to identify and label the 'type' or form of corruption and what is generally known about these 'types' or 'labels'. The author of this dissertation carried out an intensive study and identified more than 40 manifestations. However, they overlap considerably. Manifestations also do not necessarily shed light on the social harm and/or severity of the impact, the frequency and scope or breadth of its occurrence, unless its impact is measurable. Because manifestations overlap, their impacts also overlap. Due to the overlapping of manifestations and their impacts, their mutual exclusiveness cannot be established. Therefore, they are not valid and reliable as indicators. Measuring the impact of manifestations is very challenging, because 'livelihood', 'quality of life' and 'social harm' cannot easily be quantified in monetary terms without raising debatable ethical questions. Therefore, indicators other than manifestations and their impacts were considered to develop a framework for identifying a systemically corrupt institution. The section that follows synthesises this chapter.

5.6 SYNTHESIS

Systemically corrupt institutions obstruct institutional integration and differentiation, both of which are needed in tandem and in balance for institutional development. Such institution is not prepared to undergo second-order-social-learning, and second-order-development. Such learning and development is necessary to change from an overemphasis on tactical-operational (short-term) to a more strategic/prospective (good governance) and sustainable (long-term) focus. Manifestations and impact could not be used to develop indicators, because they do not always provide an indication of the social harm and/or severity of the impact, the frequency and scope or breadth of its occurrence. Manifestations and their impact overlap are not measurable and thus unsuitable as indicators.

From the definition of systemic corruption in Chapter 1, four parameters serve as the boundaries within which the framework was developed. Indicators for the framework were deduced from the following: good governance, the culture of endurable companies, social capital, quality institutions, institutional development, institutional integrity and institutional trust. The antitheses of these indicators were mostly used to develop indicators for a systemically corrupt institution. Indicators are overlapping to enable validation. For example, good governance and indicators from an endurable culture have the following in common: participation of stakeholders, innovation, sustainable performance and a culture of discipline. Indicators are also interconnected, which ensures cohesiveness of the framework.

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[100] Transparency builds trust (Khoza & Adam, 2005: 211).

With the framework as a basis, the next chapter focuses on developing corrective change management strategies for systemically corrupt institutions.

CHAPTER 6
OPERATIONAL GUIDELINES FOR CORRECTIVE CHANGE MANAGEMENT STRATEGIES AND PROCESSES

Systemically corrupt institutions have a lack of strategic/prospective and tactical-operational strategy. This chapter proposes strategies for transforming a systemically corrupt institution into an institution with systems that have properties of justness, fairness and integrity. These strategies are called corrective change management strategies. The purpose of these strategies is to change a systemically corrupt institution to an institution where corruption occurs only on an isolated basis.

Strategies to change a systemically corrupt institution are the response to the normative framework for profiling a systemically corrupt institution developed in Chapter 5. Good governance is the foundation of the strategic/prospective approach to identify a systemically corrupt institution. However, it also sets the direction for developing corrective change management strategies. The purpose is to 'blend' the integration and differentiation of conflicting developmental aspirations. In order to make this 'blending' possible, 'soft' coordinating and 'hard' controlling strategies are needed. Strategies will be developed to change and transform a systemically corrupt institution. Strengthening social accountability is a 'soft' and effective way to coordinate corruption informally through the structure of relations and interactions between people. Such a web of relations or supporting networks that bind people into collective consciousness is the 'moral backbone of society' that enables commitment to compliance of institutional regulations. Such commitment is a formal expression of a just and fair culture with integrity.

Dialectic strategies that both integrate and differentiate are discussed in this chapter. Good governance should be institutionalised for increased participation in which individual freedom *vs* institutional security need to be harmonised. Social capital can create social cohesion in which collective civil accountability *vs* individual autonomy should be harmonised. Competitive processes and performance for efficient organisation should be created in which economic/financial stability *vs* change need to be harmonised. Specialised and cross-cutting skills for adapting to change should be developed by means of harmonising legal (formal) order *vs* the complexity of knowledge, skills and science. Transparent systems for innovation should be created by means of harmonising uniformity and conformity *vs* individual uniqueness.

The chapter focuses on change management strategies for cultural change. The roadmap of Bate is used as a basis for providing a general direction for the path of change. Also Bate's design parameters for cultural change can be adjusted within the context of systemically corrupt institutions, to bring about the required change, e.g. how to create awareness and direction for participatory governance and how to create a shared understanding for making social cohesion possible. Strategies to overcome resistance to change focus on how to create integration, inclusion, innovation, adaptation, sustainability, stability and effectiveness. The

chapter also discusses four methods of system dynamics and mentions the leverage or intervention points of Meadows for the most efficient and effective change within the shortest possible time, using the least resources. Finally, the seven processes of soft systems are discussed.

The section that follows focuses on creating a dialectic partnership between integration and differentiation strategies for sustainable change of systemically corrupt institutions.

6.1 CREATING DIALECTIC AND INTERACTIVE STRATEGIES FOR COORDINATION *VS* CONTROLLING SYSTEMIC CORRUPTION

A system that is systemically corrupt needs to be changed and transformed to a system that is just and fair and displays integrity in terms of its purpose, structure, processes, governance and context. Second-order-learning is needed to make a 'change of phase' or long-term multilevel change to a higher level of development possible. Such development entails the processes of participation, organisation, socialisation, adaptation and innovation. All these processes form an integrated whole to co-produce development functions known as influence, wealth, value, knowledge and beauty. Development requires that all five functions develop interdependently, making use of all five interrelated and complementary processes. To change and transform corruption as a social subsystem is a three-dimensional phenomenon of purposeful change and transformation in the direction of increased integration and differentiation. The combination of both concepts of integration and differentiation, with opposing means but a similar outcome (development), is the reason why it is called a dialectic model. Integration is a scientific orientation that focuses on 'hard' or extrinsic value systems, i.e. a legitimised and formalised structure of how components interact. Such 'formal moral order' (maintenance of structure) is representative of characteristics as discussed in Chapter 2 and illustrated in Figure 2.2: Tendency towards integration and differentiation. Differentiation is an artistic orientation that focuses on 'soft' or intrinsic value systems, i.e. social capital. Such 'informal moral order' (creation of new structure) is representative of characteristics also illustrated in Figure 2.2. For every level of differentiation, a minimum required level of integration is required to prevent a system to disintegrate into chaos. Higher levels of integration also require higher levels of differentiation in order to avoid oppression (Gharajedaghi, 1982: 59-60). The next section focuses on purposeful change and transformation in the direction of increased integration and increased differentiation.

6.1.1 Institutionalising good governance for increased participation: Individual freedom *vs* institutional security

For developing a just and fair institution with integrity, both individual freedom and institutional security are needed. People need freedom to participate in matters of common concern (politics), but they also need security from and within an institution to exercise their influence without fears and threats. Such ideal but opposing development tendencies are possible if power could be exercised in a 'balanced and controlled'

way. Leaders who control the levers of power are in powerful positions to coordinate and manage the control of corruption. They are in positions to appoint the right people, to guarantee commitment to change and to transform a corrupt institution, to change the political structure to be more transparent, and to allow political competition. No person should be appointed in an official leadership position (including companies) without being subjected to a thorough evaluation of his/her past behaviour and current relationships.

This discussion is about transformational and moral leadership and its role in creating participation. 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, 2009a: 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, i.e. in Colombia the Anti-Corruption Czars, Presidents Pastrana and Alvaro Uribe, created mechanisms "for coordination across major ministries and agencies of government (auditing, investigation, prosecution, and so forth)". In order to inspire people and to unleash energy to transform a systemically corrupt institution, leaders must be credible[101], respected and committed. Role models of moral and transformational leadership, such as Mahatma Ghandi (spiritual leader who united deprived 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), fulfil 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). People need identification with role models. For this purpose, the Mo Ibrahim Prize for African Presidents was created by the Mo Ibrahim Foundation to strengthen governance[102] in Africa. The winner[103] is selected annually by six individuals who assess all sub-Saharan African leaders who have been in a leadership position for at least three calendar years, and stepped down democratically from such position (The Mo Ibrahim Foundation Newsroom, 2008: 7).

Transformational leaders inspire people and this 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'[104] (Ackoff,

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[101] Credibility means "that can be believed or trusted" (Oxford Advanced Learner's Dictionary, 2005: 345).
[102] To assess the quality of governance in the areas of economic development, peace and security, human rights, democracy and the rule of law.
[103] The first recipient of this prize in 2007 was Joaquim Chissano, a former President of Mozambique. The second recipient in 2008 was Festus Mogae, a former President of Botswana. During 2009 and 2010 there were no recipients.
[104] A support system is one that identifies "early errors in expectations, assumptions, and predictions and corrects strategies, tactics and operations appropriately" (Ackoff, 2009a: 12).

2009a: 12) that enables second-order-learning and second-order-change. For changing a corrupt institution it is imperative to understand such a system, its assumptions[105] and the implications associated with transformation towards the vision. Maximising stakeholder participation is needed to increase ownership of transformation. Educational 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.

The next strategies focus on political participation, political commitment towards reducing corruption and 'balanced' political competition. No individual, position or group should have absolute, unchallenged power. No group should benefit proportionally more than other groups from their position of power. Once these conditions are created, everybody can participate freely and without fear (security). The focus shifts towards political commitment (Mwenda, 2003: 238)[106] and competition. Politicians must benefit from transformation strategies. If strategies do not increase leaders' power, they will not support it. For example, two or three equally strong parties could increase competition and enable checks and balances in the political structure. If one party is very dominant, vested interests will be protected, reform will be resisted and unsustainable. If competition results in a large number of equally small parties/groups, it could increase competition, but these divided interests could also find it challenging to mobilise adequate support for transformation[107]. Strong party/group discipline could control and manage corruption for either reducing or increasing it.

The next strategies focus on elections, buying political influence and support. Effective elections should be created that are transparent and free from intimidation. The time for campaigning and voting should be reduced. The shorter the time[108], the less corruption could take place. Issuing of vouchers by government to registered voters could reduce corruption. Voters could use these vouchers to fund parties of their choice. Funding formulas could be designed to benefit smaller parties, after the example of Germany. This could increase political competition. Donations to political parties should be declared. These donations could be made tax deductible. This could increase funding for political parties. Financial statements of political parties should be audited by independent auditors. Transparency should be increased by disclosing information and declaring interests of politicians and their family members on a regular basis. Increased transparency and accountability means less motivation for corruption. Independent election agencies should be established. These institutions should report directly to parliament. This will reduce political influence and abuse of power.

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[105] E.g. a system with integrity, on which the vision of a zero tolerance for corruption could be based.
[106] In East Africa the problem is not so much an absence of anti-corruption statements, "than the lack of political will to put them into effect" (Mwenda, 2003: 238).
[107] Groups with narrowly focused interests are not likely to take decisions in the interest of the majority of the population, e.g. to reduce corruption (Rose-Ackerman, 1999: 128-129).
[108] Provided that all registered voters have a fair opportunity to vote.

Strategies that follow focus on checks and balances, responsibilities of board members and anti-corruption agencies. Checks and balances should be created in the legislative, executive and judiciary system[109]. This could prevent any institution to become too powerful. Any group in an institution should be prevented from dominating other groups. For example, in parliament, the minority should be allowed to debate any issue, even if it is opposed by the majority[110]. An honest, independent and effective judiciary should be developed. Such a judiciary should be competent and professional. The focus shifts now towards private companies. Board members and directors of companies who possess good faith, care, skill and diligence should be recruited. An integrity-based recruitment system [111] should be established. Such a system should be used to recruit quality people who are trustworthy. The focus shifts now towards anti-corruption agencies. Credible and independent anti-corruption agencies should be created. Such agencies need to have political commitment for reducing corruption and supported by strong legislation. These agencies should report directly to parliament to reduce political influence. They should have the political support to, what Klitgaard (2010: 17) called 'fry the big fish'. One of the first big fish should preferably come from the political party in power. 'Frying big fish' causes scandals. Such scandals can trigger transformation. The executive head of the government can announce a 'focal point' for reporting corruption (Klitgaard, 2010: 31). Anti-corruption agencies could be such focal points, provided that they have credibility. Hong Kong's Independent Commission against Corruption works closely with and through other government agencies, focusing on three areas - prosecution, prevention, and public relations (Klitgaard, 2010: 18). With international help, such focal points could lead 'vulnerability assessments', a review of procedures in each institution with the purpose to reduce opportunities for corruption. Such focal points could coordinate high-level investigations into corruption.

6.1.2 Social capital for parity: Collective civil accountability *vs* individual autonomy

This section focuses on how collective social capital and individual autonomy need to increase personal values for creating parity (socialisation) between people. Such ideal but opposing development tendencies are possible if knowledge, understanding and insight about how to apply group and individual values could be harnessed to create harmony. Informal group and individual values are compatible for reducing conflict and creating peace.

Members of society who are educated about ethics and morality could increase institutional transparency, because they have individual and group values and obligations. They compare their individual behaviour and

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[109] Also known as *trias politica*, a concept developed by French philosopher Montesquieu (Gildenhuys & Knipe, 2000: 15).
[110] E.g. a filibuster in the USA's Senate entails that just two fifths plus one, that is 41 of 100 senators can force the majority to discuss any issue (Rose-Ackerman, 1999: 144).
[111] Competencies and skills do not guarantee integrity. Indicators need to be in place to measure the integrity of people during the recruitment process, e.g. bad debt.

decisions to group values before making decisions. Such people can de-polarise[112] fragmented groups in an institution and stimulate integration. Public perceptions could be manipulated to reduce tolerance for systemic corruption. The less tolerant people are about the manifestations of systemic corruption, for example transnational organised crime, the less they will be participants and/or allow it without reporting it. If the majority supports transformation, they could put pressure on politicians to transform. Moral and ethical people prefer a more harmonious environment, however, group values must be tempered by individual autonomy, otherwise it could lead to inflexibility and fanaticism. Ethical and moral people think more critically about their behaviour, because they evaluate it in terms of the norms and principles of the groups which they belong to. If these groups' norms could be extended to include society at large, the citizens of a country, it could stimulate social consciousness needed for creating an egalitarian society.

If social accountability, the 'soft' side of the systems approach, could be created, it also needs to be supported by 'hard' systems that support the execution of civil accountability. Such civil accountability could at best be executed if transparency exists. If activities are not transparent, it encourages unaccountability and protection of corruption. Secret[113] funds should be eliminated. Budgeting, accounting systems and processes should be monitored. A 'citizens budget' could be implemented in which citizens have input, that is open for debate during the process of budget formulation, and that is published and accessible for monitoring by all affected recipients, i.e. villagers in terms of what is budgeted for and what is delivered. A transparent and tolerant environment is open for change, innovation and new ideas. Such a supportive environment should be created for active community, non governmental organisations (NGOs) and civil society institutions. For example, village councils and urban groups could be provided with lists of projects to be undertaken with adequate information about such projects to report underperformance (Klitgaard, 2010: 32). These groups should monitor the performance of public and private institutions. Focus groups could be organised where corruption could be revealed and analysed. 'Citizen oversight boards', could be created at various levels, for the police, courts and customs (Klitgaard, 2010: 32) and others. A 'hotline' could be introduced where corruption could be reported, provided that agencies have the capacity to follow up on reported incidents and provide feedback to reporters.

If the public sector is unable to provide social services, NGOs and the private sector could take over the distribution process. Klitgaard (2010: 10) proposed this for Haiti. This innovation could de-politicise the corrupt delivering of services. It provides the opportunity for new public-private-partnerships and developing

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[112] E.g. Nelson Mandela's policy of national reconciliation to create one unified South African society.

[113] E.g. secrecy causes the following: communication to be faulty, anxieties, misunderstandings, insecurity and hostility (Semler, 2001: 272).

cross-cutting skills in different sectors needed for forming strong social networks. Such networks could support individuals and groups that are alienated and polarised, i.e. the abject-poor and street children. Social consciousness and civil accountability are co-produced by those networks that could reduce social problems in society, such as murder, rape and violence.

6.1.3 Competitive processes and performance for efficient organisation: Economic/Financial stability *vs* change

This section focuses on how financial institutional stability and the continuous drive for change need to be stimulated for creating efficient production and delivery systems of services and products. Such ideal but opposing development tendencies are possible if transparent processes for encouraging competition and performance are in place.

The following discussion focuses on how the creation of competition between service providers (to enhance efficiency and change) needs to take place in a transparent manner (to create stability) to enhance institutional and individual performance. The following needs to be done: providing high-level (quality) services through service-providers alternative to the public service; publishing financial statements; eliminating secret funds; and attacking organised crime and improving institutional performance. Reputable foreigners could be used to provide quality services, such as planning and auditing. Development activities could be ring-fenced, e.g. through free zones, to keep them safe from government interference and possible corruption. Reputable foreign companies could be used for reconstructing development projects. Development aid could be channelled through NGOs and the private sector, instead of doing it through government (Klitgaard, 2010: 28). Independent auditors should assess if value for money (VFM) was achieved. Performance audit and electronic audit should be applied where resources and capacity permit. Financial regulators should oversee the implementation of recommendations of external auditors. Chief executive officers' (CEOs) remuneration packages should be reduced if they submit audit reports late to boards and/or parliament. The focus shifts now towards taxation. Taxes should be simplified and based on criteria that make it difficult to hide or underestimate. The higher the level of taxes, the bigger the motivation is to hide or to evade it.

One of the worst manifestations of systemic corruption is organised crime. Organised criminal groups have economic influence and powerful networks. Their existence could be challenged by reducing their secrecy in the following ways: First, by disseminating information about secret dealings of politicians and their cronies, to create pressure for change. Secondly, by tracing corrupt side-payments to politicians, by leaking information to the media, and by legislation that forces them to explain how they accumulated unexplained wealth. Thirdly, by installing covert surveillance, undercover agents to 'subvert the subversive', and conducting exit interviews when staff leave institutions. Fourthly, by initiating 'dirty tricks', such as planting false rumours about 'double agents' (Klitgaard, 2010: 25).

Strategies that follow focus on creating integration[114] of systems for efficiency by stimulating performance. Anti-corruption strategies should focus on local ownership and innovation in involving the private sector and citizens in an all-embracive partnership to fight corruption. Performance systems should track information for evaluation, rectification and performance[115]. Public institutions' performance should be published in newspapers and other media, for example the Public Expenditure Tracking System (PETS) implemented in Uganda that enabled the monitoring and evaluation of money spent on educational institutions. Performance centres should be created that are accountable for their own operations; human resources (learning and growth); marketing, customers and quality; and revenue and sales[116] (cost and profit or break-even). People employed by performance centres should be liable for their non-performance. The idea about focusing on performance centres is deduced from Gharajedaghi (1982: 97-111). These centres should measure leaders, managers and employees' contribution to an institution's operating values. Top management should not be appointed on three to five year contracts, because the sustainability of their decisions could not be assessed during such a short period. One such example is the decisions of financial managers in the USA prior to the recession that started during 2008. They should be appointed on seven year and longer contracts. Incentives for sustainable performance should be created to motivate the best performers to perform even better and, in doing so, increase institutional performance and efficiency. For example, if Customs and Revenue Agencies generate revenues exceeding annual targets, a small portion of such increases can be used to reward employees. However, instead of limiting such performance to only one year, it can be spread over a number of years, i.e. similar to insurance salesmen who are rewarded for servicing annuities (making sure members are paying their monthly fees) over a number of years. In the case of Customs and Revenue Agencies, performance can be tailored on a revenue-per-regional-basis, time to clear customs and other cross-cutting performance indicators (Klitgaard, 2010: 32). Public service providers and NGOs could also be challenged to develop measures against which performance could be compared; and to link increased funding with increased performance. For example, bonuses of between 25 and 50 percent could be paid for excellent performance (Klitgaard, 2010: 32). The sustainability will depend on user charges and the ability to change the system frequently to avoid manipulation thereof for 're-corruption[117]. Performance centres should compete in the market if they have the ability and the capacity to do so; and if their market entry will reduce corruption.

Strategies that follow focus on remuneration. Innovative working conditions should be created in the public sector. This will inspire and excite people to perform optimally. The focus shifts now towards public sector remuneration in general. In developing countries, public servants' remuneration generally deteriorated after

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[114] Transformations in Australia and New Zealand during the mid 2000's suggest that system integration and performance are key elements (Hagen, 2007, 217-238).
[115] For example, due to pervasive corruption, Uganda implemented a budgetary tracking system that reduced corruption successfully in education.
[116] All criteria representing a balanced business approach as deduced from the Balanced Score Card.
[117] Re-corruption is a relapse of increased corruption after change started and corruption reduced initially.

independence. Market-related remuneration packages should be designed that tie performance to remuneration. Klitgaard (2010: 21) proposes that an 80 percent comparison between public and private sector remuneration is probably a good norm. This will reduce the 'level of temptation' of public servants to be bribed.

The next strategies focus on the probability of privatisation. The anticipated impact of privatisation on corruption levels should be assessed. If corruption is systemic in a small economy with limited competition, privatisation will increase corruption. Privatisation could be an option if it could reduce monopolistic behaviour, increase competition and reduce prices. An independent regulator should guide and monitor the transition towards a transparent privatisation process. A regulator and regulatory framework should be in place before tendering for divesting private assets begins. Such a regulator should report directly to parliament. Recruiting of regulating staff should be transparent and removed from political influence.

6.1.4 Specialised and cross-cutting skills for adapting to change: Legal order *vs* complexity of knowledge, skills and science

The section that follows focuses on how increased 'hard', formal institutional and legal order, in combination with an increase in complexity of knowledge and skills - the 'softer' part of the systems approach - needs to be applied for adapting an institution to change (people, 'soft') and transformation (system, 'hard'). Such ideal but opposing development tendencies are possible if specialised and cross-cutting skills could be developed and disseminated.

Strategies that follow focus on legislation, enforcement and management of public perceptions. Such legislation should be drafted that guarantees information without demonstrating a need to know[118]. Legislation should protect and reward whistleblowers[119]. Legislation should tie penalties to the size of the gains from the payoffs (bribes). The higher the gains, the higher the penalties should be. These penalties should also be tied to the possibility[120] of detection (Ackoff, 2009b). If penalties increase, the possibility of detection should increase equivalently. This means that law enforcement should increase simultaneously. Resources for enforcement should be increased to achieve a 'change of phase' to 'tip' the system towards

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[118] Based on the Freedom of Information Act of the USA (Rose-Ackerman, 1999: 164).
[119] Based on the False Claims Act (1863) of the USA that pays whistleblowers a share (in the case of a successful case, 15-30 percent of the penalty) and other damages against companies for wrongs that injured the federal government. The Whistleblower Protection Act (1989) of the USA protects employees in government agencies from retaliation from their employer (Rose-Ackerman, 1999: 58-59). People should be rewarded for taking the risk of reporting corruption. Rewards can compensate whistleblowers for intimidation, loss of employment, loss of friends and insecurity.
[120] Ackoff argued that it is better to use the term 'possibility' instead of 'probability', because possibilities are based on assumptions while forecasts are about probabilities. However, the term 'probability is more appropriate here because it refers specific to the likelihood of detection.

long-term transformation. An increase in enforcement needs to be maintained until such time that public perceptions have changed for the better[121]. If people know that the possibility of detection is very good, they will be less likely to participate in corruption. Once a new culture of justness, fairness and integrity is created, enforcement could be reduced. Managing perceptions is needed to determine if and when a 'change of phase' or long-term change is achieved. Monitoring perceptions on a frequent basis could provide information about when to do what; on which areas to concentrate; and in which priority order. Managing public perceptions could create a national consensus for transformation.

The focus now shifts towards the exercising of discretion. Public servants should be accountable and liable for their public service jobs. They should be given discretion if they are trustworthy, but not unlimited discretion that could lead to excessive abuse. Discretion could stimulate their innovation, creativity and intrapreneurship (Rwigema & Venter, 2007: 76)[122]. Discretion should be circumscribed, i.e. "objective studies and clear criteria", as proposed by Klitgaard (2010: 23). A code of conduct is a good idea to make public servants socially accountable for their behaviour and to create 'moral costs' for corrupt behaviour (Klitgaard (2010: 23). For example, the executive head of government could announce that all public servants need to sign a code of conduct that precludes participation in bribes, the acceptance as well as offering thereof (Klitgaard, 2010: 31). 'Integrity pacts' could be signed between the public and private sector to form a partnership to fight corruption.

The written word and technology could be used to provide access to information and create awareness about corruption. The necessary skills should be developed to create transformation and moral leadership. A Leadership Academy was advocated for Haiti by Klitgaard (2010: 34). The purpose could be to develop short-term strategy formulation skills for reconstruction and development to overcome typical problems of developing countries, such as poverty, disparity and insecurity; and to develop the next generation of leaders for meeting the longer-term visionary skills for fighting corruption in government and private sector. These longer-term skills could focus on transparency, integrity, partnerships and accountability. Klitgaard (2010: 34-39) said "governing will be through partnerships", between the public, private and civil sectors. Short-term skills development could focus on cross-cutting skills, e.g. managing of public-private-partnerships, monitoring, evaluation and prevention of corruption. Area-specific skills could focus on reforming property rights (for example communal land reform and inheritance rights for women) and administration. New 'blood', namely bright young scholars of higher learning institutions could also be brought in, to stimulate new ideas. International expertise could also be brought in to de-politicise existing corrupt procedures and services.

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[121] Until such time that the propensity for corruption has been reduced.
[122] Intrapreneurial employees "are innovative employees who either rejuvenate existing organisations or create new ventures within a corporate structure" (Rwigema & Venter, 2007: 76).

6.1.5 Transparent systems for innovation: Uniformity and conformity *vs* individual uniqueness

The section that follows, focuses on how uniformity and conformity (standardisation and synchronisation, respectively) of transparent systems in combination with individual uniqueness need to be applied. Such application will stimulate innovation, i.e. 'out of the box' strategies and entrepreneurial flair.

Strategies that follow focus on creating a transparent environment by means of standardising requirements and processes for information disclosure and dissemination. A free media reveals corruption, publishes scandals and could mobilise public support for transformation. The media needs to practise 'investigative journalism'[123]. Information should be disclosed about conflicts of interests. Business interests[124] and assets should be declared. These should also apply to politicians, board members and their families. 'Open meetings' should be created for the public to attend[125]. Standards of activities should be published for public scrutiny. Expectations about improving standards should be raised only after improving systems – not before – in order not to raise expectations that could not be met. Once operational systems are efficient, honest and speedy, information and appeal systems (e.g. manuals, monitoring of complaints and publishing complaints and outcomes) should be created. Thereafter, charters for improved service delivery and goods should be published. Awareness should be created about corruption. Public target groups[126] should be educated about the systemic nature of corruption. The public should be informed about the co-producers of corruption. They should be informed about how the impact of corruption manifests itself. This could ensure that corruption is identified, recognised and prevented. Written communication such as newspaper articles (about the nature, manifestations and impact of corruption) and entrepreneurial success stories should be published to educate people, for instance about how to stimulate creativity, how to start a business, and raise financial awareness for long-term thinking. However, published information is more accessible than verbal communication to change people's perceptions only if it is accompanied by a vigorous literacy and an educational programme so that such information is accessible. National competitions should be organised to award the best articles, essays, songs and poems about corruption. These incentives could assist in changing perceptions. E-governance could be used for the publication of legislation, tenders, contracts, and procedures for applying for licences, approval of building plans and permits.

A transparent legal and regulatory environment should be created, not only for disseminating information and declaring vested interests for managing conflict of interest, but also to create transparent procurement systems. Procurement Guidelines of the WB compiled for developing countries could be applied. Innovative

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[123] Journalism based on research and accountable reporting.
[124] E.g. all politicians and their family members should declare their business interests. All donations to political parties should be declared. Putting caps on donations. Financial statements of political parties should be audited (Rose-Ackerman, 1999: 132-142).
[125] Based on the Sunshine Act, 1976 (Act 1241 of 1976) of the USA, that guarantees citizens access to all meetings that have a decision making quorum.
[126] Curriculum development and national competitions can focus on target groups, e.g. learners of different grades.

and effective procurement systems should be developed that use the 'track record' of contractors for awarding tenders. A well-organised bidding process should be created. In such a process, tenders should be advertised widely to increase competition. Standardised products[127] should be purchased if they are of better quality, more readily available, and cheaper than non-standardised products. Recurring tenders should be awarded annually. Price-fixing, bid-rigging and market-division could be avoided by drafting and enforcing legislation[128], planting 'informers' and spreading disinformation to harm bribers and colluders. No tenders should be written to meet only one supplier's specifications. The executive head of the government could announce what Klitgaard (2010: 32) called some procurement 'sting' operations to deter potential bribers and bribees. Once corruption levels reduce and stabilise[129], public services should explore the possibility of becoming market participants. The focus shifts now towards entrepreneurship. Capital should be accessible[130] and incubation centres should be created. A culture of calculated risk-taking should be developed to inspire young people to become entrepreneurs.

Strategies that follow focus on how to exercise innovative processes for strategy formulation. First, high-level workshops on involving the public, including interest groups as representatives of civil society, and private sector, is an excellent way of mobilising creativity and to embark on what Klitgaard (2010: 29) called the "beginning of action plans". Workshop participants should analyse a case study about a successful anti-corruption campaign in another country, before focusing on their own country. Participants should learn about the nature, impact, manifestations and costs of corruption, as well as possible anti-corruption strategies. They need to consider creative and unorthodox strategies in terms of those with the lowest costs and the highest impact. Such approach should not focus on 'all-encompassing strategies' but on a few carefully selected strategies.

The section that follows is about the need for a roadmap, design parameters and strategies for cultural change.

6.2 CHANGE MANAGEMENT PROCESSES AND STRATEGIES FOR CULTURAL CHANGE

A systemically corrupt institution's culture is interdependent on other components of the social system, namely purpose, process, structure, governance and context. The culture of an institution cannot be changed on its own. Any anticipated change of an institution's culture must be considered in terms of its impact on all

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[127] Standardised products could be of superior quality and available at reduced prices compared to hand-made products.
[128] E.g. the Namibian Competition Act 2 (Republic of Namibia, 2003c: 13) and creating a Competition Commission.
[129] Applying to public institutions, e.g. in the United Kingdom where the public service became market participants after the civil service reform of the 1980's.
[130] The provision of capital played an important role in stimulating entrepreneurship in addressing '*die Afrikaner Armblanke Vraagstuk'* of the 1930's. The same can be done for addressing poverty in developing countries.

other components of the system. However, in preparing for change and its anticipated impact, it is needed to create a broad framework, a ‘roadmap’ for cultural change. The discussion about the roadmap is followed by design parameters that act as ‘road signs’. These ‘road signs’ provide direction for specific problems and alternative strategies needed for designing ‘maintainable roads', or ‘sustainable cultures’.

6.2.1 A roadmap for cultural change

Given the unpredictability of culture and change as discussed in Chapter 2, a set of instructions is necessary to prepare in general for change. The following phases for changing a systemically corrupt institution were deduced from a study of Bate (1995: 138-164):

- Understanding systemic corruption
- Understanding anticipated isolated corruption
- Stocktaking of the cultural life-cycle
- Assessing the cultural gap
- Assessing ambitions of role players.

Each one of the above is briefly explained as follows:

6.2.1.1 Understanding systemic corruption

This first phase focuses on the current situation and makes members aware of the behavioural patterns that are helping and blocking development. Different names or labels are used to describe the current culture, namely frames, cognitive maps, schemas, tacit premises, cultural themes, forms, formats, doctrines, dogmas, ethos, creeds, slogans, conventions, orientations, semantic systems, orthodoxies, *gestalts*, mental domains, paradigms, protocols, *weltanschauung*[131]. Labels must be chosen that apply to specific behaviour. Understanding a culture also includes a cultural assessment, for example of elements[132] known as work ethics, customer orientation, employee conduct, work practices, management style, communications, business orientation and training.

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[131] Represented in CATWOE by ‘W’, meaning ‘world view’ or bigger picture, soft systems.
[132] Moerdyk and Van Aardt (2003: 199-210) classified the elements in input variables: training, management style, communication and work routines; situation variables: employee conduct, work ethics and working conditions; and output variables: customer orientation and culture change.

6.2.1.2 Understanding anticipated isolated corruption

The second phase is creating the roots and direction of the desired culture. Questions related to this phase include: Where have we been? Where are we now? Where do we want to be? The current state (systemic corruption) is known while the new state (isolated corruption) is partially known, namely:

- Principles of good governance
- A culture of discipline, durability and sustainability
- An abundance of institutional capital, trust and quality relationships
- Corrective change management strategies.

6.2.1.3 Stocktaking of the cultural life-cycle

The third phase[133] requires an understanding of where an institution is in terms of its life-cycle of birth, development, maturity and death[134] (Bate, 1995: 138-142). This phase takes stock of how close each aspect of the institutional culture's relationship is with the 'change of phase[135]' or 'threshold or tipping point' before multilevel change of all five social subsystems. After stocktaking, initial steps prepare for conflict situations[136] to make the desired change possible. This phase is overlapping with the second phase of soft systems, represented in customer, actor/agent, transformation, *weltanschauung*, owner and environment (CATWOE) by 'T' for transformation, which will be discussed later.

6.2.1.4 Assessing the cultural gap

The fourth phase is assessing the gap between the current culture of systemic corruption and the wider environment or bigger picture of alternative cultural environments. Systemic corruption must be contextualised in terms of the alternatives available, not only of anticipated isolated corruption. These alternatives include best practices of good governance, durable institutions, sustainable reform, institutions that are just, fair and have properties of integrity. The differences must be described. This phase is overlapping with soft systems' phases three, four and six.

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[133] Bate called this phase 'Processual Dimension'.
[134] Similar to the phases of a product life-cycle.
[135] The 'change of phase' is where a shift from first to second-order-change takes place.
[136] Preparing to overcome resistance to change will depend on the phase of the cultural life-cycle. If a systemically corrupt institution is in its maturity phase, more resistance can be expected compared to when it is at its birth.

6.2.1.5 Assessing ambitions of role players

The fifth phase is anticipating resistance to change. The desired state of isolated corruption will require new roles for existing role players. Some will resist change if the anticipated future is not to their advantage and if they do not have the ability or willingness to change. This phase is overlapping with the sixth phase[137] of soft systems.

6.2.2 Design parameters for cultural change

Now that the instructions or roadmap are in place to prepare for the new state of isolated corruption, parameters need to serve as beacons to guide the design of the new culture in general. The following parameters for isolated corruption are deduced from a study of Bate (1995: 204-211):

- Awareness and direction
- Shared understanding
- Control measures
- Best practices
- Durability.

Each one of the above is briefly discussed as follows:

6.2.2.1 Awareness and direction for participatory governance

In developing an institution with integrity, awareness should be created and the direction articulated. Expressing the vision about the anticipated future is necessary. The vision is the utopia that should be inspirational, but unattainable. The vision could be, for instance, to create a zero-tolerance for corruption. The vision is to create a positive and shared image of the perceptions about corruption. The fewer people who are taking part in corruption, the fewer will tell stories about offering and/or receiving bribes. Managing perceptions about corruption could create a national consensus for changing a corrupt culture. An institution with integrity as its mission and a zero-tolerance for corruption as its vision, represents a 'just' institution that is anchored in timeless values and principles, i.e. effectiveness of the whole institution, participation, honesty, fairness, accountability, responsibility, transparency, quality, equity, productivity and effectiveness. All these principles and values should be based on a foundation of intellectual honesty. In such an institution,

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[137] 'A' of CATWOE representing 'actor' who can be someone to facilitate the change, e.g. newly appointed CEO or management; 'C' representing 'customer' or 'victim' or 'beneficiary'.

everyone will have the chance to develop to his/her optimal potential. In this developmental process he/she will fulfil his/her needs and desires and those of others.

6.2.2.2 Shared understanding for social parity

To develop a culture of integrity, a shared understanding of the new culture is needed. Institutional capital and trust will provide the glue that binds people together. Information will be shared and transparency and truth will steer relationships. Conflict of interest will be managed effectively. There will be no place for a blame culture. The institution will accept liability for its actions and members will also accept individual responsibility. Whistleblowers will be protected and rewarded for reporting corruption.

6.2.2.3 Control measures for adaptation

Penetration of the new culture to facilitate second-order-change and second-order-development will require the recruitment of quality people. These people will have the right values[138] that will create quality systems, quality strategies and quality structures. Leaders and managers will be committed and 'live' the values of the institution. There will be no difference between the values of the members and the institution. The durable values of the institution are so strong that members will leave voluntarily if they cannot identify with the institutional values. Most control measures will be unwritten. These unwritten measures will steer the culture of self discipline.

6.2.2.4 Cultural best practices for innovation

Adaptability of a systemically corrupt institution to an institution with justness, fairness and integrity can be achieved by comparing such an institution with best practices. These practices are based on durability and the ability to make sustainable transformations. Durable institutions are resilient, innovative and adopt a 'learning culture' to enable second-order-social-learning, change and development. A sustainable institution is innovative in order to make the transition from an unsustainable culture to a sustainable culture. An adaptable institution is in touch with its environment, for example through 360° performance feedback from customers, stakeholders, shareholders, leaders, managers and employees. Success is not due to strategic mapping, strategic planning, strategic management, all the latest fads and whistles and flavour of the month ideas of so called 'management gurus'. An adaptable institution's foundation lies in its quality people who are living timeless values. Such institutions are much better prepared than systemically corrupt institutions to changes in their environment, because they are durable or resilient.

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[138] Similar values to the operating values of the institution.

6.2.2.5 Durability for stability

Timeless values are needed for creating awareness and expression. Core values 'anchor' an institution in an ever-increasing faster changing world. The core value of integrity and values of good governance[139], based on a foundation of intellectual honesty, provide stability. Reference here to 'stability' is not to economic stability *per se*, as discussed in Chapter 2 and illustrated in Figure 2.2: Tendency towards integration and differentiation, but also ethical, moral and social stability. A shared image and institutional capital can make a difference to people in a skewed world of inequality and poverty. Durable values provide sustainability of institutional activities over decades. No second-order-change of values is needed, only operational changes, management changes and changes in strategic management. The section that follows focuses on how to overcome resistance to change.

6.2.3 Strategies to overcome resistance to change

In Section 5.4.2 of Chapter 5 'Indicators from the antitheses of a moral and durable culture' were discussed. The following section briefly repeats the same indicators of a systemically corrupt institution, for the purpose of continuity in argumentation. While the section in Chapter 5 focuses on a description of the specific obstacles that resist change of a systemically corrupt institution towards an institution with a moral and sustainable culture, the section that follows focuses *per se* on the strategies that can make such a culture reality.

Once the parameters are in place for the new culture of justness, fairness and integrity, resistance to change in general can be focused on. Strategies, systems, and structures are relatively easy to change. Anticipating people's resistance to change and developing strategies to overcome it, is much more challenging. People resist change naturally, because they prefer their comfort zones where benefits are guaranteed and certainty provides security. Reasons for resistance should be understood. Resistance should be anticipated[140] (Rwigema & Venter, 2007: 112). Obstacles should be removed. Pushing or driving forces of change should be manipulated, managed and controlled. The following section is a simplification of the most common areas of resistance to change of which the concepts were explained in the previous chapter. The purpose of the following section is to identify strategies during the ongoing negotiation process to overcome resistance, that is also part of managing conflict (Fisher & Ury, 1999: 18-149) and to create all-inclusive win-win outcomes, as will be discussed in Chapter 8:

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[139] Fairness, accountability, responsibility and transparency

[140] A useful technique for anticipating change is Forcefield Analysis that can assist in identifying driving and restraining forces to change. Another technique is Porter's Five Forces Model.

6.2.3.1 Segmentalism vs integration

Segmentalism is the forming of silos that pull in different directions in an institution. A definite effort is needed to get functionalists out of their 'boxes'. Such an effort should focus on the benefits of networking and to broaden the perspectives of groups to work towards the bigger picture for more integration. The following strategies can be explored for reducing segmentalism:

- Creating job rotations
- Creating interdisciplinary projects
- Training of staff in multi-dimensional areas
- Developing change agents in different segments
- Creating an interdepartmental mentoring system
- Creating interdepartmental project teams and rewarding of team performance
- Creating interdepartmental social events, coffee/tea clubs and institutional newsletters
- Making project teams accountable for their own budgeting, recruiting and discharging.

6.2.3.2 Conservatism vs innovation

Conservatism is an unwillingness to accept change for innovation. The following strategies can be explored to overcome conservatism:

- A continuous surge to inspire people to ask 'why' questions and to seek answers. All people are included, namely corrupters, corruptees, 'saints', opportunists/rent-seekers, and those resisting change. Everybody who has not decided yet to make the paradigm shift of second-order-change towards international best practices of good governance and sustainability, is included.

- Listening to people's fears and acknowledging these fears. Focus on the shared and desired future. If they need new competencies, they have to be convinced that they need to be capacitated in order to share in the better and common future.

- Conservatives need to be convinced of the benefits of change. Rewards for changing attitudes must be more attractive than hanging on to the old ways of doing things. Rewards for whistleblowing must be more attractive than the social stigma, risks and negative perceptions associated with whistleblowers in general.

6.2.3.3 Isolationism vs adaptation

Isolationism is an excessively inward-looking focus of abilities[141] and capabilities[142] and ignoring customer expectations. The following strategies can be explored for reducing isolationism:

- Marketing the benefits of creativity, innovation and openness to new ideas.
- Refocus on the importance of responsiveness to customers. Customers are not always right but complaint systems should be in place to record, provide feedback and change systems if needed.
- De Bono's six hats can be a useful way to unlearn old habits, namely gathering of information (De Bono, 2005: 1-6); allowing for emotions and feelings; generating advantages, disadvantages, and new ideas; and planning and implementation.

6.2.3.4 Elitism vs inclusion

Elitism is when leaders, managers and cliques form their own distinctive subcultures within an institution's culture. These subcultures can be based upon 'perks', qualifications and experience. Subcultures are deemed more important than what an institution's culture should be, namely one of inclusion. The following strategies can be explored to overcome elitism:

- Abolishing perks and status symbols, such as expensive furniture, large under-utilised offices, luxurious vehicles, all sorts of allowances, private secretaries and personal assistants[143]. Creating flexible remuneration packages within which individuals structure their own preferences.
- Creating workstations for top and senior positions at the same venues where their project teams are operating.
- Implementing a 360° performance feedback system where the performance of all institutional members are evaluated by external (stakeholders) and internal customers at all levels.

6.2.3.5 Neologism vs sustainability

Neologism can be defined as "an obsession with the new and the newfangled" (Bate, 1995: 118). In practise, neologism can be an obsession or fanaticism with buzzwords, 'flavour of the month' slogans and the latest

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[141] Ability is a "level of skill or intelligence" (Oxford Advanced Learner's Dictionary, 2005: 209).
[142] Capability is the "ability or qualities necessary to do something" (Oxford Advanced Learner's Dictionary, 2005: 209).
[143] All these have been implemented very successfully by Semco (Semler, 2001: 293-298).

untested tools of management ‘gurus’ that are in stark contrast to the concept of sustainability. The following strategies can be explored to overcome neologism:

- Evaluation of new management, market and technology-driven ideas against strategic intent, business requirements and human resources needs analyses. If a clear ‘yes’ cannot be given for new fads, a ‘wait and see attitude’ should be followed. Sustainable ideas that have business value will survive the test of time, even if a business is slow in spotting their potential value.

- Evaluation of fads and fashion against durable operating values. This can be done by means of applying cross-cutting financial/management and social decision making ‘tools’, e.g. VFM, economic value added (EVA), cost benefit analysis (CBA), net present value (NPV), internal rate of return (IRR) and modified internal rate of return (MIRR).

6.2.3.6 Structuralism vs stability

Structuralism is an obsession with fixing organisational problems by tinkering with the organisational structure without revisiting strategic intent that provides stability of direction. The following strategies can be explored to overcome structuralism:

- Organising an institution so that planning determines the sequence of systems, strategies, competencies and structures.

- Re-interpretation of an institution by revisiting high-level statements. This includes operating values, vision, mission and main objectives.

- Planning an institution according to the principles of the Balanced Score Card. This can be a useful guide to organise an institution in a ‘balanced’ way. All areas of the business should receive equal priority. These areas include business, financial, customer or quality and learning and growth (human resources).

- Delayering, meaning the abolishment of layers or levels. If a layer does not serve a purpose and/or does not add value, it should be abolished. Shortening channels of upward and diagonal communication. Developing a circular structure. For example, a structure consists of three layers of trustees (that include leadership positions that integrate the four processes of the Balanced Score

Card[144]), partners (middle management)[145] and associates (other staff). Such a structure can delayer or restructure an institution's obsession with structuralism[146].

- Identifying team competencies for achieving shared strategies.

6.2.3.7 Pragmatism vs effectiveness

Pragmatism is the solving of all institutional problems as soon as they emerge so that efficiency is improved without considering the damaging impact on overall effectiveness. The following strategies can be explored to overcome pragmatism:

- Training of pragmatists to ask 'why' questions in search of answers of insight and understanding.
- Refocusing on the importance of doing the right thing (effectiveness) and not the wrong thing in the most efficient way. Just doing something so that the system seems efficient is less important than doing the right thing, irrespective if it takes longer to accomplish.
- Developing a well-balanced strategy that matches long-term vision and short-term targets.

These obstructions to cultural change should be removed in order for qualitative change to take place. The focus of the section that follows is on how to make the change of corrective strategies possible by applying systems dynamics and soft systems.

6.3 HOW TO CHANGE – SYSTEMS PROCESSES, SYSTEMS DYNAMICS AND SOFT SYSTEMS

A corrupt system, meaning a corrupt institution, is corrupt due to various contributing co-producers, such as its context and processes that encourage a culture of corruption. There are three reasons why it is essential to study the processes of a corrupt institution. First, systems processes can explain the behaviour of corrupt institutions and identify methods to change such an institution. Secondly, systems dynamics can identify the most likely places to intervene that can have the biggest impact with the least effort. Thirdly, soft systems is the most suitable of all systems approaches for changing the processes of a corrupt institution, because it does not require a well-formulated problem situation.

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[144] The Balanced Score Card is a powerful framework for aligning strategic objectives, management systems and corporate performance. Implementing the Balanced Score Card successfully is a function of five principles: establishing change through executive leadership; translating strategy into operational terms; aligning the institution to the strategy; making strategy everyone's job; and a continual process (Bloomsbury, 2002: 303).

6.3.1 Systems dynamics

Four methods or procedures can be used in systems dynamics to develop conceptual models for changing organisations (Senge, as cited by Jackson, 2008: 70–74). The first method is known as the 'casual loop'. Senge (as cited by Jackson, 2008: 70-74) made a distinction between positive feedback processes and negative processes, together with 'delays'[147]. The second method is to study a 'feedback structure'[148] by means of computer simulation software programs. The third method is to study archetypes[149]. For example, when a successful product is launched that increases the need for higher production, it puts pressure on quality that declines (Jackson (2008: 72)[150]. The fourth method is to develop micro-worlds or 'management flight simulators' that simplify the complexity of simulation in a 'game-like' environment. It analyses managers' responses to a simulation, so that they can learn from their responses (Jackson, 2008: 74). One such example is Senge's 'beer game', (Senge, 2006: 36-54).

Systems dynamics can identify 'key decision' or 'leverage points', i.e. the best places to intervene in a system. These 'places' can create the most effective procedural changes. Meadows (2009: 1-13) identified nine 'places to intervene in a system' with the minimum level of input, of which only four are mentioned here, namely mindset or paradigm, from which the goals, rules and feedback structure arise; goals of the system[151], also known as clarifying purpose, function, role, vision and mission; the power of self-organisation, meaning the ability of systems to create new structures and behaviour, e.g. from a corrupt culture to a culture characterised by integrity, social capital and quality; rules of the system, such as institutional incentives for rewarding whistleblowers and punishment of corrupters and corruptees; and information flows, because social systems are 'information-bonded', they depend on information.

Some of these 'nine places to intervene' or 'leverage points' will be applied in this dissertation in Chapter 8 as guidelines for changing organisational processes permeated with systemic corruption in a discussion of a of a developing country's corruption problem situation.

6.3.2 Soft systems

In Chapter 5, indicators were developed to profile a systemically corrupt institution. Soft systems (as an approach within systems thinking) can be used to investigate and to validate whether an institution is indeed

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[145] The information in brackets is the author of this dissertation's contribution.
[146] Semco, an innovative Brazilian company, applied the three-layered circular structure very successfully (Semler, 2001: 292).
[147] Delays are co-producers of corruption.
[148] Stock and flow diagrams in operational research are used for modelling of various types of production and work flow problems, including for improving supply chain management.
[149] Meaning typical or very natural
[150] Another example is 'growth and development', (Ackoff, as cited by Gharajedaghi, 1982: 54–57).
[151] Because a complex system is a purposeful system

systemically corrupt or not. An advantage of soft systems for such investigation is that it does not require a well defined problem situation. Another advantage is that, although it is prescriptive in terms of its phases, it is flexible in application. It is extremely compatible with only limited information where no objectives need to be in place before expressing the problem situation. Thereafter, experimenting with possible co-producers of systemic corruption can begin. Root definitions of problem situations can be articulated by applying the CATWOE[152] checklist that will be discussed later. Conceptual models can be developed for every root definition. Not all phases need to be executed. Just enough qualitative evidence needs to be found beyond reasonable doubt[153]. If legal implications are not an issue, for example when the institution itself is the customer, the completion of the seven phases is the customer's prerogative.

The next discussion focuses on the potential application of soft systems in changing the processes of a corrupt organisation. As the 'father of soft systems', Checkland (as cited by Wilson, 1993: 69-100), developed the following stages/phases of the soft systems process[154]:

1. Enter the situation that is considered problematical.
2. Express the problem [situation(s)][155].
3. Formulate root definitions of relevant systems of purposeful activity.
4. Build conceptual models of the systems named in the root definitions.
5. Compare conceptual models with the real-world actions of the problem situation and adjust the problem situation and root definition if necessary.
6. Define possible changes, which are both systemically desirable and culturally feasible.
7. Take action to improve the problem [situation(s)], (Wilson, 1993: 69-100; Jackson, 2008: 186-191 and United Kingdom Civil Service College, 1996: 1-2).

The seven phases are all connected (they have positive feedback loops) and implications of information generated during each phase need to be integrated in all. Each phase will be briefly explained to illustrate their interdependence.

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[152] Note: C, customer; A, agent; T, transformation; W, world view; O, owner; and E, environmental constraints.

[153] Beyond reasonable doubt is a legal term that means "the level of certainty a juror must have to find a defendant guilty of a crime. A real doubt, based upon reason and common sense after careful and impartial consideration of all the evidence, or lack of evidence in a case". Proof beyond reasonable doubt, is proof that is so convincing that one would be willing to rely and act upon it without hesitation in the most important matters of affairs. However, it does not mean "absolute certainty" (*Beyond Reasonable Doubt*, 2009).

[154] Process focuses on the behaviour aspect of complex systems. Complementary to the principle of multi dimensionality and parallel to it is 'plurality'. A distinction is made between plurality of function, structure and process. Plurality means systems can have multiple structures, multiple functions and be governed by multiple processes (Gharajedaghi, 1999: 42).

[155] The word in brackets is the contribution of the author of this dissertation.

6.3.2.1 Stages 1 and 2

Stages 1 and 2 are fact-finding activities about the problem situation. During these stages, it is imperative that as much information as possible is accessed to develop a comprehensive and conscious awareness of the problem situation. Access to knowledgeable people and literature about similar problem situations are needed. A tool/technique that can be used for analysing the problem situation of Stage 1 is Fishbone[156]. Stage 1[157] is characterised by being aware of the manifestations of corruption, for example bribery, fraud and kickbacks. Stage 2[158] is characterised by expressing corruption in terms of its scale of activities/magnitude and negative and positive impact (beneficiaries) on different role players. This stage requires experimenting with possible co-producers of corruption, such as greed and materialism.

6.3.2.2 Stage 3

Stage 3 consists of formulating a number of root definitions relevant to the problem situation. Root definitions are useful if they are framed in the following way: 'A system to do X, by means of Y, in order to achieve Z'. CATWOE is a checklist of the completeness of the root definition. The elements of a root definition representing CATWOE are as follows: 'C', customer[159]; 'A', actors, those willing to initiate and participate, e.g. international institutions such as the WB undertaking the transformation process; 'T', transformation, inputs[160]; 'W', worldview, given the institutional perspective, corruption needs to be contextualised as a global, regional and national problem situation to understand its complexity and connectivity with other related problem situations[161]; 'O', owner that can stop the transformation process, e.g. a board, stakeholders and shareholders; and 'E', environmental constraints, elements outside the system that are taken for granted, e.g. disclosure[162].

CATWOE is specific to one root definition. A series of almost identical root definitions can be formulated and different candidates for the roles of 'customer' and 'owner' can be experimented with. The 'W' is not normally stated explicitly. It is possible to formulate a variety of almost identical root definitions, differing only in the 'W', in order to get a variety of different perceptions of reality (Jackson, 2008: 185; and United Kingdom Civil Service College, 1996: 1-2). A debate is then started about the different perceptions of reality of "how things could be" (Jackson, 2008: 183). CATWOE can be illustrated as follows: 'A system to do X,

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[156] This technique analyses the problem situation with the head of the fish as the root problem situation and the backbone of the fish as co–producers.
[157] This stage is similar to De Bono's (2005: 1-6) 'white hat' of gathering information.
[158] Stage 2 is related to De Bono's (2005: 1-6) 'red hat' of expressing feelings and emotions.
[159] Beneficiaries, e.g. corrupters, corruptees, bribers, bribees, fraudsters and white collar criminals, as well as victims, such as companies, institutional customers and society.
[160] E.g. data and information about corruption incidents and trends, to be converted into outputs, such as knowledge, insight and international standardised, accepted indices that are peer reviewed and transparent.
[161] Worldview enables development of alternative 'meaningful' perspectives of reality (Jackson, 2008: 193).

by means of Y, in order to achieve Z', follows: 'A system to do…', where X is '…to identify a systemically corruption institution…'; '…by means of …', where Y is '…creating a conceptual framework of a systemically corrupt institution…'; '…in order to develop…', where Z is '… corrective change management strategies'[163].

6.3.2.3 Stage 4

This stage involves building a conceptual model for each root definition. A conceptual model takes the elements in a root definition and considers whether the system described in the root definition exists. In addition, what it would logically have to have and be, in order to carry out the activities described in the root definition. For solving a problem situation in a root definition, for example a systemically corrupt institution, performance measures[164] should measure the prevention of first-order-obstructions of all five dimensions of a social subsystem. The performance criteria are as follows: efficacy, efficiency, effectiveness, economy, elegance, ethical, ecology and participation.

An explanation of the criteria is as follows:

- Efficacy – Science, technology and economy - Is it doing the job it is meant to do?
- Efficiency – Science, technology and economy - Is it doing the job with the minimum use of resources?
- Effectiveness – Is it exercising the right choices, leading into the right direction, and executing the right application?
- Elegance – Aesthetic - Is it doing the job in such a way that 'beauty', belonging and excitement are created?
- Ethical – Is it doing the job in such a way that harmony is created, and conflict and discrimination are addressed?
- Ecology – Is it doing the job in such a way that products and services create wealth across the board in a society? Ecology can enable the sustainable use of natural resources.

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[162] Unwillingness to disclose corruption incidents that can damage the image of companies/institutions if corruption activities leak to the media and are exposed as scandals.
[163] A system to identify a systemically corrupt institution, by means of creating a conceptual framework of such an institution, in order to develop corrective change management strategies.
[164] Conceptual models contain sub-systems that monitor the performance of main systems (Checkland & Howell, as cited by Jackson, 2008: 197–202).

- Participation – Political/governance - Is it doing its job in such a way that all role players participate? Are all marginalised entities included in participation? Is the outcome based on consensus?

The author adds economy, elegance, ecology and participation to the reference of Jackson (2008: 197–202).

All these criteria can be labelled as E1 to E7 and P1 respectively and should be stated for each conceptual model. From the latter performance measures, it is clear that most of them focus in terms of the Ackoff-Gharajedaghi Five Dimensional Design, on the science, knowledge and technological dimension. However, performance measures representative of all four other dimensions of social systems are equally important for preventing first-order-obstructions to development.

6.3.2.4 Stage 5

If conceptual models are compared to practical problem situations in the real world it is mostly found that differences exist. Four ways of comparison exist: The first comparison is a general discussion and any organisation implied by it, comparing it to what exists (Wilson, 1993: 79). The focus here is the raising of strategic issues in relation to role, and the existence of activities and not a detailed procedural approach. All participants should be familiar with the model. This stage relates to De Bono's (2005: 1-6) 'green hat' of creativity. The second comparison takes each of the activities in the model and asks a number of questions.[165] The third comparison is a reconstruction of a sequence of events based on a conceptual model and then comparing the sequence with what happened in reality. This type of comparison is not common and "needs to be used with care" (Checkland, as cited by Wilson, 1993: 85). The fourth comparison constructs the conceptual model that represents the actual problem situation.

For the purpose of changing a corrupt institution, the first two and the fourth comparisons are the most appropriate because the application of the third one can be complicated. For conceptual models which originate from a root definition, it may be useful to ask: why are some activities in the real world not included in the conceptual model?

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[165] Does the activity exist in the real world? How is it carried out at present? Who carries it out? How well is it done? Are there any alternatives? What incremental changes can improve the problem situation? What are the benefits from changing from the current to the proposed activity? (Jackson, 2008: 84-85).

6.3.2.5 Stages 6 and 7

These stages[166] have to do with defining changes and taking action. Stage 6 should create changes that are 'systemically desirable' and 'culturally feasible', (Jackson, 2008: 187). Stage 7 should focus on different approaches to change management, namely incremental and radical.

6.3.2.6 Synthesis

The seven stages of the soft systems approach are useful to improve organisational processes. They can also be used in combination with systems dynamics. Soft systems enables the formulation of root problem definitions and problem situations from the perspective of different role players. This is valuable in solving problem situations from different viewpoints and generating alternative outcomes. The soft systems process is flexibility in application, in and between different stages. It is a very useful thought-provoking process that enables 'out of the box' thinking for innovative change and transformation.

6.4 SYNTHESIS

This chapter has served as an operational guide for changing systemically corrupt institutions. Strategies and processes were developed for a complete institutional change and transformation by creating institutions that enhance development. Such institutions have cultures that are durable, sustainable, disciplined, just, fair, and have properties of integrity.

Dialectic and interactive strategies were developed by integrating and differentiating the coordination and control of systemic corruption. Integration, as a scientific orientation, focuses on 'hard' or extrinsic value systems, i.e. a legitimised and a formal structure of how components interact. Such 'formal moral order' is representative of characteristics such as collective choice and maintenance of structure. Differentiation, as an artistic orientation, focuses on 'soft' or intrinsic value systems, i.e. social capital. Such 'informal moral order' is representative of characteristics such as individual choice and creation of new structure. For every level of differentiation, a minimum required level of integration is required. Therefore, all strategies must 'balance' opposing developmental aspirations.

The chapter developed processes and strategies for cultural change by focusing on a roadmap for cultural change, by design parameters for such change and by developing strategies to overcome resistance to change, such as pragmatism, isolationism and structuralism. Systems dynamics and soft systems can facilitate processes for change and transformation of systemically corrupt institutions.

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[166] These two stages are similar to De Bono's (2005: 1-6) 'blue hat', that of planning and taking action.

The next chapter compares the systems approach with international best and worst practices in managing corruption. Namibia is used as a reflection of a developing country's corruption problem situation to apply the systems model of corrective change management strategies on a systemically corrupt institution.

CHAPTER 7
THE SYSTEMS APPROACH VS INTERNATIONAL BEST AND WORST PRACTICES IN MANAGING CORRUPTION

Best practices are emerging as worldwide acceptable standardisation of behavioural change of corrupt cultures. The focus of this chapter is to assess the value of best and worst practices for the managing of corruption *vs* the systems approach. The applicability of comparable best practices of the USA, UK, Hong Kong and Singapore case studies must be considered with caution because the validity of its application depends on various dependable variables (that are not always taken into consideration) embedded in unique policy environments, such as institutional culture. However, it is needed to recognise the growing emergence to construct a global framework of best practices to manage corruption.

As indicated in Chapter 1, the WB defined corruption as "the abuse of public office for private gain". The expanded definition of the WB distinguishes between 'isolated' and 'systemic' corruption (World Bank Report, 1997: 9-10). The WB adjusted their definition slightly to replace 'public office' with 'trusted office'. By implication the role of the private sector is also acknowledged by this modification. However, the WB's adjusted definition still fails to accept the general nature of corruption as being systemic - a concept that suggests interdependence on deviant behaviour in public and/or private sector institutions. From a systemic perspective, the WB's definition does not contain the essence of corruption, and is inadequate for managing corruption.

The WB, International Monetary Fund (IMF), the United Nations Development Programme (UNDP), bilateral agencies and regional development banks are promoting anti–corruption policies. These efforts go beyond improving the integrity of their own projects towards 'more fundamental structural' reforms[167] (Rose-Ackerman, 1999: 182-185). However, a problem of these reforms is that they are not so flexible that they can address a specific problem situation of a specific company in a specific country. The reforms cater for all and also for no one in particular, a "one size fits all" (Rose-Ackerman, 1999: 197).

A number of indices were created and accepted by developed and developing countries that rate countries on how they perform in terms of good governance, corruption, democracy, economic growth and development. For example, the TI Index is annually compiled on corruption and good governance. Countries are classified as open, western-style economies or closed economies. The problem with international indices is that they are just indices and do not tackle corruption from a systemic perspective. The focus is too much on isolated indicators *per se* in a 'go it alone approach', e.g. human development *vs* economic growth. Indices, therefore,

tend to be partial representations of reality. They hide the interactive and systemic nature of corruption and thus obstruct finding coherent, multi-faceted and sustainable strategies in the fight against corruption. Although the TI index represents simplistic perceptions about corruption, it is one of the indices used by foreign investors as a decision making indicator that provides a general indication of the level of corruption in a country for investment purposes. The role of TI in awareness programmes about corruption and good governance must also be acknowledged, as discussed before in Chapter 1, and as will be further highlighted in Chapter 8.

To illustrate the author's application of the systems approach, a discussion of a developing country's corruption problem situation, based on real world incidents of corruption, was contextualised by generalities followed by specifics, such as the impact of scandals and secrecy. The latter discussion was followed by a synthesis of systemic corruption in terms of the five dimensions of social systems (key drivers) and key uncertainties. Probable directions of how systemic corruption alternatives can unfold include centralisation of and abuse of power and influence; and poverty, deprivation and wealth creation. The section that follows focuses on reforms in the USA and UK.

7.1 UNITED STATES OF AMERICA (USA) AND UNITED KINGDOM (UK) REFORMS – COMPARATIVE BEST PRACTICE CASE STUDIES

The USA and UK[168] can serve as two of the best examples of sustainable and long lasting reform. These reforms cover a period of about 40 years and these still prevail. Reform started as early as the late 18th and beginning of the 19th century (Rose-Ackerman, 1999: 204-206) in these two (former systemically corrupt) countries and over time reform was institutionalised in their governance processes and this became part of their culture of governance. Reform was not originally systemic in design but its systemic nature evolved over time and it is possible to interpret what has been done in terms of the Ackoff-Gharajedaghi Five Dimensional Design.

The following aspirational taxonomy (based on systems thinking) is the author of this dissertation's interpretation of why reforms in the USA and UK were systemic. This taxonomy is used later in this chapter to provide a synthesis of systemic corruption of a developing country's corruption problem situation. The interpretation is as follows:

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[167] Reform means "to improve a system, an organization, law, etc. by making changes to it" (Oxford Advanced Learner's Dictionary, 2005: 1223). Transformation means "a complete change in somebody or something" (Oxford Advanced Learner's Dictionary, 2005: 1572). Reform and transformation will be used interchangeably.

[168] Officially called the 'United Kingdom of Great Britain and Northern Ireland' or the 'UK'. Sometimes Great Britain or Britain is incorrectly used when referring to the political state (Oxford Advanced Learner's Dictionary, 2005: 653).

There was a balance of political forces because two strong parties could facilitate reform. The UK's parliamentary system with strong party discipline limited the scope for individual favouritism. The increased size of the electorate and the doing away of small constituencies reduced the opportunities and gains from patronage (Rose-Ackerman, 1999: 204). However, in the USA party discipline was not present and reform came late compared to the UK. In the USA an additional reason for reform was the federal structure of government. Federal politicians supported reform because political appointments were increasingly controlled by politicians of state governments and local party bosses whose interests were not the same as those of federal politicians[169]. Table 7.1 illustrates systemic reform in these two countries.

Table 7.1: Common Denominators of USA and UK Reforms

Denominators	**Characteristics**
Political	Balance of political forces Increased electorate Better educated & critical voters Politicians could lose voters' support if not reform Critical mass of voters anticipated benefits of reform Voters dissatisfied with increasingly inefficient public service
Fiscal	Constraints put pressure on politicians to reform
Public service	Small number *vs* private sector employees Public servants no significant pressure group to resist reform
Business	Leaders threatened to withdraw party political funding if politicians do not execute reform Privatisation increased inefficiency & corruption
Leadership	Moral leadership
Culture	Strong & accepted cultural guidelines Reinforced core values Accepted & moral behaviour Strong & clear policy guidance Implementing of transparent processes

Source: Own compilation, based on references as indicated in Section 7.1

Fiscal constraints during reform in the two countries put more pressure on politicians to reform. The costs of allocating jobs and contracts through political appointments and payoffs (bribery) outweighed the benefits for political leaders. Voters became dissatisfied with an ever increasing inefficient public service as a result of patronage. With the growing total number of public servants employed by the federal government in the USA, loss of organisational control took place because the bureaucracy was just too large. That led to reform pressures (Johnson & Libecap, 1994: 91-119). However, although the number of public servants was

[169] Federal politicians tend to act more in the interest of the majority compared to state politicians.

increasing, the number of public sector employees in relation to the private sector was small. The number of the public servants was not a significant pressure group to resist reform (Rose-Ackerman, 1999: 216-217). In addition, politicians privatised public services. Due to limited competition of privatised services, inefficiency in the private sector increased. The public complained about these deteriorating privatised services. Politicians could lose voters' support if they did not reform. No political party benefited more in proportion to the other from the opportunity to make political appointments[170]. Reform could be carried out because a critical mass of voters (change of phase) began to see that reform was beneficial. All politicians shared in the benefits of reform in the form of voters' support.

The quality of government services became a serious concern in voters' minds as transparency and understanding about the impact of corruption increased. All politicians began doubting the political benefits of patronage. Business leaders threatened that they would not provide funding for political campaigns if politicians did not reform. Politicians responsible for taking the lead in reform in the USA and UK mobilised powerful business support[171] for a more efficient public service. The strong presence of business and entrepreneurship in the USA tolerated corruption until such time that graft levels increased from 10 to 30 percent of the value of contracts and benefits (Calvert, 1972: 44-45). Graft is when a public official uses advance and confidential information to produce profits for individual gain. Such official, through the use of inside information, 'steals' from the public by forcing excess payment for an item of value[172] over and above what is legitimate. As Rose-Ackerman (1999: 218) said, "If a vigorous private sector feels constrained by an ineffective public sector, conditions may be ripe for reform".

In the USA moral leadership by President Arthur[173] started to change the executive administrative system that was used for appointments and promotions from a spoils system (based on patronage) towards a merit-based administrative system where appointments were made based on qualifications, experience and performance (Maranto & Schultz, 1991: 30-36, 50-55; and Anechiarico & Jacobs, 1996: 19-21). Moral leadership was supported by strong and accepted cultural guidelines, built around and reinforced by core values; accepted behaviour; and strong, clear policy guidelines, such as disclosure of business interests by politicians. Increased transparent processes linked with increased information that were more critically evaluated by more educated voters played a significant role in the transformation process.

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[170] Also known as patronage, "the power of appointing people to governmental or political positions" and "…the positions so distributed" (Webster's II New College Dictionary, as cited by the World Bank Group, 2004).
[171] Business support is imperative for funding political parties in the USA.
[172] E.g. tender specifications may be written so that the company could be the only one to qualify, with prices artificially increased for the enrichment of the official and his/her family (Gildenhuys, as cited by Gildenhuys, 1991: 46).
[173] Arthur became President after the assassination of President James Garfield. His advocacy for enforcement of the Pendleton Civil Service Reform Act, was the centrepiece of his administration. Alexander McClure, a journalist, wrote "No man ever entered the Presidency so profoundly and widely distrusted as Chester Alan Arthur, and no one ever retired ... more generally respected, alike by political friend and foe." Reeves (1975: 420).

Systemic reform also includes reform of the legal framework, because, as previously mentioned, a 'system' is a whole that cannot be subdivided. Therefore, systemic reform is a reform of the 'whole' system. Systemic reform is multidimensional and thus includes economic, legal-institutional, values/cultural/sociological, resource/capacity base, political/governance/transparency, aesthetical/innovation/entrepreneurial and knowledge/scientific/technological, for example applying technology in monitoring. This interpretation of systemic reform is used for the purpose of this dissertation. Systemic reform in the USA was supported by effective anti-corruption legislation[174]. Such legislation focused on the possibility of catching the corrupters and corruptees (detection) and punishment, and on the penalties[175] introduced.

The discussion of this paragraph is not based on the USA example. However, it is appropriate to include it for the purpose of best practices of detection. The possibility of detection should increase at the same rate as penalties increased. If only penalties are increased and the possibility of detection remains the same, it can lower the incidences of corruption but the size of the bribes and the amounts of the payoffs can increase. A fixed penalty can have the same effect, because once a payoff is passing the threshold of the fixed penalty, the amount of the payoff and the size of the bribe can increase (Rose-Ackerman, 1999: 54). Penalties that are enforced on bribers should be greater than the total value of their gains or benefits from corruption, after deducting their costs, for example the amount of the bribe and the risks associated of being caught (Rose-Ackerman, 1999: 55). Corrupters act on the likelihood, i.e. the probability of being caught. Such probability is linked to the effectiveness and efficiency of being caught and punished.

In the argument about the increased possibility of detection, law enforcement, rewards and incentives are the focus. Law enforcement needs to be increased only temporarily until a 'change of phase' or long-term change is achieved (Lui, 1986: 21-22). Once the public know that the chances are very good that they will be caught, enforcement resources can be reduced (Cadot, 1987: 223-244). The possibility of detection is not only about law enforcement, but also about creating protection and incentives to report corruption. People who take the risk of reporting corruption must be protected and rewarded. If not, they will not risk the possibility of isolation, losing their jobs, losing their friends and facing intimidation, harassment and even murder. In the USA, the Whistleblower Protection Act of 1989 protects government employees from retaliation from their employer. The False Claims Act of 1863 provides protection and incentives for all people inside and outside a company reporting corruption. Under the False Claims Act, if a person (whistleblower) brings a lawsuit to court, the reward can be 25 to 30 percent of the penalty if such a person is

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[174] Examples include the following: False Claims -, Whistleblower Protection -, Foreign Corrupt Practices -, 'Public Company Accounting Reform and Investor Protection Act' (in the Senate) and 'Corporate and Auditing Accountability and Responsibility Act' (in the House of Representatives), commonly called 'Sarbanes-Oxley', enacted during 2002, the Sunshine Act, 1976 (Act 1241 of 1976) and Freedom of Information Act. Examples of good but less effective legislation include the Public Interest Disclosure Act of 1988 of the UK and the Public Disclosure Act of 2000 (Act 26 of 2000) of the Republic of South Africa.

[175] Penalties include both those of the legal system and loss of reputation (Becker, as cited by Rose-Ackerman, 1999: 52).

bearing the legal costs. If the Justice Department is bearing the legal costs of the whistleblower, the maximum is 15 percent (Rose-Ackerman, 1999: 52-59). Any sustainable reform needs to increase penalties for corruption together with the probability of detection as well as incentives for reporting. Reforms in the UK and the USA were not the only sustainable reforms. Some of the biggest success stories are from Hong Kong and Singapore.

7.2 HONG KONG AND SINGAPORE REFORMS – COMPARATIVE BEST PRACTICE CASE STUDIES

Anti-corruption agencies played a central role in systemic reform of Hong Kong and Singapore. The term 'reform' is more appropriate here, than 'transformation', because except for the 'once-off events' of agency creation, continuous change took place on an incremental basis over a long time.

The focus is first on Hong Kong, a former British colony that was leased to Britain for 99 years and returned to China during 1998. Today, the country is recognised by international institutions, as one of the least corrupt places in the world, having the most powerful and famous anti-corruption agency. However, during the 1950's, corruption was common and engrained in society. Corruption was related to "cultural gift giving" and the exploitation of public office for personal gain (Klitgaard, 1988:120). Corruption was pervasive in the police, described by Klitgaard (1988:106) as "syndicated or institutionalised corruption", which was in fact 'systemic corruption'[176] as will become clear in the discussion that follows. In the rest of the public service, corruption manifested itself in many forms, including graft. A scandal involving a high ranking police officer was one of the triggers for reform. The Independent Commission Against Corruption (ICAC) was created in Hong Kong during 1974 and reported to the Governor.

The ICAC had immediate success in the 'frying' of some 'big fish', namely prosecuting people with status. Godber[177] was the second 'big fish' (Klitgaard, 1988:118-119). The agency had political support to prosecute corruption at the highest level and to change perceptions, one of various important co-producers for their success. The ICAC investigated bank accounts and checked for 'syndicated corruption', namely drug dens, prostitution agencies, gambling houses, transportation networks and the internal flow of funds within the police (Klitgaard, 1988:117). The agency had 'scary powers' such as 'guilty until proven innocent' and the right to violate the privacy of individuals suspected of corruption. If the ICAC was suspicious of someone, all needed for an arrest was to say that the Commissioner had reasons to believe that he/she had participated

[176] Ernest Hunt, a convicted police officer said: "Corruption in the Hong Kong police force is a way of life. I mean it is as natural as going to bed and getting up in the morning and brushing your teeth...One of my senior colleagues fled to Canada with a personal fortune...as soon as the Anti-Corruption Laws were passed" (as cited by Klitgaard, 1988: 100).
[177] Chief Superintendent Godber escaped to Britain due to his 'unexplained wealth'. Commissioner Cater was instrumental to have him extradited to stand trial and to be sentenced to four years in prison in Hong Kong, (Klitgaard, 1988: 104-113).

in corruption. In some exceptional cases, ICAC officers could search and confiscate documents without a warrant. Anybody could be required to provide information if the Commissioner required it. Bank accounts, assets and properties could be frozen. Travel documents could be seized (Klitgaard, 1988: 108). Despite their 'scary powers', the agency chose a 'low and cooperative profile' to get the best assistance from other government offices. The ICAC realised that they could not succeed if they created hostility and alienation. Officials of the ICAC were paid better salaries[178] than the rest of the public service. 'New blood' was brought in, namely experienced police officers from the British Home Office. A very popular and credible Commissioner, Cater, was appointed. He recruited the best Hong Kong Chinese who worked alongside experienced British Police officers (Klitgaard, 1988:110). The ICAC had the power to investigate and prosecute cases and to recommend administrative changes. Due to the unchecked power of the ICAC, it created a non-transparent environment that co-produced a number of corruption cases in the ICAC that damaged its reputation. Internal controls and outside advisory boards were put in place to analyse information about possible corruption in the ICAC itself. Klitgaard (1988: 118) described these controls as "a remarkable system". These citizen advisory committees included government critics such as members of Hong Kong's Executive and Legislative Councils. The Attorney General decided which cases would be prosecuted, preventing clouding the objectivity of the ICAC (Klitgaard, 1988:109). The ICAC received adequate funding to implement their reform strategies. Its budget increased from US$2 million in 1974 to approximately US$14 million in 1982 (Klitgaard, 1988: 115).

Singapore is another success story where an anti-corruption agency has been playing a central role. During the colonial era, Singapore was severely corrupt. After World War II, civil servants were poorly remunerated and supervision was totally inadequate. Graft was a huge problem in the police. The Corrupt Practices Investigations Bureau (CPIB) was established during 1952, but had limited success. Only after the People's Action Party (PAP) became the ruling party, the CPIB received political support and was strengthened. One of many co-producers to Singapore's success has been the country's copious record keeping that has made it easy for investigating the origin of asset ownership (Klitgaard, 1988: 127). The small size of the country has helped to bring rumours to the attention of the CPIB. The government and the private sector share information about people losing their jobs due to corruption. Public officials also have had to declare their assets biannually. The CPIB has been known for its thoroughness and efficiency. Fear of being investigated has played a role in deterring people from corruption. As the ICAC, the CPIB has received political support to 'fry the big fish', such as a minister, lawyers and surgeons. Public servants who have not been found guilty in court could still be charged departmentally, fired or receive a reduced pension. The penalties for corrupt public servants have been severe, usually including both a fine and serving time in jail (Klitgaard, 1988: 128). Supervisors have also been punished, increasing the importance of accountability. The customs department has had a sophisticated system of reporting and accountability. They have executed frequent

[178] A ten percent pay allowance was added to the government rates (Klitgaard, 1988: 118).

checks and observations. The department has conducted weekly sessions where customers can 'meet the people' to seek redress. Where possible, monopolies and discretion have been reduced. For example, low-level officials work in pairs if circumstances permit. What is of importance here is that redress has been created "outside the bureaucracy, which has increased the probability of detecting some kinds of corruption" (Klitgaard, 1988: 129). The CPIB has been reporting to the Prime Minister (Rose-Ackerman, 1999: 159-160). This line of reporting has created the opportunity for corruption within the CPIB. An anti-corruption agency cannot be created without external checks. Even people with the best intentions tend to be corrupt when they are confronted with lucrative opportunities. Nonetheless, the CPIB has received numerous quality awards[179]and Singapore has consistently been rated as one of the least corrupt countries.

The discussion that follows about the common denominators of systemic reform in Hong Kong and Singapore is illustrated in Table 7.2.

Table 7.2: Common Denominators of Hong Kong and Singapore Reforms

Denominator	**Characteristics**
Commitment	Political, administrative, public & private
Coverage & timeframe	Widespread & over ±40 years
Mandate & power of CPIB and ICAC	Excessive powers of enforcement, detection, investigation & prosecution
Detection	Credible law enforcement, strong legislation & excellent information gathering techniques increased risk of being caught
Perceptions	Raising awareness and educating public changed perceptions & culture of corruption
Opportunities	Fewer monopolies and discretion reduced lucrative opportunities
Quality of staff	Competent, well trained and ethical staff
Funding & working conditions	Adequate funding ensured efficient & effective strategies; improved conditions & remuneration
Control	Internal & external measures

Source: Own compilation, based on Klitgaard (1988: 110-133); and Rose-Ackerman (1999: 159-160)

Both reforms were supported by commitment from top politicians and public officials[180]. Widespread reform of the civil services supported initiatives of detection and prosecution by anti-corruption agencies over a period of about 40 years. Information gathering activities of both were outstanding. Financial records of

[179] E.g. ISO 9000 certification, 1997; Singapore Quality Class, 1998; People Developer Award, 1999; Public Service Award for Organizational Excellence, 2000; People Excellence Award (first public institution to receive it), 2003; Service Class Award and Innovation Class Award, 2004 (*Our Quality Journey*, 2009).
[180] Reform was based on prevention, law enforcement and public education.

public servants and their families were challenged for "unexplained assets" by means of "surveillance, undercover work, citizens' complaints, and spot checks". These information gathering techniques increased the risks of being caught (Klitgaard, 1988: 132-133). Both agencies had credible law enforcement operating under strong legislation[181] that increased the possibility of detection. The increased risk of detection was the basis for respect for the law. The credibility of both was "cleaner than clean, technically competent, political potent, and armed with a full legal and investigatory arsenal" (Klitgaard, 1988: 133). Reform of remuneration and working conditions of officers of anti-corruption agencies reduced the 'level of temptation'. Where monopolies and wide discretion could not be reduced, the 'principal-agent client relationship' changed, such as low-level officials working in pairs. Although in terms of numbers, the CPIB is by far the bigger of the two agencies, both received adequate funding to execute their strategies with thoroughness and efficiency. Both agencies' systemic approach focused on three areas, namely raising the risk of being caught, reducing the opportunities for corruption and changing people's perceptions. Extremely important is that internal and external control measures were put in place to control corruption within both the ICAC and CPIB. These control measures ensured that these agencies, that were granted excessive powers, could be kept in check. If such powers were left unchecked and unchallenged it could have opened up lucrative opportunities for the abuse of power, undermined their own credibility and reduced their success. Therefore, it would have been better if both anti-corruption agencies reported directly to Parliament. It would have made them less subject to political influence and more independent.

With systemic reform compared and illustrated in successful reforms of the USA and UK, and Hong Kong and Singapore best practice case studies, the focus shifts towards the next section that is a combination of real world individual examples.

7.3 DISCUSSION OF DEVELOPING COUNTRIES' CORRUPTION PROBLEM SITUATIONS

Based on the systems model of change and transformation as constructed in the previous chapters, and illustrated in best practices in the preceding sections of this chapter, it is now appropriate to provide a reflection of corruption as a developing country's problem situation. A synthesis is provided of developing countries' corruption in terms of the characteristics of complex systems as embedded in the five social subsystems (key drivers) and key uncertainties (variables).

The next section provides a comparison of the outstanding characteristics that co-produce corruption problem situations in developing countries, such as Namibia and Kenya *vs* the situation in a developed country, such as Norway, as summarised in Table 7.3: Outstanding development characteristics of

[181] Restrictive laws were replaced which paved the way for efficient procedures that removed incentives for corruption.

developing *vs* developed countries and discussed in Section 7.3.1. Norway was selected because it is ranked number one on the Human Development Index (2011) and the Democracy Index (2011). These indicators reflect perceptions about some of the key drivers for development, and corruption is a developmental problem situation. Kenya, which is ranked 154th (out of 183 countries, and a score of 2.2 out of 10 – with 10 a perfect score for good governance) on the Corruption Perception Index of TI (2011), was selected because it can be perceived as one of the more corrupt developing countries compared to Namibia, with its ranking of 120th (with a score of 4.4), as one of the less corrupt developing countries.

Table 7.3: Outstanding development characteristics of developing *vs* developed countries

General	Norway	Namibia	Kenya
Demography:			
Populations, total both sexes, 2011/2 (thousands) [a]	4,924.8	2,324.0	41,609.7
Population, urban, 2011/2 (% of population) [a]	79.8	38.6	22.5
Human development, 2011/2 (rank out of 187& score) [a]	1 (0.943)	120 (0.625)	143 (0.509)
Stage of economic development (factor driven, efficiency driven, innovation driven) [c]	Innovation	Efficiency	Factor
Corruption Perceptions Index (CPI), 2011 (rank out of 183 & score, 0=highly corrupt, 10=very clean, most countries < 5) [b]	9 (9.0)	57 (4.4)	154 (2.2)
Most problematic factors for doing business: Corruption (from 15 factors, rank & % of total responses) [c]	14 (0.3)	4 (11.2)	1 (21.2)
Diversion of public funds to companies, individuals or groups: (due to corruption, 7=never occurs) [c]	5.9	3.7	2.6
Global competitiveness, 2011/2 (rank out of 142 & score,7=highest) [c]	16 (5.2)	83 (4.0)	102 (3.6)
Time required to start a business (number of days) [c]	7	66	33
Health:			
Malaria incidence (cases per 100,000 population) [c]	Not endemic	1,698.5	31,027.8
HIV prevalence 2009 (% of adults aged 15-49 years & rank) [a]	0.1 (21)	13.1 (136)	6.3 (132)
Judicial independence (1=heavily influenced,7= entirely independent) [c]	6.3	4.9	2.9
Economic subsystem			
Income:			
GDP per capita US$; GDP (PPP) as share (%) of world total, 2010 [c]	84,444 (0.35)	5,652 (0.02)	809 (0.09)
GNI per capita PPP, 2009 (current international $) [d]	54,880	6,350	1,570
Inequality:			
Income Gini coefficient (out of 1, the higher, the more skewed)	0.258 c	0.600l	0.477 c
Loss due to inequality in income, 2011/2 (%) [a]	10.6	68.3	36.0
Loss due to inequality in education, 2011/2 (%) [a]	2.2	27.8	30.7
Loss due to inequality in life expectancy, 2011/2 (%) [a]	3.7	21.1	34.1
Development outcomes:			
Improved water source, 2008 (% of population with access) [d]	100	92	59
Index of Economic Freedom, 2011 (free, mostly free, moderately free, mostly unfree, repressed) [e]	Moderately free	Moderately free	Mostly unfree
Macroeconomic environment (rank and score; out of 7=highest) [c]	4 (6.4)	63 (4.9)	117 (4.0)
Efficient markets:			
Goods & market efficiency, labour & financial (rank) [c]	31-18-5	71-57-36	80- 37-26
Infrastructure (rank & score, out of 7=efficient by international standards) [c]	35 (4.9)	58 (4.2)	103 (3.1)

Scientific / Knowledge / Technology subsystem	Norway	Namibia	Kenya
Education:			
Public expenditure on education, 2011/2 (% of GDP) [a]	6.8	6.4	7.0
Expected years of schooling, 2011/2 (of children under 7 years) [a]	17.3	11.6	11.0
Mean years of schooling, 2011/2 (of adults over 25) (years) [a]	12.6	7.4	7.0
Education Index, 2011/2 (expected and mean years of schooling) [a]	0.985	0.617	0.582
Combined gross enrolment in education 2011/2 (both sexes, %) [a]	96.9	71.2	66.7
Higher education & training:			
Rank & score (7=highest) [c]	15 (5.5)	113 (3.2)	94 (3.7)
Extent of staff training (1=hardly any, 7=to great extent) [c]	5.4	4.2	4.0
Quality of management schools (1=poor, 7=among best in world) [c]	5.0	3.1	4.6
Quality of scientific research institutions (rank & score, 1=very poor, 7=the best in their field internationally) [c]	28 (4.7)	83 (3.4)	53 (4.0)
University industry collaboration (rank & score, 7=extensively) [c]	22 (4.8)	78 (3.5)	49 (3.9)
Technological readiness (rank & score,7=highest) [c]	7 (6.1)	99 (3.3)	98 (3.3)
Political subsystem			
Democracy, 2011 (rank out of 167& score, all countries: full democracy, 15%; flawed democracy, 31.7%; hybrid regime,22.2%; authoritarian regime, 31.%) [j]	1 (9.80) Full	68 (6.24) Flawed	103 (4.71) Hybrid regime
Political environment, voting and the political process:			
Electoral process and participation, 2010 (0=lowest, 10=highest) [j]	10.00	5.25	3.92
Functioning of government, 2010 (0=lowest, 10=highest) [j]	9.64	5.36	4.29
Public trust of politicians (7=highest) [c]	5.7	3.7	2.0
Freedom in the world, 2010 (political rights and civil liberties) (free, partly free, not free) [h]	Free	Free	Partly free
Worldwide Press Freedom Index, 2011 (good situation, satisfactory situation, noticeable problems, difficult situation, very serious situation) [i]	Good situation	Good situation	Noticeable problems
Ethical / Moral / Spiritual subsystem			
Civil liberties and engagement:			
Civil liberties, 2010 (0=lowest, 10=highest) [j]	10.00	8.24	5.29
% who voiced opinion to public officials, 2008 (% of total) [k]	31.0	23.0	23.0
Transparency of government policymaking (7=highest) [c]	5.2	4.4	3.8
Access to information:			
Open Budget Country Score, 2010 (0=lowest, 100=highest) [f]	83	53	49
Exemptions to disclose (0=lowest, 5=highest) [g]	3.3	1.7	1.7
Sanctions for failure to disclose, 2010 [g] (unweighted average: 0=No, 1=Yes)	0.3	0.0	0.0
Reliability of police services (7=highest) [c]	6.0	4.6	3.2
Extent of cost on business by organised crime (7=not at all) [c]	6.4	5.3	3.8
Ethical behaviour of companies (7=highest) [c]	6.3	4.4	3.4
Efficacy of corporate boards (7=highest) [c]	5.5	4.8	4.3
Strength of auditing & reporting standards (7=highest) [c]	6.0	4.7	3.7
Level of peacefulness, 2012 (the lower the score the more peaceful) [n]	1.480	1.804	2.252

Aesthetic / Innovation subsystem	Norway	Namibia	Kenya
Sustainable well-being:			
(well-being x life expectancy)/ecological footprint [m]	(7.6x81.1)/4.8	(4.9x62.5)/2.0	(4.3x57.1)/0.9
Rank (out of 151 countries) 2012 [m]	29	96	98
Health and gender:			
Live expectancy at birth, 2011/2 (years) [a] & 2008 (years) [d]	81.8 (81)	62.5 (61)	57.1 (54)
Under-five mortality rate, 2011/2 (per 1,000 live births) [a]	3	48	84
Adolescent fertility rate, 2011/2 (births/1,000 women aged 15–19) [a]	9.0	74.4	100.2
Maternal mortality rate, 2011/2 (deaths of women/100,000 live births) [a]	7	180	530
Slum annual growth rate % & slum population 2005 (thousands) [o]	Not applicable	2.9 (239)	5.9 (9,620)
Proportion of urban population living in slum area 2007 (%) [p]	Not applicable	33.6	54.8
Distribution of households by shelter deprivation (all slum types) 2005 (%) [p]	Not applicable	33.9	54.8
Distribution of households by type of residence (area with 25% or less slum households, and area with 75+% of slum households) 2000-2005 (%) [p]	Not applicable	74.6 (2.5)	44.6 (11.6)
Capacity for innovation (rank & score; 1=licensing/ imitating foreign companies; 7=formal research & pioneering new products & processes) [c]	17 (4.5)	102 (2.6)	47 (3.3)
Utility patents granted/million of population (rank & number) [c]	15 (81.4)	0 (90)	0 (87)

Note: 'Rank' refers to position of a country out of all countries for which data were available.

Sources: [a] United Nations Development Programme (UNDP), (2011); [b] Transparency International (2011); [c] World Economic Forum (2011); [d] World Development Indicators (2008); [e] Wall Street Journal & Heritage Foundation (2012); [f] Open Budget Index (2010); [g] Public Accountability Mechanisms (2010); [h] Freedom House (2012); [i] Reporters Without Borders (2012); [j] Economic Intelligence Unit (2012); [k] Gallup (2008); [l] Sims & Koep (2012: 141); [m] Happy Planet Index (2012); [n] Institute for Economics and Peace (2012); [o] UN-HABITAT (2007); and [p] UN-HABITAT (2011)

7.3.1 Comparative characteristics of developing *vs* developed countries

7.3.1.1 Economic

The purpose of the economic subsystem should be to produce goods and services in abundance and to make them equally accessible to all people. However, the achievement of this development purpose is obstructed as follows:

In developed countries such as Norway the economy is innovation driven *vs* that in developing countries which is factor driven, such as Kenya, or efficiency driven, such as Namibia. Substantial differences exist in market efficiency of goods, labour and financial markets. These differences are contextualised within their macroeconomic environments. The scale, depth and sophistication of economies in developing countries are so undeveloped that the socio-economic effect co-produces challenges such as unemployment and poverty. The gap between the rich and poor in developing countries is substantial compared to developed countries.

The Namibian income distribution is highly skewed and high levels of inequality exist. For example, the income Gini-coefficient of Namibia is 0.6 *vs* 0.258 of Norway. Substantial differences exist between Norway *vs* Kenya and Namibia in GDP (gross domestic product) and GNI (gross national income) per capita in PPP (purchasing power parity) terms and loss due to inequality in income, education and life expectancy. Corruption is listed in Kenya and Namibia as one of the 'most problematic factors' for doing business. Keeping all other variables constant, excessive regulations and corruption co-produce delays in number of days it takes to start a business in Norway compared to Namibia and Kenya.

7.3.1.2 Scientific/Knowledge/Technology

The purpose of the knowledge and technology subsystem should be to make knowledge and technology accessible to all people, so that they have optimum insight in their role in society. However, the achievement of this development purpose is obstructed as follows:

Considerable differences exist between expected and mean years of schooling in developed *vs* developing countries. This has an effect on productivity, quality of labour and staff training. Combined gross enrolment in education is between 25 and 30 percent lower in the two developing countries than in Norway. Public spending levels on education as a percentage of GDP are comparable. However, major differences exist between efficiency and effectiveness of spending on education systems that also differ in quality. Substantial differences exist in terms of the quality of scientific research institutions and collaboration with industry for technology application to enhance global competitiveness. The quality of management schools in Namibia is 3.1 *vs* 5.0 of Norway and staff training of Kenya is 4.0 *vs* 5.4 of Norway. The general trend in developing countries is that remuneration packages of public servants are relatively competitive for a short period after independence, but salary scales become compressed after a few years. Best performers accept private sector employment or start their own businesses (Rose-Ackerman, 1999: 71-72). Due to major differences in technological readiness between developed and developing countries, and limited collaboration between research institutions and industry, Kenya and Namibia are weak in terms of technology application.

7.3.1.3 Political

The purpose of the political subsystem should be to create a common concern amongst all people, so that power, responsibility and authority can be distributed fairly for satisfactory governance of all. However, the achievement of this development purpose is obstructed as follows:

Political systems differ between developing countries *vs* developed countries. For example, Norway is classified as a full democracy, Namibia a flawed democracy and Kenya a hybrid between a democracy and an authoritarian regime. The electoral process and voting are rated substantially higher in Norway compared to the two developing countries. In Norway and Namibia there is strong public trust of politicians. The

implication is that there is no substantial demand from voters in Namibia for politicians to reform systems. Some politicians in Kenya use political power to benefit from access to natural resources and other national assets. For example, in Kenya it is not uncommon for politicians to have substantial oil and mining claims. The media in Kenya has noticeable problems to report freely on incidents of corruption and are less free than those in Norway and Namibia. Politicians in developing countries are more likely to be involved in organised crime compared to developed countries, as shown by the organised crime rating of Norway compared to that of Namibia and Kenya.

7.3.1.4 Ethical/Moral/Spiritual

The purpose of the ethical and spiritual subsystem should be to create peace and harmony for all people, so that they can experience love and respect. However, the achievement of this development purpose is obstructed as follows:

Civil society in developing countries, such and Kenya and Namibia, is less inclined to voice their opinion to public officials; and government policy making is less transparent compared to developed countries such as Norway. It is not uncommon in developing countries and specifically in Africa to be divided in terms of ethnic tensions, with a history of conflict and internal wars between different ethnic or tribal groups. For example, the actions of presidents Mobuto Sese Seko of Zaire and Daniel arap Moi of Kenya (Russel, 1999: 9-94) aggravated ethical tensions. What is morally acceptable is determined by the political group in power, which often represents only one and/or the biggest ethnic group. Confusion about the traditional value system *vs* the modern western value system is exploited by politicians (Sipho, 2009: 219-222). Marginalised groups (such as organised criminal groups) create their own norms to survive and/or justify their behaviour. The prevalence of activities of organised criminal groups and police services that are less reliable than those in developed countries increase the probability that developing countries, such as Kenya, are less able to maintain law and order. Within this context, companies in developing countries, for example Kenya and Namibia, behave less ethical, efficacy of their corporate boards is lower and auditing and reporting standards are also lower than those of developed countries such as Norway.

7.3.1.5 Aesthetic/Inspirational

The purpose of the aesthetic subsystem is to inspire all people to live meaningful and fulfilled lives. However, the achievement of this development purpose is obstructed as follows:

Fewer years of schooling and lower quality of education and staff training in developing countries, such as Kenya and Namibia, partially explain the lower capacity for innovation and utility patents granted compared to developed countries such as Norway. There is a big difference in life expectancy at birth, under-five mortality rate and maternal mortality rate between Norway *vs* Kenya and Namibia. Substantial differences

also apply to adolescent birth rates. Sustainable well-being as measured by [(well-being x life expectancy)/ecological footprint] demonstrates a substantial difference between Norway *vs* Kenya and Namibia. As an indicator of quality of life, it can be deduced that sustainable well-being is substantially higher in developed countries than in developing countries. Although life expectancy and well-being are generally higher in developed countries, their higher ecological footprint lowers their total rating and ranking in terms of well-being and happiness. Living conditions also influence quality of life. The proportion of urban populations that live in slum areas and the slum annual growth rate are substantially higher in Kenya than in Namibia. Slums are not an issue at all in Norway. More than half of urban Kenyans live in slums. Living in dirty, desperate and insecure neighbourhoods in developing countries such as Kenya and Namibia *vs* clean, appealing and secure neighbourhoods in developed countries such as Norway demonstrates a paradox of quality of life.

Given the preceding discussion about the comparative characteristics that are critical for development of developed and developing countries, a scenario can be constructed about how primary or first-order-obstructions can resonate towards a complex mess of second-order-obstructions. See Figure 7.1: System dynamics for understanding second-order-obstructions on the page that follows to illustrates the following discussion.

7.3.1.6 Comparative scenario of second-order-obstructions

The democratisation process in developing countries that gained independence from colonial powers created vacuums of power during the transition process. Radical change in power relationships on all levels of society took place. Such vacuums co-produced a frantic struggle for political supremacy. Discontinuity emerged during the transition process when institutional experiences and memory vacuums or fault lines were created. The implication is the opening up of opportunities for maladministration, fraudulent practices and systemic corruption. Due to the inherent weaknesses of colonialism (such as complete disregard for human rights and dignity), traditional cultures (associated with autocratic leadership) and liberation movements (radicalism and terrorism), neither colonial nor traditional regimes nor liberation struggles prepared leaders for an evolutional restructuring of society. In many developing countries an autocratic leader emerged who stifled all opposition, for example Daniel arap Moi of Kenya (Russel, 1999: 9-94). This means that people were powerless (absolutely excluded), and power was centralised (maldistributed/skewed) by the ruling elite. Immoral leaders excluded people from participation and decision making, and illegitimate governments were created that did not represent the will of the people (co-producing insecure futures). Systemic corruption is an inevitable outcome of transformation processes in developing countries where moral and strategic leadership fails. Thus, in developing countries, there is a close relation between transformation, failed moral leadership and systemic corruption.

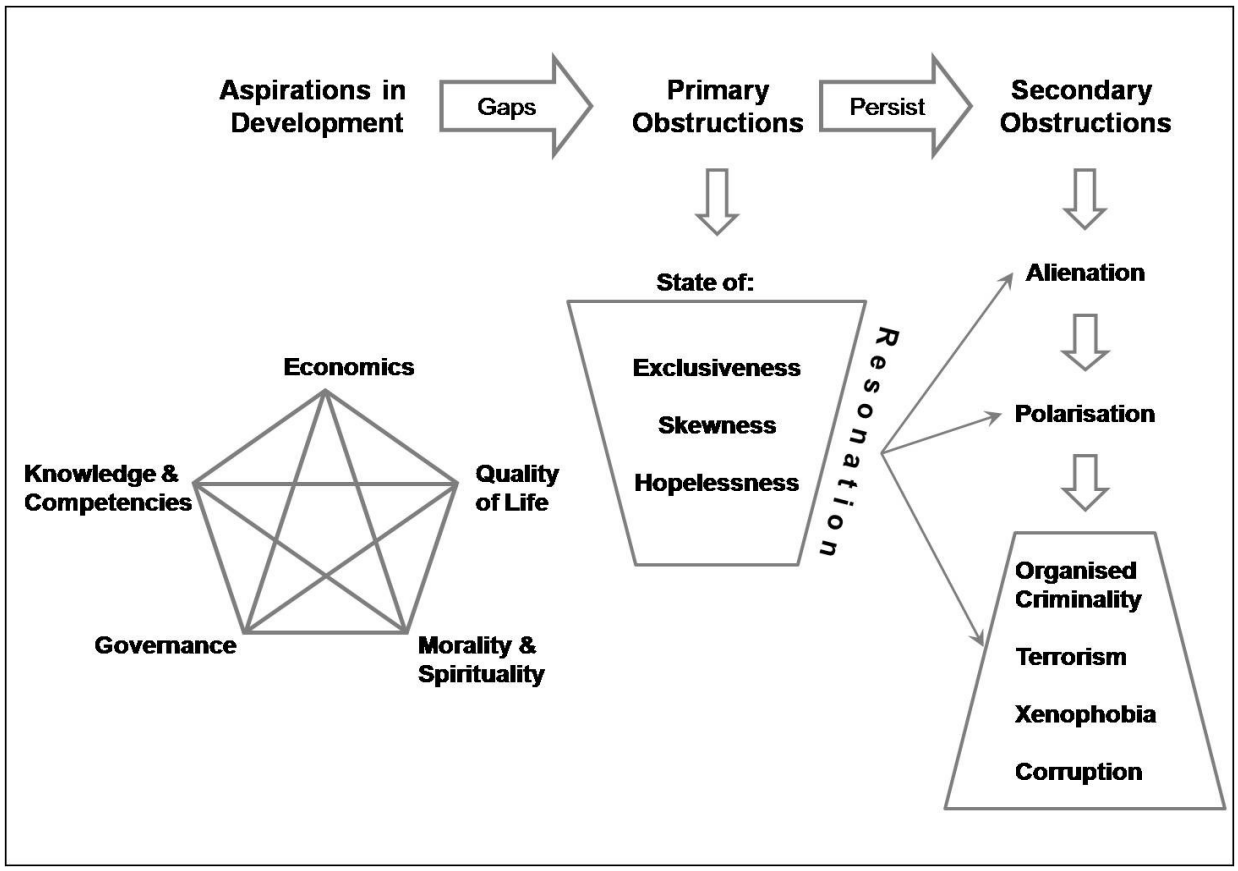

Figure 7.1: System dynamics for understanding second-order-obstructions

Source: Adapted from Gharajedaghi (1982: 64) and Spies (2011:17)

Economically, absolute poverty and a skewed distribution of income and consumption in developing countries are connected with insecurity of the poor and jobless who do not know if they will have access to resources essential to survive. The privileged elite who operate in pacts and have access to the factors of production, due to connections with the ruling elite and/or being part of the business elite, do not have empathy for the vulnerable poor or a desire to alleviate their desperate conditions. Formal society is apathetic towards their needs. Such marginalised groups form their own groups for survival (alienation), they position themselves (for example the jobless who form gangs) and have limited options other than to steal for survival.

The abject poor in developing countries such as Kenya and Namibia do not have equal access to schools and tertiary institutions. For example, those in rural areas may have under-qualified teachers, cannot afford school fees and need to walk long distances to school. The implication is that such children are less competitive in finding jobs and securing an income in the formal economy and/or to become entrepreneurs. They seek outcomes such as nationalisation of state assets and land grabbing, and are vulnerable to radical demagogues who propagate populist ideologies and who can see usefulness in their lack of competencies. Their hope to improve their future is bleak and they live in total insecurity.

The poor may have the power to vote in developing countries, but not the power to rule and/or to set the agenda of the legislative process after elections. The political elite use them like pawns in a chess game. After securing their support with rhetoric, they ignore their plight. The ruling elite enrich themselves and forget about the poor until the next election. The poor have almost no choice but to survive under desperate conditions in squatter camps and slums, where lack of sanitation contributes to diseases such as diarrhoea and tuberculosis. Such conditions represent the antithesis of a quality or aesthetic lifestyle. In this sort of existence in an unsafe environment where gangs, violence and organised crime are common, they struggle to secure human dignity, to live meaningfully and to be fulfilled. Such desperate conditions of no hope to improve their future or those of their children can trigger xenophobia towards refugees and emigrants who compete with them for jobs and income.

Primary obstructions, as discussed, enforce each other in a recurrent feedback process where unexpected outcomes start to surface. Self-serving groups, such as cronies and gangs, secure an existence in the jungle of social decay and unique behavioural rules form a road towards a failed and corrupt state. In stark contrast to the disadvantaged in developing countries are the privileged, who perceive their self-righteousness as a natural right (even a God-determined destiny such as the Dutch Reformed Church in South Africa) to secure special treatment in power relationships on all levels of society. Their behaviour is unlimited and unrestricted, because there are no checks and balances. Such behaviour aggravated the initial situation of imbalanced development and under such conditions the failed state is driven by its self made processes from which it cannot cure itself.

In developed countries the system dynamics follow a direction different from those in developing countries. Corruption also occurs, but the magnitude thereof (size of bribes) can be of a much bigger scale and also much more sophisticated, for example the recent crisis in the financial services sector. The drivers of corruption in such countries can be different, for example greed and a hunger for power, as demonstrated in the avarice of some bankers in the United States. The subversive network structure of mutual serving relations is similar to those in developing countries. For example, in addition to bankers, others who participated in the white collar crime of the financial services sector include property agents and valuators, mortgage processing agents, credit managers, insurance companies, accountants and auditors. The substantially larger size of developed economies, their ability to innovate, and their flexibility to adapt to rapid global changes allow developed countries to mitigate/absorb and/or afford corruption better than developing countries. There are also more checks and balances in the economic and governance systems, because they have had centuries of experience with improving economic-political systems such as capitalism and political representation systems, such as democracy. The USA and UK are examples of that. As the drivers of corruption are different, primary obstructions are less dominant in developed countries (for example the quality of life in Norway suppresses such obstructions) and given all other possible co-producers, corruption can be managed more easily compared to the situation(s) in developing countries.

The next section provides a general description of corruption problem situations in developing countries such as Namibia and South Africa, based on examples of incidents reported in the public domain. Public institutions are discussed, as well as perceptions and willingness to engage in corruption, the formal structure to contain corruption and the impact of scandals and secrecy.

7.3.2 Examples of corruption problem situations in developing countries

7.3.2.1 The power of context

Namibia is a developing country with a GDP per capita of US$5,652 per year (World Economic Forum, 2011), a large geographical size of ±823,680 km2 and a small population[182] of 2,104.900 persons (Republic of Namibia, 2012: 2). The country was colonised by a number of European countries. The history of the country is one of conflict and polarised group formation until the country gained its independence in 1990. Since independence, 12 ethnic groups have made progress in nation building towards an integrated society. However, some ethnic minorities are still sidelined from sharing equally in development initiatives. The most marginalised ethnic group is the San. The government system is a unitary system, meaning a single central government with supreme sovereignty, undivided and unrestricted authority of the central parliament over all other levels of government, (Gildenhuys & Knipe, 2000: 9-10), and a rigid constitution. Parliament is bicameral [41 of 56 governments in Africa are bicameral, (Wiese, 2003: 8)]. The country is endowed with a rich variety of natural resources, *inter alia* diamonds and uranium, has an emerging tourism sector, an overexploited fishing sector and an agricultural sector that is known for its quality meat production. The next section focuses on public institutions and people's perceptions about and their propensity for corruption.

7.3.2.2 Perceptions and propensities

Like so many African countries with oversized public services, the Namibian Public Service is classified as having created "…a bloated, ineffective and expensive administration that often does not deliver and have so far shown signs of reform-resistance" (Hansohm, as cited in Hansohm, Peters-Berries, Breytenbach & Meyns, 2001: 115). There is no indication that the situation has improved since this statement was made. For example, the 2008 Afrobarometer survey indicates that approximately half of the 1,200 respondents in Namibia "...believed that all or most national government officials were corrupt" (Daniels & Links, 2011: 2). The same survey revealed that "Some 42 percent of respondents believed most or all police officials were corrupt and 38 percent believed most or all tax officials were corrupt" (Daniels & Links, 2011: 2). Regional academics categorised the Namibian Public Service in the group of 'under achievers' (Hansohm, as cited in Hansohm, Peters-Berries, Breytenbach & Meyns, 2001: 115). The Namibian TI rating on democracy and

[182] United Nations Development Programme (UNDP) projected a population of 2,324.0 million for 2011/2.

good governance has been decreased between 1998 and 2011 from 5.3 to 4.4, based on the annual rating of perceptions by TI. The TI rating of Namibia is an indication that business leaders, academics and economists perceive Namibia as a corrupt country. From corruption the focus shifts to health. The country is experiencing the 7th highest HIV/AIDS prevalence rate in the world (UNDP, as cited in World Economic Forum, 2011: 435).

The following public service reform efforts have been implemented since independence: Under the leadership of the Prime Minister (who coordinates the public service), an attempt was made after independence to improve the efficiency of the functional rationalisation of organisations and establishments of public institutions (in which the author participated in the restructuring of two ministries). The Report of the Wages and Salaries Commission (WASCOM) was implemented after independence to decompress the salary scales of positions and to provide a more fairly paid Namibian Public Service based on competencies, experience and benchmarking with the private sector. After more than two decades with no performance system in place, formerly committed civil servants are de-motivated. A standardised individual performance measurement and management system is currently in the process of implementation.

These *ad hoc* reform efforts were promising but they lost momentum in the absence of political commitment. One of the biggest corruption scandals involved a member of the Public Service Commission, who is under investigation in a kickback scheme. The accused, Teckla Lameck, allegedly received a substantial 'commission' for the abuse of her position to 'shoe-horn' or facilitate into position a contract in which the accused is a shareholder for scanners at border posts and airports (Corruption Tracker, 2009a: 1-2). The reported incident is similar to the Lesotho Highlands Water case where the official in charge of the tender evaluation process was bribed by a number of international construction companies to shoe-horn into position their tenders for constructing a phase of the Katze Dam. Lahmeyer International was fined US$1.4 million for bribing the former head of the Lesotho Highlands Water Project (Dembowski, 2003: 359).

For the ruling party, the South West Africa People's Organisation (SWAPO) - with a two-thirds majority in Parliament (Sims & Koep, 2012: 141) - it is not uncommon to use political affiliation to appoint people in management positions, especially the filling of permanent secretary positions. Most of the 70 SOEs are monopolies partly because they do not have competition. Performance contracts to monitor performance are not enforced diligently. SOEs pass their inefficiencies on to the abject-poor who cannot afford basic services, such as water and electricity. Power is centralised and 'decentralisation' can be misused to centralise regional powers. In developing countries, it is not uncommon for political elites to enrich themselves, justify their behaviour within a culture of entitlement by invoking injustices experienced before independence. Senior public servants and political office bearers misuse their powers to get mining licences, fishing concessions and land allocated for resettlement to the 'previously disadvantaged'.

Another co-producer of corruption is confusion about the application of the traditional value system *vs* the modern western value system (Sipho, 2009: 219-222). In the traditional Namibian value system, the chief is the undisputed leader, who decides unilaterally on behalf of the individual. The individual needs to 'sacrifice' himself/herself for the common good of the group. The group is under control of, and for the pleasure of the undisputed ruler, who is also the jury and judge. In the modern developed society that Namibia aspires to, the individual is not expected to sacrifice his/her responsibility, education and performance to the group. Confusion about when to apply the traditional value system *vs* the western value system is a major challenge in African countries (Sipho, 2009: 219-222), especially if an African civil servant is simultaneously a traditional leader and a powerful political leader. Such conflicting systems are first-order-obstructions to development that co-produce corruption as explained in Chapter 3.

Political and socio-economic instability in neighbouring states resulted in an influx of a few hundred thousand immigrants and asylum seekers to Namibia and especially South Africa. A substantial number of them is better skilled, qualified and more productive than local workers, resulting in fierce competition for jobs at below market rates. The intensity of competition has contributed to an outcry from poorly-skilled local people and trade unions, that culminated in the death of immigrants and asylum seekers and the destruction of their assets and businesses in South Africa.

The next section focuses on how the hard or formal structure co-produces corruption.

7.2.3.3 Legislation, enforcement and judicial framework

This section focuses on the inefficiency, ineffectiveness and unfairness of legislation, enforcement and the judicial framework to prevent, detect and punish corrupters and corruptees. The Namibian Anti-Corruption Commission (ACC) was created in 2002. It reports to the Prime Minister. The mandate of the ACC is to investigate corruption in the Namibian Public Service and to submit criminal cases to the Office of the Prosecutor General. The ACC is well known in the media for its investigation of 'minor' corruption cases, such as secretaries getting their hands into the petty cash (The Namibian, 2009) and public servants driving government vehicles without authorisation. The ACC's focus is on 'bread and butter cases', not 'frying the big fish' and the unconditional clearing of officials of Namibia Liquid Fuels (Grobler, 2006) in a multimillion Namibian dollars Black Empowerment scam, damaged its reputation. The focus shifts towards legislation. The Financial Intelligence Act 3 (Republic of Namibia, 2007) sets the maximum sentence of N$500,000 and/or five years in jail for money laundering. For drug dealers who use Namibia as a 'clearing house' for distributing their merchandise to the rest of the continent, this maximum sentence is 'small change'. The Anti-Corruption Act, Act 18 (Republic of Namibia, 2003) protects whistleblowers in theory, but not in practice and does not reward them financially. With a rating of 4.4 out of 10 on the Corruption Perceptions Index (Transparency International, 2011: 4) it can be deduced that a tolerance for corruption

exists in Namibia that has become part of the culture of engrained corruption that has also 'infected' law enforcement agencies.

The focus shifts towards South Africa. Dockets have disappeared with the help of police officers. In some cases, fires are set to destroy incriminating evidence against political office bearers and influential business leaders. A former National Commissioner of the South African Police Service and Chief of Interpol, Jackie Selebi, allegedly received millions of South African rands from a drug boss, Glen Agliotti, to ignore drug deals of his group (as discussed in Section 1.2). There are numerous examples from developing countries in which drug dealers bought police protection and bribed them to look the other way when they demolished their competitors' shops (Rose-Ackerman, 1999: 23-25). President Zuma was accused of receiving millions and a Mercedes Benz for 'facilitating' a defence contract so that it was awarded to a specific Multi National Corporation (MNC). Zuma allegedly misused his presidential power by appointing a political friend as judge president, who manipulated the judicial process to the effect that Zuma was not prosecuted. The culture of corruption in South Africa and Namibia has similarities with the corruption problem situation that prevailed in Hong Kong prior to reform. A senior police officer described the former corrupt culture in Hong Kong as: "You either get on the bus of corruption, or you run alongside the bus, but if you are in front of the bus, you will get killed" (as cited by Klitgaard, 1988: 106-107). What is of importance in this paragraph is not whether the factual correctness of the reported perceptions is indeed the truth, but the perception that it exists in society. Where there is no evidence for the validation of perceptions, the problem is that, if such perceptions are not fully and without doubt cleared, for example by the media and courts, it creates a culture in which people doubt the integrity and morality of leaders. Such behaviour is in itself a co-producer of 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 forming of cliques and/or pacts who create their own subcultures of self-righteousness within which they justify corruption.

The next issue focuses on the judicial system in Namibia. Years of case backlog exist. Rickard (2012) reported that "Namibia's bench is notoriously slow with decisions and the present chief justice himself has a backlog of cases involving delays of 10 years". Witnesses are bribed, threatened (Rickard, 2012) and allegations of suicide and murder are not excluded. For example, in the Avid, Black Economic Empowerment (BEE) corruption case, where N$30 million Namibian dollars were at stake, Lazarus Kandara was the main accused. He was connected to high ranking politicians. He allegedly committed suicide (Dentlinger, 2006), but possibly was murdered. Magistrates are not competent to handle cases. Cases are postponed several times. The Minister of Justice, Pendukeni Iivula-Ithana, and the Prosecutor General, Martha Imalwa, were accused of ignoring, for several years, the implementation of a recommendation of the Magistrate's Commission to dismiss a magistrate, Leah Shaanika, who had been found guilty of misconduct on several occasions during disciplinary hearings. The Supreme Court of Namibia ruled that "..the minister misunderstood the law... By failing to act in these circumstances she undermined rather than supported judicial independence, dignity and effectiveness" (Rickard, 2012). These conditions as described create the

perception that ‘justice delayed is justice denied’. The next section focuses on the role of scandals and the subversive network of interdependent relations and how loops exist in these interactions (recurrence, a characteristic of complex systems).

7.2.3.4 Scandals and secrecy

Since democratisation of South Africa, numerous major corruption scandals have made headlines in the South African and international media. One example of a scandal of corruption and organised crime is the so-called Travelgate scandal in which the South African Police seized R1 billion of contraband, 83 members of parliament (MPs) pleaded guilty, 1891 arrests were made and 1305 investigations were finalised, making this one, if not the biggest, corruption scandal in South African history (as cited by Sipho, 2009: 123-175).The scandal resulted in direct costs of R26 million to the taxpayer. Most MPs were from the ruling party, the African National Congress (ANC). Under President Zuma’s leadership, the ANC decided to halt the parliamentary investigation (the Post Natal website as cited by Sipho, 213-214). This scandal caused unhappiness in the leadership ranks of the ANC, because many MPs benefited from their connection with the contraband syndicates. The scandals of corruption and organised crime are not limited to contraband. International mafias such as the Italian, Indian, Israeli, Russian and Triad (Chinese) are attracted to the protective climate or culture of systemic corruption. South Africa provides a ‘safe haven’ for these mafias to operate with political and police protection. South Africa is perceived as a penetrated state (Sipho, 2009: 123-175).

The following paragraph focuses on Namibia. Before the creation of the ACC in 2003, major corruption cases were investigated by Presidential Commissions of Inquiry. None of these scandals created any political or economic crises that could trigger transformation. No Presidential Commission of Inquiry Report on corruption has ever been released for public consumption and prosecution by any of the presidents. Both Namibian presidents declared on several occasions their commitment to ‘root out corruption’. However, their words and actions do not seem to correspond. This follows the pattern of several African presidents who had declared their commitment to address corruption, but did not live up to the expectations. Thirteen parliamentarians ignored the assets register between 2005-2010, and never submitted disclosure forms, “...condemning the assets disclosure exercise to farcical status” (Tjirera & Links, 2011: 5). The Speaker of the National Assembly refused to make the list of declared interests accessible for public scrutiny.

Poor government performance is indirectly connected to the secrecy surrounding budget appropriation and spending. The budgetary process is not open to the public, because budget allocations, monitoring and evaluation are done in secrecy. After 22 years of independence, Namibia still does not have “...any right or access to information laws and as such a claim of entitlement to information of any nature cannot be made” (Tjirera & Links, 2011: 5). The ruling party succeeded in passing the Communications Act 8 (Republic of Namibia, 2009) through the National Assembly. Numerous public hearings had been held into the

controversial aspects of the Communications Bill, which include a 'spy clause' that provides for 'interception centres' allowing government to tap telephones and other communication devices. Members of the National Council did not debate the spy clause as expected and it was passed without amendments (Kandjii, 2010: 85). This Act provides the government with freedom to limit any medium of communication for the purpose of 'national security'.

The next section focuses on various Namibian corruption scandals. A former Chief of the Namibian Defence Force, Lieutenant-General Shalli, was suspended on "...serious allegations of irregularities" (Vries, 2011). Criminal proceedings only started after more than two years with Shalli on full pay. Shalli retired with full benefits (Ihuhia, 2012). Suspension with full remuneration, while the bureaucratic administrative and judicial systems take their time, is common practice in African countries. Numerous other examples can be cited where it took years to finalise cases. In Namibia during 2010/11, some politicians' children allegedly received bursaries from the Chinese government which were "...meant to benefit mainly students from less privileged families for their children and relatives" (Hamata & Nyangove, 2009) while poor students with better academic records were overlooked. The Minister of Education denied that it was corruption. A foreigner, who was due to stand trial for "...charges relating to allegations that he had committed fraud with the receipt of stock options in Converse Technology Inc." (Menges, 2008) in the USA, was allowed to invest in development projects in Namibia, allegedly to 'buy' local immunity and to prevent the execution of an extradition request from the USA.

The Government Institutions Pension Fund (GIPF) of Namibia lost N$660 million invested in "dodgy investments" between late 1990's and early 2000 (Tjirera & Links, 2011: 10). In many cases, no pre-allocation assessments were executed to determine the risks of these projects. Inspectors could not find business plans and in many cases there are no minutes of investment decisions. Black Empowerment projects' assets were diverted by beneficiaries and trustees to buy expensive cars and houses, with a lack of proper controls and a meagre recovery of these assets. The ruling party appointed board members who were incompetent to fulfil their fiduciary responsibilities. Recipients were connected with trustees and money was released based on personal ties. A former chairperson of the Board was an executive member of the ruling party and also chairperson of the local Chapter of TI. The government dragged its feet and initially denied foul play, but after media pressure, a public outcry and appeals from the Namibian National Workers Union during 2011, a commission of enquiry was appointed to investigate allegations.

With the context of developing countries' corruption problem situations completed, the section that follows is a synthesis of systemic corruption in terms of the five key drivers, key uncertainties, and key assumptions and how they could play out.

7.3.3 Synthesis of developing countries' corruption problem situations

The discussion that follows refers mainly to Namibia and South Africa whom are facing development challenges that co-produce systemic corruption as follows:

7.3.3.1 Centralisation of and abuse of power and influence

Absolute and relative exclusion from power and influence manifest as follows:

The political landscape in Namibia is painted by one dominant party, representing mainly the ethnic majority, who monopolise access to and exclude other groups from power. It is not in this party's interest to share power, because their office bearers and voters are dependent on the benefits of corruption, creating a complicated web of mutual serving relations. A comparable web of dependency is illustrated in the Travelgate scandal in South Africa (as discussed in Section 7.2.3.4), where organised criminal groups (contraband) formed mutual serving relationships with parliamentarians. Parliament was penetrated by organised criminal groups, a key indicator that South Africa is a penetrated state. The depth of such penetration is illustrated by the case of the former head of the South African Police Service (as discussed in Sections 1.2 and 7.2.3.3), who accepted kickbacks from a drug dealer in exchange for police protection, making organised criminal actions immune from detection and punishment. Such decay in the legislative and judicial subsystems (immunity) interacts with decay in the moral and ethical subsystems (rulelessness and disrespect to obey the law).

Groups across society and representative of all sectors and walks of life can be excluded from power and influence in South Africa and Namibia. All power can be centralised by a dominant ruling party in terms of a three-pronged approach: First, in Namibia, centralisation of power at regional and local level, for example interference in local administration to manipulate local service delivery to benefit local elites with strong affiliation with the ruling party. Secondly, in South Africa, changing the constitution 16 times since democratisation increased the ruling party's control to manipulate the political, legal and judicial structures. Such structural changes were needed to prevent scandals resulting in a negative outcome for the ruling party. Thirdly, in Namibia, promulgating legislation to control access of information to citizens and to create unlimited access to information which can be used for propaganda purposes by Government, in effect the ruling party.

Information is controlled and access to it is denied (perceptions about the Communications Act 8 (Republic of Namibia, 2009 as discussed), which gives a *carte blanche* for engaging in conflict of interest, for example the appointment of permanent secretaries in the Namibian Public Service. Frequent declaration of assets and business interests by parliamentarians remains unachieved (Corruption Tracker, 2009b: 1). Politics is very much based on political ideology. Political enemies are degraded, labelled and victimised. The polarisation

of society along party lines is not conducive for voters to make informed political choices. The ruling party is intolerant and manipulates the administrative system. Such intolerant behaviour stimulates violence and allows intimidation of other parties' supporters, especially during elections. For example, in the run-up to the 2009 National and Presidential elections "...several incidents involving political violence and intolerance", were reported with "...increasing regularity" (Keulder, as cited by Sims & Koep, 2012: 9).

Fifty eight percent of the National Assembly of 2012 (a total of 44 ministers and deputies of 76 members of the National Assembly) constitute the cabinet. Such unbalanced composition and dominance of the legislative by the executive makes parliament irrelevant and a rubberstamp of the executive, because the executive controls the legislative (Blaauw, as cited by Sims & Koep, 2012: 9), making parliament an extension of central control by the ruling party. The ruling party rewards and controls loyal party supporters with substantial influence, such as leaders of trade unions, by accommodating them in cabinet. Strong party discipline protects political favouritism. The bound list system enables only 100 party leaders to decide who will be on the ballot list and in what priority order. The ruling party does not support reform, because patronage is in the interest of those making senior appointments in offices/ministries/agencies and 70 SOEs. Such appointments are based on party affiliation (ruling party support constituting patronage), ethnic affiliation of the dominant group, family affiliation (nepotism), and friendship (favouritism) of parliamentarians and regional and local councillors. These appointments impact negatively on service delivery. Because some voters of the ruling party share in the spoils of corruption, voters do not substantially demand reform of the inefficient public service. Decisions and actions of public servants can be taken with ignorance and incompetence that co-produce abuse of power and a subculture of self-righteousness.

The governance dimension in Namibia is characterised by interaction of obstructions to development, such as centrally controlled power that is abused by a dominant ruling party, which has monopolised formal structures such as the legislative and executive subsystems. This co-produces the partial exclusion of other parties and groups from access to these systems. Interaction of co-producers mentioned in the preceding paragraphs allows these subsystems to each create their own subculture of entitlement, unique context, purpose (to break down the original purpose of the five subsystems), structure (network of mutual serving relations), processes (for enabling corrupt deals, e.g. bribery), and unaccountable and non transparent governance. The interactions of all these characteristics of complexity within the subsystems allow resonance towards the more severe second-order-problem situation of polarised group formation, namely those benefiting *vs* those excluded from the spoils of corruption.

7.3.3.2 Poverty, deprivation and wealth concentration

Absolute exclusion from goods and services manifests as follows:

Unemployment and poverty constitute major obstructions to unlock human potential for development. The official unemployment rate in the country is in excess of 50 percent. Some influential business leaders are benefiting from kickbacks in the public tendering process. These business leaders will not benefit proportionately more from an increase in efficiency and effectiveness in the public service. The aggregate average GDP per capita provides a skewed representation of income distribution. The Namibian income disparity is one of the most skewed in the world, "...with the wealthiest 10% earning 128 times more than the poorest 10% of the population" (Hancox & Mukonda, as cited by Sims & Koep, 2012: 11). Twenty eight percent of citizens are classified as poor and four percent as severely poor [Namibian statistics for 2003/04 (Sherbourne, 2009)]. The poor have temporary or insecure jobs, if they are employed, a substantial percentage of people is deprived of employment opportunities. They cannot afford to pay for basic services and struggle to survive.

Access to finance and investing in property are important means for unlocking business opportunities for wealth creation. Most people living in rural areas are unable to apply for a bond to buy land or to start a business, because communal land rights do not constitute collateral for loans or mortgages. About 61 percent of people are not urbanised (United Nations Development Programme, 2011) and most of them live in communal areas and are in effect disqualified from applying for bonds, except if they generate collateral through savings from salaries or inheritance.

Relative exclusion from public and private goods and services manifests as follows:

The costs of allocating jobs and contracts through patronage are not outweighing the benefits for political leaders. Voters are not seriously dissatisfied with an inefficient public service. Some pockets of the public service were commercialised to form SOEs with the state having the majority shareholding, such as the water and electricity utilities. However, the 70 government-controlled SOEs which are, in effect, monopolies, increased thus inefficiency (Gurirab, 2012). Regulatory institutions were created long after the privatisation process started, leaving limited pressure for performance improvement and creating lucrative opportunities for conflict of interest in SOEs. Politicians are not losing substantial voter support. "Namibians are amongst the most satisfied populations in terms of perceptions people hold about democracy" (Lindeke, as cited by Sims & Koep, 2012: 8). Namibians express "high levels of trust in elected officials and governing institutions" (Lindeke, as cited by Sims & Koep, 2012: 43) and do not demand reform of the inefficient public service.

Total exclusion from public and private goods and services manifests as follows:

The poor not only feel deprived of access to basic goods, services and resources, but also develop fear for being locked in a never-ending poverty trap. They fear that they will never be able to improve their lives, compared to qualified and professional people with jobs in the formal sector which allow them security and

access to opportunities to improve their quality of life. Such fear arises from total exclusion from the economic factors of production. Those who abuse the political system for personal gain, monopolise access to resources through *inter alia* land allocation, quotas for fishing, mining, and BEE project funding. Such monopolising of scarce resources enables the political elite to capitalise on business opportunities, co-producing an ever increasing gap between the rich and poor since independence.

The economic dimension is characterised by the interaction of obstructions to development, such as deprivation from goods, services, and the economic factors of production needed for unlocking the potential of all citizens. Such exclusion from and capitalising on resource access co-produces a rift between the vulnerable poor and the powerful elite that enables the socio-economic subsystems to resonate towards polarisation of the 'haves' and the 'have-nots'. Each group is associated with its own subculture and symbols, such as luxury vehicles *vs* no vehicle ownership; mansions in secure attractive neighbourhoods *vs* shacks of waste material in crime prone slums; overseas holidays *vs* a daily struggle for survival. Within each of these opposing subcultures, corruption is being justified - the rich because they are greedy and selfish, engaging in sophisticated white collar crime and not alleviating poverty *vs* the poor who need to survive with a continuous fear that can tip them over the edge of desperation to steal, murder and engage in armed robbery.

7.3.3.3 Incompetence, ignorance and lack of communication and understanding

Absolute and relative exclusion from knowledge, communication, understanding and insight manifest as follows:

The Educational Training Sector Improvement Plan (ETSIP) revealed that "...Namibia's productivity was low because of the poor quality of its labour force, which is largely uneducated" (Maletski, 2007). The educational system suffers from serious obstructions regarding knowledge and skills development and adaptation to change, especially attitude change. Government schools (constituting the vast majority of schools) are ill-equipped with outdated textbooks that are distributed late and received even later by schools, inadequate libraries, and under-qualified teachers, especially in quantitative and technology-related subjects.

Control of information is exercised by the powerful political elite. The ruling party protects its incompetent appointees in the public service through patronage, nepotism and favouritism. These appointees cannot deliver and repeatedly attend training opportunities of which the return on investment is seldom measured. As appointments are not based on competence, appointees are ignorant of the complexity of problem situations in society. Often these appointees are arrogant when challenged by more informed members of society, partly due to their political safety nets. The combination of incompetence and ignorance co-produces a Namibian Public Service cadre of whom a substantial number of appointees have been appointed corruptly and exercise corrupt behaviour based on perceptions (Daniels & Links, 2011: 12) to maintain and justify

their positions and activities. In exchange for their positions, they provide information to those who have appointed them. Such information is misused for personal gain by their masters. Withholding information from customers is also used to strengthen their positions when challenged. Conflict of interest co-produces perceptions about corrupt activities until it becomes acceptable behaviour in society. To conceal conflict of interest, central control of information can be used [e.g. the Communications Act 8 (Republic of Namibia, 2009)] to hide information on political and public service office bearers engaging in kickbacks, misuse of state assets and moonlighting. Declaration of assets for public scrutiny by political officials is limited (Corruption Tracker, 2009b: 1), because it could harm the ruling party and its supporters in exposing their subversive network of corrupt relations and covert kickbacks. A preliminary investigation by the author revealed that some members of presidential commissions of inquiries into corruption are always the same people. It is suspected that these reports would have exposed top-ranking politicians (Gurirab, 2012) and their business and family connections and harm the public image of the ruling party.

The knowledge and scientific dimension is characterised by the interaction of obstructions to development (such as limited access to, manipulation of, and withholding of information and knowledge) on the one hand, with other obstructions (such as incompetence, ignorance, arrogance and lack of communication skills) on the other hand. These interactions obstruct perspectives, understanding and insight and allow the governance, knowledge and economic subsystems to resonate towards polarisation of the educated minority *vs* the ill-informed majority; those who have a role to play in positions of expertise, economic and political power *vs* the unskilled and semi-skilled insecure workers or unemployed; and those who feel valuable due to their control of the levers of power or contribution towards knowledge creation *vs* those who are illiterate.

7.3.3.4 Conflict discrimination and detachment from moral community

Absolute, relative and total exclusion from harmony and love for fellow citizens manifest as follows:

Since independence the overemphasis on individual rights of the formerly disadvantaged groups, due to historical imbalances (history is a characteristic of complex systems) of past discrimination and deprivation, in addition to the global human rights movement, has contributed towards a challenging of authority and compliance with laws and regulations.

In the context of global and local trends, social challenges such as alcohol abuse, dumping unwanted babies and homicides have increased since independence. Violence against women and rape have increased in a male-dominated society. This has its roots in the decay of the traditional value system and the adoption of the weaknesses of the western value system. The disadvantaged people who left Namibia during the Apartheid years (expatriates) were exposed to western education systems. However, on their return to Namibia after independence, they had to be empathic towards their traditional families who supported them (if not financially, at least emotionally) during their stay and/or studies abroad. Conflict between these two

opposing value systems co-produces detachment from and/or selective application of the traditional value system and the western value system (as discussed in Sections 7.3.1.4 and 7.3.2.2). This in turn co-produces inconsistent actions and decisions when exercising discretion about access to services and allocating licences, permits, tenders and public service jobs. The interaction of conflicting value applications (knowledge dimension) and access to services and factors of production (economic dimension) allows resonation of the knowledge and economic subsystems towards uncertainty and insecurity about culture and identity (aesthetic dimension).

To deal with the increase in social decay, the Namibian Government thought it best to promulgate legislation, for example the Prevention of Organised Crime Act 29 (Republic of Namibia, 2004). Such legislation increased the penalties for rape and violence considerably. However, law enforcement agencies do not have the administrative and resource capacity to implement such legislation, rules and regulations efficiently. Subsequently, rape and violence did not decrease significantly. The prevalence of contraband and organised criminal groups in Namibia (and South Africa as discussed in Sections 1.2 and 7.2.3.4) means that drugs are freely available, co-producing social problem situations such as drug abuse by children in both poor and affluent schools. The availability of drugs and alcohol contributes towards an increase in teenage pregnancies, prostitution and violent crimes. These illustrations are indications of sick societies where disrespect for authority and law and order on a formal level (normlessness) interacts with drug abuse at school level and excessive alcohol consumption (moral decay), which allow the ethical and aesthetical subsystems to resonate towards an increase in depression, household violence and homicide (meaninglessness and hopelessness).

Political unrest and economic instability in neighbouring states, for example Zimbabwe, created an influx of immigrants and asylum seekers into South Africa to seek a better future. Many of these people are better skilled and qualified than the locals, resulting in increased competition for jobs. Competition for jobs has increased so much that a national outcry from poorly skilled and unskilled South Africans culminated in xenophobia. Numerous immigrants were killed. This illustrates the severity of discrimination that co-produces conflict (ethical and moral dimension). Such conflict interacts with deprivation from goods and services (economical dimension). The conflict also increases competition for job opportunities (knowledge dimension - obsoleteness) needed to earn money and to enable a meaningful life (aesthetic dimension). These dimensions interact and resonate the South African problem situation towards polarised group formation of ‘us’ *vs* ‘them’, justifying xenophobia as an extreme act of insecurity.

The ethical, moral and spiritual dimension is characterised by the interaction of obstructions to development such as normlessness and moral decay. Exclusion from formal society of criminal groups, drug addicts and street children co-produces alienation of these groups and creates the need to form their own group norms for survival (polarisation), which do not correspond with those of formal society. This polarisation allows the ethical (opposing group norms) and aesthetical (meaninglessness and hopelessness) dimensions to resonate

from polarisation towards a justification of exclusion by opposing groups, those who feel worthless and without hope for a better future *vs* those who are selfish and do nothing to change the condition of the hopeless. Resonation of these subsystems (dimensions) co-produces an increase in depression, violence and xenophobia.

7.3.3.5 Meaninglessness, hopelessness and isolationism

Absolute, relative and total exclusion from innovation, meaningfulness and a sense of belonging manifest as follows:

Namibian Vision 2030 was created with the purpose of shaping a common future. Such 'shared future' will be unachievable for the majority of the population as a result of various obstructions to development. The constant non-achievement of development targets (as articulated in National Development Plan I, II and III) illustrates that the basis for national planning is unrealistic for various reasons, such as inadequate implementation capacity and inadequate social cohesion for forming an integrated and inclusive society. People who are relatively excluded from hope for a common and better future include street children, orphans, the physically and mentally impaired and drug addicts.

Thirty two percent of the population is poor or severely poor [Namibian statistics for 2003/04 (Sherbourne, 2009)], meaning they struggle to survive, have repetitive and boring daily routines and uninspiring working conditions that do not stimulate creativity. Unskilled and unqualified people experience challenging obstructions to start a business, such as inadequate finance, collateral to qualify for finance and competencies and experience to identify business opportunities. Such people do not have the know-how, the self-confidence and the appropriate attitude to overcome the numerous challenges of starting and growing a business sustainably. Such people live and work in shacks constructed of waste materials, that are extremely hot in summer and cold in winter. Their houses leak during the rainy season and are insecure in a crime prone environment. Their meagre belongings are not insured. Some have to raise their children under unhygienic sanitation conditions.

The unemployment rate in excess of 50 percent is an indication of a low level of innovation and entrepreneurial skills compared to a country like Norway. Developing countries, and specifically those in Africa, are often in short supply of technological skills that can provide lucrative entrepreneurial opportunities (United Nations Development Programme, 2011). Unskilled people who start businesses do so because they have very few alternatives. Such entrepreneurs start businesses as a survival strategy and not due to an abundance of creativity and/or innovation co-produced by an inspired life. In contrast to the relative exclusion of workers in the informal sector (majority) from making their dreams of a better future a reality, the skilled and professional minority fulfil their dreams and desires through self-actualisation in work and sport, culture and the arts.

The aesthetic dimension is characterised by the interaction of obstructions to development, such as boring jobs, uninspiring working conditions, and very limited opportunities that stimulate creative thinking and innovation. Such exclusion from an exciting and meaningful way to earn a living and to make a difference in society co-produces a lack of a common/national and desired individual future, and fear of loneliness and isolation. These interactions allow the aesthetic and knowledge dimensions (obsoleteness) and governance dimension (powerlessness) to interact and resonate towards segmented group formation. Groups are polarised into those who lead meaningful lives (the political, business and academic elite), have influence and a role to fulfil in some capacity *vs* those who feel meaningless, have very limited influence and no role to fulfil, because they are politically and economically marginalised (the poor and unemployed). Such people feel powerless and without hope for creating a better future for them and their children.

This concludes the discussion of developing countries' corruption problem situations and leads to the synthesis of the chapter.

7.4 SYNTHESIS

Best practices of systemic reform in the USA, UK, Hong Kong and Singapore have been described and evaluated against the systemic model of corrective change management strategies developed in the previous chapter. Best practices of the USA and UK reforms strongly focused on creating accountable governance. Although political commitment from the top and reform of the political structure, such as balancing of forces, played a leading role initially, over time other developmental aspirations were also present to institutionalise reform. Strong cultural guidelines were built around and reinforced by core values. Such reform was useful for developing a context that was corruption-intolerant. This entailed the creation of a transparent legal and regulatory environment. Enforcement increased the probability of detection and punishment, and closed the gap between penalties and the corresponding probability of detection. In best practices, systemic change and transformation did not emerge from original pre-developed planning, but were co-produced by synchronising conflicting developmental aspirations on an incremental basis of containment and long lasting reform.

A comparison was provided of the outstanding characteristics that co-produce corruption problem situations in developing countries such as Namibia and Kenya *vs* the situation in developed countries such as Norway. South Africa was not part of the comparison. However, examples of South Africa helped to illustrate the reality of the corruption problem situation in a developing country. A contextual discussion with examples of reported incidents of corruption provided a reflection of the complexity of systemic corruption in terms of its subversive network of interdependent relationships. A synthesis has been articulated in terms of the five dimensions of social systems (key drivers), interaction of key uncertainties (co-producers) and probable directions. These directions have been based on key assumptions and how they could determine structural and operational polarisation and corruption. All the above are embedded within the characteristics of

complex systems, namely: context (general background), governance (weak and immoral leaders), structure (interdependent relations amongst all characteristics of a corrupt system), purpose (to break down the integrity of all social subsystems) and process (secrecy of corrupt behaviour).

With the synthesis of the discussion of developing countries' corruption problem situations completed, the next chapter focuses on key interventions (strategies) that consist of a containing phase to stabilise the situation and a dissolving phase with *inter alia* creation of conditions to enable systemic transformation.

CHAPTER 8
A SYSTEMS APPROACH - PREVENTION IS BETTER THAN CURE

This chapter focuses on the process to be followed for implementing the systems approach in containing and dissolving systemic corruption. Based on a discussion of a developing country's corruption problem situation, two phases are described to illustrate how to embark on and how to sustain the momentum of transformation. Preparation of the context or climate and preventing corruption are the main focuses. Too much focus on the 'hard', structural part, for example penalties, legislation and enforcement, will not contain corruption, because it creates deficiencies and ineffectiveness, i.e. an excessive faceless procedural emphasis and a rule-base mentality. People need incentives, motivation and inspiration in a culture that stimulates creativity, openness and trust to dissolve complex problem situations. Dissolving systemic corruption requires innovation and new perspectives, because the problem situation is dynamic and mutating continuously, e.g. transnational organised and cyber crime. Innovation and creativity are of key importance for generating new options to contain systemic corruption.

Sun Tzu (as cited by Cleary, 2005) said that "the best general never fights". These wise words summarise the importance of preparation and, in effect, prevention. There is a connection between prevention, good governance and development. In Chapter 1 it was mentioned that good governance rose to the top of the anti-corruption agenda (because good governance can assist in preventing corruption); and that corruption rose to the top of the development agenda (because corruption undermines sustainable development). In creating an environment of preventing corruption, transparency is the common denominator needed for both good governance and development. Transparency provides access to systemic development outcomes such as social capital, social value and social trust.

To illustrate the importance of transparency, Huguette Labelle, Chair of TI and member of the UN Global Compact Board[183] (2010: 4) said "Transparency is a first line defence against corruption. Transparency sets a tone of openness, accessibility, accountability, building confidence amongst stakeholders that they are treated in an equitable and responsible manner". Peter Eigen (2002: 5), a former Chairman of TI, applied the principle of transparency to the WTO when he said, "Taking into account other organisation's efforts, WTO rules should focus on prevention, as much as possible, rather than on criminalisation". He further said that, "A more transparent legal and regulatory environment is fundamental to preventing corruption in transnational and domestic transactions". From what Eigen said, it is clear that prevention and transparency are important for all private and public institutions and their transactions. For creating such a preventative

[183] The UN Global Compact is both a policy platform and a practical framework for companies to align business operations and strategies with ten universally accepted principles within the areas of human rights, labour environment and anti-corruption and to stimulate actions in support of broader UN goals. With more than 7000 signatures in more than 135 countries, it is the world's largest voluntary responsibility initiative.

and transparent environment, information flows should be created. Such flows enable public reporting that is the formalisation of transparency. The value of public reporting and disclosure is probably best illustrated by Julian Assange, controversial founder of WikiLeaks[184], who made 391 832 documents about the Iraq War available to the media. These documents exposed the unaccountable deaths of thousands of civilians. The USA and UK Defence Forces should now answer to the public. The Iraq War is the most public war in history. Thousands of law suits are expected to follow. This extreme case of public reporting underlined the value of transparency in exposing unaccountable abuse of power and increasing public consciousness. Public reporting enables an institution to build public trust by developing anti-corruption strategies (The UN Global Compact, 2010: 4). Information flows to create transparency can be co-produced by, and are also co-producing political commitment or political will for systemic transformation.

To contain and dissolve systemic corruption requires the managing of the key drivers, key uncertainties and key interventions (strategies). The first phase of containing corruption, to use the metaphor of a lifestyle illness, is to bring down the fever of the patient, to stabilise the problem situation as soon as possible. Once the patient's fever and heart rate are under control, surgery, physiological and psychological treatment (dissolving phase) can start for enabling a sustainable lifestyle. The dissolving phase is the most challenging and can take decades to create the most suitable and sustainable conditions for treating illness and corruption, because an attitude and lifestyle change, to provide hope, to explore alternative ways of sustainable living, requires continuous change. Monitoring and evaluating treatment and the patient's response, his/her condition and connecting him/her to a support network of other patients, creating penalties (e.g. for falling back to an unsustainable lifestyle) and rewards (incentives and praise) for structural and operational changes, are part of the dissolving phase.

8.1 CONTAINING PHASE – STABILISING THE CORRUPTION PROBLEM SITUATION

Leverage points can provide early gains to inspire the momentum for change in containing corruption. The idea of using leverage points as part of the transformation process originated from Meadows (2009: 1-13). A number of 'specific' leverage points, were derived from Meadows, Klitgaard's 2010 publication of 'Corruption in Haiti' and Rose-Ackerman's 1999 publication of 'Corruption and Government: Causes,

[184] "At 5pm EST Friday 22nd October 2010 WikiLeaks released the largest classified military leak in history. The 391,832 reports ('The Iraq War Logs'), document the war and occupation in Iraq, from 1st January 2004 to 31st December 2009...as told by soldiers in the United States Army...They detail events as seen and heard by the US military troops on the ground in Iraq and are the first real glimpse into the secret history of the war that the United States government has been privy to throughout. The reports detail 109,032 deaths in Iraq, comprised of 66,081 'civilians'; 23,984 'enemy' (those labelled as insurgents); 15,196 'host nation' (Iraqi government forces) and 3,771 'friendly' (coalition forces). The majority of the deaths (66,000, over 60%) of these are civilian deaths. That is 31 civilians dying every day during the six year period. For comparison, the 'Afghan War Diaries', previously released by WikiLeaks, covering the same period, detail the deaths of some 20,000 people. Iraq during the same period, was five times as lethal with equivalent population size." (WikiLeaks, 2010).

Consequences and Reform'. The author of this dissertation adjusted, blended and synthesised leverage points from different authors to meet the unique requirements for the developing countries' corruption problem situation. Key drivers (five dimensions) and key uncertainties (co-producers) are central to the whole dissertation. Probable interactions of key uncertainties and how they can unfold were described, and from that, key interventions/strategies (leverage points) were constructed. Leverage points/strategies have been discussed in sequence for the logical flow of arguments. However, leverage points are overlapping and not mutually exclusive, because a social change process is complex and dynamic, not sequential. Change is not a step by step process. The discussion that follows refers to Namibia unless indicated differently.

8.1.1 Managing key drivers and key uncertainties

In the description about developing countries' corruption problem situations in Chapter 7, obstructions to development are also the co-producers of corruption in respect of the five social subsystems. Key uncertainties and how they can interact in terms of possible directions of polarised group formation and corruption were also discussed in terms of the characteristics of complex systems.

In developed countries, the private sector is the biggest engine of growth and also the biggest change agent because 51 of the 100 largest economies in the world, in terms of gross revenue, are multinational companies and not governments. There are millions of companies, but only a few hundred governments (King & Lessidrenska, 2009: 9). In developing countries, the size of the private sector is small relative to the size of the public sector, meaning the private sector cannot realistically be the biggest change agent. The public sector and the influence of governments tend to be more influential in developing countries.

The first key uncertainty in managing corruption is: Who is in control of the key drivers of corruption? If the public sector and governments in developing countries are the biggest drivers for change, it can be a serious obstruction to development. In an already corruption prone environment, those in control of government are also controlling the other five subsystems of development and can deliberately create obstructions.

If political commitment does not exist in developing countries, then a bottom-up approach should be followed in order to create social cohesion and pressure on politicians to reform. The bottom-up process is a time consuming process that can take more than one generation, as is evident from common denominators of best practice case studies. If a bottom-up process is followed, what can be done to stabilise the situation (containing) and what can be done as part of dissolving the situation to create a conducive environment for sustainable reform or transformation? To stabilise the situation, pressure should be exercised by civil institutions across the board on politicians, to increase the capacity of law enforcement agencies, to develop pockets of excellence in the public service and to create an open debate on corruption. In developing excellence, strategic areas that could be focused on are, *inter alia,* the police, revenue and procurement. Such a strategy can influence all stakeholders of these best practice areas, the public and private sector and civil

society. In pursuing this strategy, accurate statistics should be kept, to measure, monitor, develop, evaluate and change outdated strategies. The police needs to be highly visible, create a safe environment and cover all crime, irrespective of how small its impact. The covering of all incidents of small crime will contain the corruption situation for the interim and medium term and will lead to the bigger criminals, such as the drug bosses, as part of the longer term or dissolving phase. Once benchmarks are in place and the success of the police is evident, the underlying principles can be adopted and tailored for all other areas of law enforcement, such as licence and permit applications. Such an approach can create an across-the-board long-term culture of respect for authority, law and order. The next section focuses on incentives and penalties as part of changing the legal and regulatory environment.

8.1.2 Increasing incentives and penalties

Penalties and rewards need to create a situation where the risks of exposure are substantially higher than the benefits in combination with an increase in law enforcement capacity. Enforcement of penalties should be increased, however not indefinitely. Increased enforcement should continue until a 'change of phase' or long-term multidimensional and multilevel change of all five social subsystems is created, whereafter it can be reduced. Such 'change of phase' will be achieved when perceptions start to change, i.e. from the perception that 'everybody does it', to being 'afraid to do it, because the probability is high that I can be caught'; from awareness to prevention; and from compliance to performance. To make such 'change of phase' possible, the relation between penalties and the probability of detection should be in harmony. If penalties are increased, the probability of detection should be increased simultaneously and in proportion. When people know that they will be caught, they will think twice before engaging in corruption. However, increasing penalties without increasing the probability of detection will not deter corruption, as discussed in Chapter 7. Penalties and risks should be linked to the benefits (gains/spoils) of/from corruption after deducting the costs (i.e. the costs of the bribe or kickback, the risks of being caught, the loss of status, position and income). A fixed penalty[185] increases the demand for higher bribes, but once the threshold of the benefits are more than the costs, corruption becomes worthwhile. Drug trafficking, for example, has huge profit margins after deducting the costs[186]. To make corruption unattractive, every Namibian dollar/Rand increase in benefits from corruption should be matched with more than a Namibian dollar/Rand increase in costs. The maximum penalty in Namibia for money laundering should be removed, because the maximum penalty of N$500,000 and/or 5 years in jail reduces the number of small payoffs, but raises the size of larger

[185] In the USA, penalties are limited to a maximum of not more than three times "the monetary equivalent of the thing of value", or sentences cannot exceed fifteen years in jail, or both (Rose-Ackerman, 1999: 55). This example is also not the best to deter corruption, because penalties are 'capped'.

[186] Net costs of the cocaine business can include the following: growing coca (mainly in Peru and Bolivia); collection and transportation of coca leaf or coca paste; processing of coca into cocaine base and cocaine hydrochloride; transportation of the finished product to the USA; wholesale and retail distribution (re-packaging in smaller quantities for shipment to other markets such as South Africa); paying runners to find new addicts (customers); bribes for import and export at border posts; and payment to the police 'to look the other way' (Williams, 2001: 322).

payoffs. The maximum penalty should be replaced with a sliding scale penalty that is directly linked with the cost (and should always be more than the cost) to deter corruption.

Incentives should be created to motivate people to resist and fight corruption (an example of a complex system's purpose, in this case to protect the integrity of the system) and to take the risk of losing their jobs, not to be intimidated and not to be scared by death threats. These incentives are also needed for rewarding the risk of reporting corruption and protecting whistleblowers from intimidation and harassment. Namibians need encouragement and incentives ('carrots') for commitment, as well as penalties ('sticks') for non-compliance. The Anti-Corruption Act 18 (Republic of Namibia, 2003) should be changed to award whistleblowers 45-50 percent of the value of penalties imposed. Rewards should be substantial to make it worthwhile for whistleblowers. In drug trafficking, for example, a few million US$ dollars is 'small change', while whistleblowers run high risks, even death. The judicial system should be changed so that the state provides adequate financial support for prosecuting cases involving corruption in the private sector. In cases of personal vendettas, culprits should be held personally liable for such costs. The next section focuses on the need to change strategic institutions.

8.1.3 Transforming strategic institutions

Some institutions are strategic due to their visibility in the public eye, for instance border control units or institutions issuing permits. These institutions are also 'hot spots' of corruption. If the fruit of corrupt institutions is visible in the public eye (e.g. bribery or pay-offs), they offer leverage points for reducing corruption by transforming them. Klitgaard (2010: 18) called the process of transforming such strategic leverage points "Picking visible low-hanging fruit". These are, in terms of this dissertation, the most 'annoying' organisational units or components in a public service resisting transformation, e.g. tax and customs offices, budgeting and accounting offices (e.g. stocks); procurement (e.g. public works and tendering) and social benefits (e.g. pension and motor vehicle accident fund) programmes. The purpose is to break the recurring negative loops of self and mutual-serving behaviour. Other Namibian 'hot-spots' of administrative and regulatory control units, where one is most likely to find corruption, include the following: quotas and licences (e.g. fishing, transport and mining), permits and regulations (e.g. environmental, occupational health and safety, and labour), inspections (e.g. taxation and construction), and subsidies (e.g. drought and housing). The process of applying for permits and licences needs special mentioning, because public servants create delays to make such services appear to be scarce (i.e. fixed supply), thereby increasing the demand for the service and for applicants to bribe them. These co-producers should be dealt with within a relatively short period of 24 months. Such successful transformation of strategic institutions can create momentum for sustaining the change process and broaden it to the rest of the public service.

8.1.4 International expertise and 'new blood'

International expertise and local new blood (for governance, a characteristic of complex systems) can be used in combination with trusted and seasoned staff to transform strategic institutions. Bringing in 'new blood' is important for creating innovation and in looking at systemic corruption from alternative perspectives, for example international best practices. Bright young graduates should be recruited to partner with 'senior heroes' in in-depth investigations. For example, young CAs, innovative information technology and MBA graduates should be exposed to a rigorous all-round experience of best practices in institutions such as 3M, to groom them for good governance. 'New blood' has new ideas and challenges existing paradigms of conventional thinking about containing corruption. In terms of Namibia, experienced British and American Police officers and CAs from revenue services can be seconded or recruited as part of an exchange programme to work alongside Namibian Police and revenue officers, so that capacity building can take place. International assistance in the form of aid and grants can be sought to experiment with innovative and unorthodox strategies. For example, corruption 'score cards' can be used to determine the level of an institution's vulnerability to corruption. Such score cards can help to prioritise the level of monitoring required. The next section focuses on stimulating competition for increasing service and product delivery and reducing monopolies.

8.1.5 Reducing monopolies and stimulating competition

Transformed strategic institutions will have adequate incentives (such as performance based outcomes) for reducing monopolies and stimulating internal competition, and later competing with external institutions. Monopolies are conducive to corruption. Such monopolies represent 'negative feedback loops', or 'causal loops' that strengthen corruption (Meadows, 2009: 1-13). These loops need regulation to break corruption's circular character[187], its ability to self-organise (a characteristic of complex systems) that enables it to maintain its corrupt character. Monopolies and programmes that create public scarcity should be abolished. If monopolies cannot be abolished in a small economy, competition should be created, for instance by stimulating entrepreneurship and innovation in the private and informal sector; and benchmarking and intrapreneuship[188] in the public sector. If an increase in external competition is not possible, then an objective and independent regulator should be created before privatisation is embarked upon. Another option for increasing internal competition is benchmarking of small components of public services for comparison with best practices of similar services in the private sector. For example, the 70 SOEs that are all monopolies should apply such best practices. The UK Civil Service implemented benchmarking with great success. Public institutions should be encouraged to compete with the private sector for the tendering of services.

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[187] E.g. when recruitment standards are lowered. This means fewer quality people are employed. Staff are less competent and more inefficient, which will co-produce an increase in corruption.

[188] Intrapreneurship is a concept used to explain the ability of people in institutions to create new ventures, i.e. new programmes (Rwigema and Venter, 2007: 7).

Remuneration packages of public servants in strategic institutions need to be reviewed in tandem with individual performance measurement systems, so that the best performers are rewarded to create a 'new culture' of performance and meritocracy. The 'level of temptation' should be reduced so that at least 80 percent parity exists between public and private sector remuneration for similar jobs (Klitgaard, 2010: 21).

Unlimited discretion should be avoided to reduce opportunities for corruption. However, those public servants who demonstrate that they can be trusted should be allowed wider discretion. Individual and group accountability should be in harmony, as discussed before, so that staff members accept answerability for their actions. Accountability can be increased, by creating cost centres and thereafter performance centres in the public service. Such centres and their staff must accept liability for inadequate and under-performance. Regulating negative feedback loops can break the recurring circular effect of 'self-organising', a characteristic of a complex system such as systemic corruption[189]. Another way to break recurring negative feedback loops is to eliminate corruption prone programmes.

8.1.6 Eliminating programmes co-producing corruption

As part of the containing phase, programmes that contribute to corruption should be eliminated. If such programmes are abolished, nobody can and need to be bribed[190]. If formerly illegal activities are legalised, such as gambling, prostitution, drugs, and selling of liquor, bribery to turn a blind eye to these activities can be stopped (Rose-Ackerman, 1999: 40). However, eliminating some programmes may create new opportunities for corruption elsewhere. For example, a reduction in staff or the budget of licence application services can create scarcity where scarcity is not supposed to exist. Scarcity encourages corruption. Increasing the efficiency of programmes will not necessarily reduce corruption, because of its broader impact as follows: If budget cuts are made due to an increase in efficiency of programmes while maintaining the same restrictive and outdated legislation and regulations (inherited from colonial masters), scarcity for public services can increase corruption. Budget cuts need to accompany regulatory and, in some cases, legislative changes. When scarcity increases, it has an impact similar to monopolies; the demand for services and the opportunity for corruption increase at the same time.

It is not always possible to eliminate all programmes that contribute to corruption. Alternative options for distributing social benefits are sometimes restricted, for example drought relief. If programmes cannot be

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[189] E.g. the more people benefit from corruption, the more they become dependent on it. The more dependent they are, the more they will resist changing the system.

[190] First-order-obstructions should be 'removed' before obstructions interact. If the processes, meaning the interaction between the purpose, structure, and environment that co-produce emergent II properties, are removed, they cease to exist. Corruption cannot exist if the officials for executing such functions are not employed anymore, if no rules or regulations exist to enforce programmes that cause delays or inefficiencies. For example: removal of subsidies, permits, licences; the benefits to bribe officials to obtain scarce benefits or to speed up processes (Rose–Ackerman, 1999: 39–42).

eliminated, they should be changed to be innovative, accountable and transparent. For example, overlapping jurisdictions, officers working in pairs and rotation can reduce corruption. A programme in Namibia that cannot be eliminated is its driver's licence application system. However, the system can be streamlined, its staff reduced, the remaining staff paid better salaries and incentive bonuses, and customers reporting bribery can receive a discount. In Namibia, the distribution of social programmes, such as distribution of donor aid, is engrained with corruption. Donor food supplies that were destined for flood victims were discovered rotting in a warehouse in Caprivi. In such cases, NGOs (with clean track records on corruption) can temporarily take over the distribution process. This arrangement can continue until a 'change of phase' or long-term multilevel change has been achieved and the system of distribution is transformed, whereafter the responsibility for distribution can revert back to government. The next section focuses on the benefits of centralising the coordination of anti-corruption measures.

8.1.7 Centralising anti-corruption coordination and control

A central focus point should mobilise, coordinate and control institutions in a synchronised and effective anti-corruption drive for optimum impact. Central points of coordination, such as a credible anti-corruption agency that is independent from political influence and reports directly to parliament (unlike the Namibian Anti-Corruption Commission, that reports to the Prime Minister), can coordinate all units (an indication of structure, a characteristic of complex systems) that investigate and monitor corruption in the country. Such coordination and mobilisation also include institutions at sub-national level. The Hong Kong and Singapore anti-corruption agencies are examples of best practices of centralised anti-corruption units. Based on these examples, potential focus points can include awareness (public relations), prevention (knowledge and skills development, e.g. a coordinating institute for research and publications) and enforcement (prosecution). As part of the public awareness campaign, information can be disseminated about how corruption acts as a 'tax' or additional cost that inflates prices. Based on the example of the ICAC of Hong Kong, the central agency should have excellent relations with stakeholder institutions, including public institutions and citizen groups, because they depend on them for information, monitoring and reporting (formalising of transparency). Namibia should create sub-national control points at regional and local government level for coordinating, monitoring and controlling corruption. Sub-national control points should be under control of the central anti-corruption coordination unit. This unit should report directly to parliament and be independent from the influence of the government of the day. The President of Namibia needs to fulfil a coordinating and leadership role, but not a controlling role, because excessive control in the hands of any one person or institution creates opportunities for abuse of power. In addition to a centralised corruption coordination and control unit, other independent investigative units such as The Namibian Narcotics Bureau, Forensic Fraud Unit and Vehicle Theft Unit, should be accountable to parliament. Private businesses and the UN Global Compact can be approached to fund private investigative units as part of a national vigilance to expose and prevent corruption. Systemic corruption is not just an ethical or moral problem, therefore incentives must be created for whistleblowers to report corruption. Penalties must be enforced, for example to get the 'kingpins'

of organised crime in jail, sending out a clear message that Namibia and South Africa are not safe havens for transnational organised criminals. Effective integration of the bureaucracy, as well as an increase in intelligence to infiltrate and monitor the actions of syndicates, are needed. In order to contain local organised crime and transnational organised crime in a state with weak institutions, such as Namibia, a separate court for hearing only corruption cases can be created, because the current system is characterised by years of case backlog. The next section focuses on creating a transparent context for exposing the process of corrupt behaviour and the structure of interdependent corrupt relations.

8.1.8 Creating information flows for transparency

All social systems depend on information and effective communication networks. Information flows should be created to steer and influence a corrupt system towards transparency, accountability and sustainability based on universal properties of justness, fairness and integrity. An independent media should be created that does not have government shareholding and control. Namibia should legalise guarantees for citizens to request information on budget appropriations, performance and execution of offices/ministries/agencies. Conflict of interests cannot always be avoided. However, it can be managed in an accountable and transparent way. For example, strategies need to be developed on how to guarantee access to information; best practices to declare interests of board members, directors, and public servants; disclosing of information, and gifts to individual politicians and public officials; and declaration of business interests and assets of all politicians and their family members on a bi-annual basis, as discussed in Chapters 6 and 7. Accessible information will contribute to the culture of openness and will make lifestyle audits of unexplained wealth possible. For this purpose, Article 62 of the Anti-Corruption Act 18 (Republic of Namibia, 2003) should be strengthened. Namibia should make the auditing of political parties' financial statements a legal requirement. Party leaders should be held liable for wasting taxpayers' money. A transparent system will provide more competition and can also be used for sabotaging corruption from within.

8.1.9 Subverting the subversive

The corrupt system should be undermined and sabotaged. Klitgaard (2010: 22-25) talked about "subverting corruption", meaning infiltrating and exposing the subversive operations of corrupters and corruptees. This can be done by creating effective information flows as part of a network of key people. Such a network for subverting the corrupt can go 'underground' to operate the same way that organised criminal networks operate. However, secrecy about network operations can encourage corruption. Such networks for 'subverting the subversive' must be monitored by highly trustworthy and competent people with a reputation for unquestionable integrity and accountability. In order to enable such subverting, fluid, adaptable and elusive networks of more informal than formal social organisations are needed, similar to the characteristics of networks of local organised criminal groups and TCOs, as discussed in Chapter 1. Such networks enable information, knowledge and communication. Organised crime, as a manifestation of systemic corruption in

Namibia and South Africa, can be attacked by 'subverting the subversive'; by disseminating information on the corrupt system that corrupters and corruptees would like to keep hidden. Information about the allocation of tenders where bribery, price fixing and bid rigging prevails can, for instance, be made public. 'Covert agents' should be 'planted' in 'hot spots', such as revenue and tax component(s), customs and excise, police and procurement, to observe and report transgressions. These informers should be used to spread 'misinformation', for example about bid rigging, to create fear and/or to provide suspects with leeway to make mistakes and to 'hang themselves'. Disseminating credible information can increase public pressure for transparency and change. Politicians and public servants whose lifestyles do not match their remuneration packages and asset portfolios should be legally required to explain how they accumulated such wealth. The central anti-corruption coordinating unit can cooperate with private institutions which have an interest to reduce corruption. Corruption can be uncovered by making use of hidden video cameras, confidential exit interviews and electronic surveillance (Klitgaard, 2010: 26). Whistleblowers can be promised state protection, immunity, financial rewards and new identities in other countries if they are the first to expose organised criminal syndicates and other manifestations of corruption.

Against the background of a transparent legal and regulatory environment and leveraging change through strategic institutions, and central control of anti-corruption coordination activities, the next section focuses on creating a National Integrity System and evaluating the quality of relations amongst core (key) and distributed institutions.

8.1.10 Creating a Namibian integrity system for assessment

Developing National Integrity System assessments can guide the evaluation of key institutions and elements contributing to the governance of society, namely integrity, transparency and accountability, including the following pillars: the three branches of democratic government (executive, legislative and judiciary), the media, the private sector and civil society (TI, 2010: 4). These pillars can also include watchdog institutions, the public sector, Ombudsman, electoral management body, supreme audit institution, law enforcement bodies and political parties (TI, 2010: 4, 33). Figure 8.1: Transparency International's National Integrity System 'Greek Temple' below illustrates some of the pillars that can be considered for Namibia, but individual pillars are in no way prescriptive. It is necessary to describe the capacity of pillars suitable for Namibia and the quality of their relationships. Each of the pillars needs to be assessed to determine its role, capacity and governance relative to each other and in terms of the dimensions of the Namibian society, i.e. as illustrated in the Ackoff-Gharajedaghi Five Dimensional Design.

The term 'National Integrity System' is the brainchild of Jeremy Pope of Transparency International, to describe "a changing pattern in anti-corruption strategies in which it was recognised that the answer to

corruption did not lie in a single institution, let alone a single law, but in a number of agencies, laws, practices and ethical codes" (Griffith University and Transparency International Australia, 2005: i).

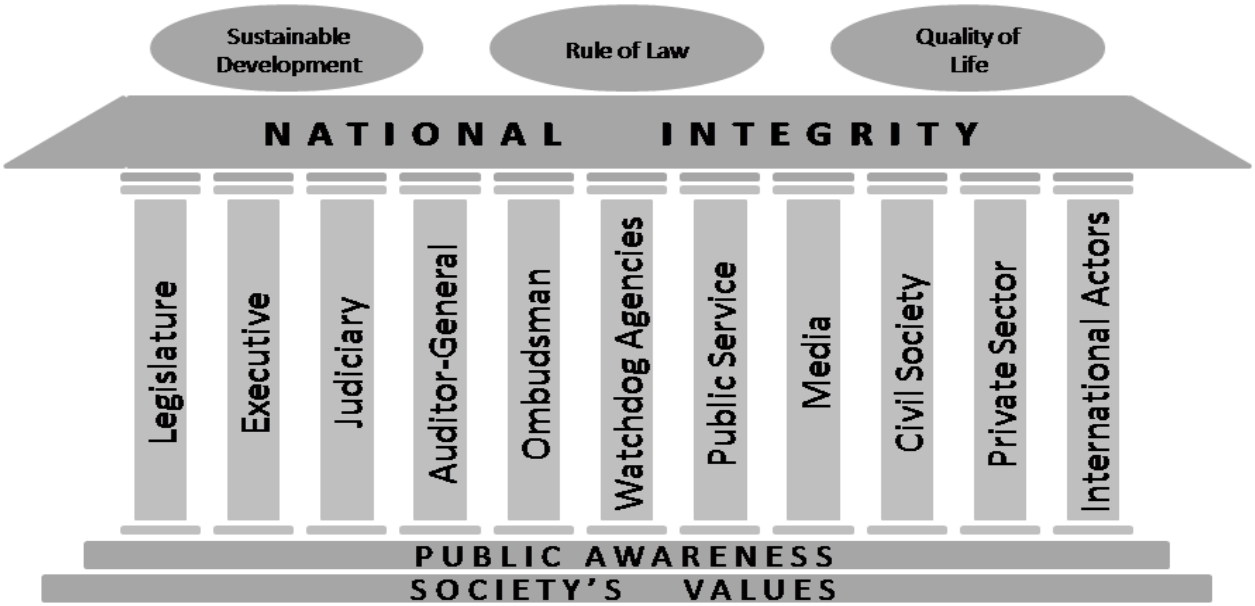

Figure 8.1: Transparency International's National Integrity System 'Greek Temple'

Source: Pope (2000: 35)

National Integrity Assessments measure the strengths and weaknesses of the relations between these pillars, sectors and institutions. A National Integrity System Toolkit has been developed by TI (2010: 1-49) that can be used to execute a National Integrity Assessment[191] of the extent and depth of corruption in Namibia. The Namibian Integrity System should ensure that power is exercised "in a manner that is true to the values, purposes and duties for which that power is entrusted to, or held by, institutions and individual office-holders" (Griffith University and Transparency International Australia, 2005: i). Another strategy can be to stimulate and increase the standard of voluntary compliance, i.e. best practices on declaration of assets and disclosure. The institution coordinating such an anti-corruption drive can form 'integrity pacts' (moral agreements of compliance, monitoring and reporting) with stakeholders, such as captains of industry in the private sector, the UN Global Compact, NGOs, community based organisations (CBOs), tax-payers' associations, employer associations, trade unions, churches, and sport and cultural organisations to coordinate efforts in an integrated approach.

Table 8:1 illustrates pillars or core institutions, distributed institutions and controls described in this chapter as part of the proposed Namibian Integrity System for Assessment.

[191] More than 70 National Integrity Assessments have been executed with the assistance of Transparency International Chapters in various countries (TI, 2010: 4).

Table 8.1: Institutions and controls to be considered for the Namibian Integrity Assessment

Core institutions	Distributed institutions and controls			Purpose
Legislative	Oversight by legislature	Political will 'Frying the big fish' Moral & transformational leaders	Electoral & political processes	Political stability National consensus for transformation
Executive				
Judiciary	Specialised bodies to prosecute corruption	Effective legal framework Probability of detection	Independent branches of government	Rule of law
Auditor-General	Supreme financial audit authority	Efficient accountability mechanisms	Oversight & regulatory mechanisms	Accountability
Ombudsman	Human rights oversight			
Watchdog agencies	Anti-corruption legislation & agency for corruption coordination	Whistleblower protection Incentives & penalties		Centralising anti-corruption coordination & control
	Corruption investigation bodies	Awareness & education, detection & prosecution		
Public service	Human resource management controls	Public service conditions	Administration & civil service	Transforming strategic institutions Identifying 'hot spots' Reducing monopolies of SOEs & bench marking for stimulating public service competition Regulatory quality
	Financial management controls	Pre-budget statement Citizens budget Social grant		
	Organisational management controls	Organisation & methods standards		
	Guidance & training of public officials	Codes of conduct & value clarification (Western *vs* traditional) Professional accreditation mechanisms		
Media	Transparency mechanisms	Media Ombudsman Regional reporting body	Civil society, public information & media	Information flows for transparency & accountability
Civil society	Social capital market	Active civil society institutions		
Private sector	Public private Partnerships	Training & transfer of capacity	Voluntary compliance	Sustainability
International actors	TI, UN, Global compact	Training & transfer of capacity 'New blood' & innovation	International best practices	Universality

Source: Based on TI (2010: 3), with major amendments to fit Namibia

In order to create a national system for assessing Namibian integrity, the focus shifts towards initiating public dialogue about corruption related issues.

8.1.11 Initiating public debate and measuring perceptions

Citizen activism and public policy participation will enable sustainable policy formulation for improved service delivery. To sensitise the public and get them involved in a debate and demand for increased levels of

service delivery, a case study of another country can be discussed and also different scenarios of the future, each based on key assumptions and possible directions and implications. Such debate should be initialised in the form of workshops with countrywide and with adequate media coverage. In these workshops the public and private sector should be involved, including interest groups as representatives of civil society, an excellent way of mobilising creativity and to embark on what Klitgaard (2010: 29) called the 'beginning of action plans'. Workshop participants could analyse a case study about a successful anti-corruption campaign in another country before focusing on their own country. Participants should learn about the nature, impact, manifestations and costs of corruption, as well as possible individual and collective anti-corruption strategies to develop a network and anti-corruption pacts between stakeholders. Cross-cutting strategies should be developed in the network structure and later on institutional level.

The containing phase, as described, did not focus on 'all at once encompassing strategies', but on a few carefully selected strategies. Meaningful perceptions of corruption as measured by TI and other indices, can provide an indication whether the corruption situation has stabilised. Integrity templates can be developed to baseline the level of trust, the quality of relations (an indication of structure, a characteristic of complex systems) amongst various institutions in the public, private and civil sector. Frequent audits can provide direction to strategy formation.

The next section focuses on dissolving, which can start once the corruption problem situation has been stabilised and the critical mass of a tipping point or change of phase that enables long-term multidimensional change of all five social subsystems has been attained in the few selected areas.

8.2 DISSOLVING PHASE – CHANGING THE CONTEXT

With the overall corruption trend not increasing, the corruption problem situation stabilised, dissolving can start. Dissolving focuses on changing the environment (context, a characteristic of complex systems) so that preventative and good governance conditions can be created within a transparent legal and administrative environment for enabling lasting transformation. Where containing focuses mainly on hard/formal or structural, short-term and tactical-operational strategies, dissolving focuses mainly on soft, long-term, strategic/prospective strategies. Dissolving strategies are more systemic in nature than containing strategies, because it is all inclusive and creating the context for change, for example world views, paradigms and values. In moving downwards in the leverage hierarchy of Meadows, strategies become increasingly more localised/mechanistic/linear until the context of control becomes so complex that it creates an environment for corruption. It also becomes too complicated to manage. This is why visionary (transformational) and moral leadership is of such critical importance. Other strategies can at most be supportive. The next section focuses on the role of leadership.

8.2.1 Moral and transformational leaders and competent members

There is a close relation between systemic corruption, transformation and failed moral leadership in developing countries. Systemic corruption is an inevitable outcome of vacuums of power and destabilisation during transformation processes where moral and strategic leadership fails, as discussed in Chapter 7.

Role models of transformational leadership in business, education, spiritual and community work have been discussed in Chapter 6. Such role models are extremely important to the hopeless and vulnerable, who can be misled by populist demagogues to fill the vacuums of power 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 good governance (governance, a characteristic of complex systems). Because politicians in a corrupt country such as Namibia are seldom moral, they must experience political benefits[192] for 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'[193] for second-order-change and development. Second-order-learning is needed to unlearn practices that create opportunities for corruption, such as centralisation of authority, abuse of power, secrecy, monopolies, unchallenged discretion and limited accountability. Quality people will provide the ability to create new structures of relations and corrective behaviour, i.e. trust, streamlined processes and strategies for broader member participation. Those quality people will design innovative strategies and apply the most appropriate organisational structures. Once quality people are recruited, they can synchronise all other variables (purpose, process, structure, governance and context) in an interactive systemic approach. However, people cannot be hired and fired indiscriminately. Such an action can co-produce political instability and social harm, taking into account that unemployed job seekers in excess of 50 percent of the economic active population and the public sector is a large employer compared to the relatively small private sector and may cause the transformation process to come to a standstill. People whose competencies and/or values do not 'match' with the new culture can be retrained, redeployed or encouraged to leave with a substantial retrenchment package. The WB can be approached to facilitate 'golden handshakes' directly to such people. Direct distribution can prevent that golden handshakes do not reach the retrenched (due to corruption), preventing an increase in corruption and/or re-corruption. Innovative people should to be appointed who can experiment in finding the right mix for systems between efficiency and effectiveness that are also ethical and elegant. Such a 'mix' or 'balance'

[192] Benefits in the form of political support.
[193] E.g. politicians abolish a patronage system when the national consensus is that these appointments increase inefficiency. Appointing people based on a merit system will increase efficiency and that will provide positive feedback to the public.

will co-produce a new anti-corrupt culture that has properties of justness, fairness and integrity. Moral and transformational leaders and competent people will be inspired by the benefits of such a culture of openness, accessibility and accountability. Role models of transformational and moral leadership can provide a strong message for changing Namibian perceptions of hopelessness, which is associated with systemic corruption. Moral and transformational leaders are of key importance for securing political commitment for long lasting change.

8.2.2 Capitalising on political commitment

Political commitment is imperative for systemic change and transformation, because political leaders control the levers of the five developmental dimensions needed for change and transformation. As citizen activism translates into institutionalised support for corruption intolerance, a critical mass will develop into a national consensus for transformation. Once political commitment exists, one of the most effective leverage points is to 'fry the big fish'[194] (Klitgaard, 2010: 17). The first big fish should preferably come from the political party in power. In Hong Kong's turnaround strategy, an ex-police commissioner was extradited from England and 'fried' in Hong Kong, sending out a clear message that a change is taking place and that no-one is above the law. 'Frying big fish' causes scandals. Such scandals can trigger transformation. The authority to 'fry the big fish' can be given to an anti-corruption agency providing that such an institution has the political clout, support and credibility. To date, no minister, deputy minister, director or board member in the public service or SOE has been 'fried' in Namibia, sending out a clear message that 'big fish' are untouchable. A core group of politically connected people receive the one black empowerment deal after another. The 'big fish' to be fried should include cabinet members. Reports of presidential commissions of inquiry into corruption should be made public so that the knot of mutual-serving behaviour can be disentangled in public. Both the first and second president of Namibia have themselves and party-leaders to protect, all tied up in the knot of systemic corruption. Once these 'big fish' are fried, it will send a clear message of transformation and stimulate a more open and transparent culture in which information will be disseminated with fewer restrictions.

As citizen support is building and voters' support is swinging towards political parties that are politically committed to reduce corruption, a political critical mass will be able to challenge the excessive powers associated with the presidential position. These excessive powers in Namibia include the appointment of several high ranking officials. Thirty-one percent of all members in the National Assembly, plus the Ombudsman, the judges, the members of the Public Service Commission, the Chief of the Police and the

[194] Other examples include President Andrés Pastrana's actions against corrupt mayors and governors in Colombia; in Indonesia President Susilo Bambang Yudhoyono's Corruption Eradication Commission successfully prosecuted many public servants, some of them extremely senior, as well as business people giving bribes; and President Enrique

Chief of the Defence Force, are presidential appointees. All these positions should be parliamentary appointments to prevent the abuse of power. Another constitutional change should be that, once a presidential commission has submitted its report to the president, he must within a reasonable time (based on common law) act on it and release it for public information. If this is not done, he must be removed from office for the non-disclosure of information, non-performance and/or conflict of interest. The constitution should be changed so that the president is not above the law during his/ her term in office, but can be prosecuted for criminal offences. The message should be clear: no person or institution should have absolute or excessive and/or unchecked powers that can be abused. Preventing corrupt opportunities is better than dealing with their destructive consequences. In creating an accountable political system with checks and balances, the flow of information is of similar importance to 'cash-flow' and 'working capital' in business, because all three can make or break a social and/or a business system. The next section focuses on creating a social consciousness.

8.2.3 Stimulating a culture of bridging capital for social accountability

Systemic corruption is like a spider web or network that draws its strength from the self-supporting and mutual-serving behaviour (an indication of process, a characteristic of complex systems) and trust between its corrupt members for the 'common decay' of society. To fight corruption, it is appropriate to adopt the same type of network (but opposing values) for developing personalised ties of circular trust for the 'common good' of society. For example, Mahatma Ghandi, the moral and transformational leader of Indians in South Africa and India without any official status, rank or title, created motivation and 'hope', and relied on the social network and public trust between 133 million Indians to expose the injustices of the British colonial system. Ghandi used social capital to take control of the process of gaining independence for the Indians in India. From the Ghandi experience, it is clear that the stronger and the wider the personalised ties of the social network, anchored in universal values, the easier it is to subvert a corrupt system, even the most powerful economic system at that time, the British Empire.

Despite various *ad hoc* attempts to reform Namibia, for example the public service, the creation of the Namibian ACC, legislation that supported the Namibian ACC investigation unit, a relatively free judicial system, Presidential Commissions of Inquiry into corruption scandals, all of them failed to contain corruption. Such failure happened in the absence of citizen vigilance that could have institutionalised social 'safety nets' and national support for subverting corruption. Citizen awareness and activism to influence issues are not limited to socio-economic challenges but extend to all developmental dimensions, especially politics.

Bolaños of Nicaragua locked up the former President Arturo Alemán, under who Bolaños had served as Vice President, on charges of corruption (Klitgaard, 2010: 17).

Political commitment to reduce systemic corruption in Namibia, is absent. It served no purpose to expect 'political suicide' from the ruling party, meaning to support the rooting out of corruption, if party members would not benefit from a less corrupt system. Although it will take much longer to reduce corruption (compared to the existence of political will), Namibia does not have many better options than to develop broad based social accountability, supported by as many stakeholders as possible. Such broad-based collective accountability will provide a social consciousness, as explained in Chapter 2, and social or public trust. Such consciousness is needed for creating 'hope' and a network of relations for influencing and controlling co-producers of systemic corruption, such as poverty. Social consciousness and public or citizen trust can create a 'critical mass' for a national agreement or consensus for reducing corruption. Once voters in Namibia realise that the majority of them are not benefiting from corruption, the threat of losing voters' support, will encourage politicians to support an anti-corruption drive, as discussed in Chapter 6. This 'bottom-up' approach will create incentives and penalties for politicians for supporting systemic transformation. For enabling such 'bottom-up' approach, the focus should foremost be on stimulating social capital. This 'bottom-up' or 'soft' approach requires further that citizens should be mobilised to develop an 'investment bank' of such social capital, that includes bonding and especially bridging capital to reduce corruption, as discussed in Chapter 2. Such an 'investment bank' is dependent on relationships across stakeholders, ethnic groups and races that can function as 'safety networks' for supporting people who are most affected by corruption, such as the abject-poor, whistleblowers, and other marginalised groups, for example street children, orphans and the unemployed. Because citizens also have knowledge about what can be done in order to reduce corruption, perception studies and in-depth interviews can be employed to survey/canvas Namibians' views about where 'hot spots' of corruption are and which strategies can be most effective. In order to pursue the cultivation of social and bridging capital for social accountability, the focus shifts towards social entrepreneurship and innovation.

8.2.4 Connecting social entrepreneurship, social innovation and systemic change

Social entrepreneurship is defined by Nicholls (2006: 56, 62) as benefiting "people whose urgent and reasonable needs are not being met by other means". In terms of Ackoff-Gharajedaghi's Five Dimensional Design of development, it means that social entrepreneurship can be defined as benefiting people whose urgent and reasonable needs (what Maslow called basic needs, as discussed in Chapter1) are not being met by opposing human aspirations of economic, political, educational (knowledge, science and technology), ethical and aesthetical dimensions. Social entrepreneurship needs investors who are "comfortable cutting across categories, since the most interesting new solutions typically are cross-cutting" (Nicholls, 2006: 53). This cross-cutting potential of social entrepreneurship is most suitable for reducing a cross-cutting problem situation, systemic corruption, as discussed in Chapter 1. To illustrate the social entrepreneurial sector's (also known as the citizens sector) contribution to GDP: in the UK, it grew with 260 percent from 1991 to 2001 (Nicholls, 2006: 47). The growing trend of this sector is illustrated by the 450 percent growth of registered international citizen groups from 1990 to 2000, (Drayton, as cited by Nicholls, 2006: 48). To contain

systemic corruption in Namibia, one emerging lever includes stimulating the untapped potential of social innovation and entrepreneurship – a fast growing global trend.

A social entrepreneur wants to create social value that cannot be easily divided between Ackoff-Gharajedaghi's five developmental dimensions, because, as argued by Emerson (as cited by Nicholls: 62), it "leave[s] value on the table". Social value should be perceived in terms of 'blends', managing all dimensions of a social system, making it cross-cutting. Social entrepreneurship is connected to social innovation, because once created, it allows people "more for less, or to solve problems that would otherwise [be] insoluble" (Nicholls, 2006: 69). Examples of social innovation proposed for Namibia are a pre-budget statement, 'citizen's budget' and the implementation of a social grant (say N$250 per month) for all the registered unemployed, as included in Table 8:1: Institutions and controls to be considered for the Namibian integrity assessment. Other innovative examples include the use of songs, poems, flyers, posters, essays, presentations and competitions in curricula that students can relate to. Raising awareness about corruption should be a marketing and branding issue that are 'sticky'. The influence of the UN Global Compact office in Namibia can be used to get public relations and marketing assistance from local advertising companies to assist in identifying target markets, such as schools, for branding specific projects as part of a national anti-corruption campaign. For example, because Namibians relate very well to music, songs and stories, such initiatives can have lasting impact on students of all grades and ages.

The more social entrepreneurship that is created, the higher the probability is of increasing social innovation. Social innovation is imperative for looking at the 'old' and 'hopeless' problem of systemic corruption from new and innovative perspectives. The greatest value of social entrepreneurship and social innovation is that it can be translated into systemic change and transformation, because it changes the 'architecture' of how things work. Social entrepreneurs do not rest until they have changed "the pattern in their field all across society. Their life vision is this new pattern[195]... Small groups of committed people can find points of powerful leverage - and achieve a tipping point" (Nicholls, 2006: 45, 70). These words of Nicholls highlighted the essence of social entrepreneurship and social value and also described their value as a leverage point for the purpose of this dissertation. To apply social entrepreneurship in terms of Namibia's uncompetitive political dimension, "we're talking about nothing less than the democratisation of power" (Skoll, as cited by Nicholls, 2006: 49). Skoll is a co-founder of eBay, a social entrepreneurial business that connects thousands of small traders (Nicholls, 2006: 49). In Namibia, where the ruling party with a two-thirds majority, is abusing its power by manipulating weak institutions, social entrepreneurship can create cross-cutting social capital and social innovation for the democratisation of power. Social entrepreneurship and social value can also be institutionalised in Namibian socio-economic developmental dimensions.

[195] Florence Nightingale is an excellent example of a social entrepreneur. She transformed public health, nursing, housing codes, and the application of statistics for the public benefit (Nicholls, 2006).

Namibian 'social capital market' can develop in 'a market system' of its own. Such a market can provide a 'safety net' for marginalised groups, but it can grow into a social investment bank[196] or social market (as discussed in Chapter 2 and in this chapter) that have the potential to fund social investment projects in Namibia. The concept social entrepreneurship does not only include not-for-profit organisations, NGOs and CBOs. Any commercial business that invests in the community by undertaking social projects is included in the concept of social entrepreneurship. The concept extends also to public-private partnerships where businesses and emerging entrepreneurs in Namibia can form smart partnerships for the transferring of competencies and stimulating economic entrepreneurship and economic development at local community level. Social entrepreneurship includes determining social value (and in effect also public value for public policy formulation), and methods to evaluate 'value' that are "tools for supporting conversations" (Nicholls, 2006: 62). These conversations for enabling negotiations are needed for managing conflict in divided societies such as Namibia.

8.2.5 Principled negotiation for conflict management

In a systemically corrupt institution such as Namibia, the alienation of groups is co-produced by their non- or skewed sharing in developmental opportunities, i.e. the minority of educated elite *vs* the populist illiterate as explained in Chapter 3. Alienation is also illustrated by Namibian young educated voters' increasing apathy towards participation in elections (especially local government elections) as well as national socio-economic inequality and exploitation. Such polarised groups have opposing vested interests, values, and perceptions about social and public value that create second-order-obstructions to development. Such conflict needs to be managed in a win-win, all-inclusive grand approach, where there is no winner-takes-all. Principled negotiation is a process "to decide issues on their merits rather than through a haggling process focused on what each side says it will and won't do" (Fischer & Ury, 1999: xiv) and provides a process of creating understanding and a shared future for groups polarised by a history of bloodshed and mistrust, such as found in Namibia. Such negotiation should be focused on agreeing about how to control and manage systemic corruption. In order to reach such agreement (or actually a number of agreements) a credible process of mutual trust for building future relationships should be developed. The following phases of such a negotiation process (based on Fisher & Ury, 1999: 18-149) are proposed: separate the systemic corruption problem situation from different opposing groups (e.g. political, business, ethnic, cultural, religious, and educational groups); focus on vested interests (reasons for existence), not their conflicting group positions; invent options for benefiting all groups (mutual gain); and insist on applying international criteria (such as a transparent legal and regulatory environment), to conclude agreements and resolve conflict.

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[196] Grameen Bank is a good example of such a bank that started as a social project to lend money to borrowers without assets. Grameen is now providing programmes, e.g. student loans, pension funds and loans to beggars to become door-to-door salesman. It lends out half a billion US$ dollars a year and has more money in deposits than it lends to borrowers (Nicholls, 2006).

Separating the problem situation from different groups' involvement in systemic corruption is critical, because if not separated, it will create conflict in relationships between groups (e.g. the powerful ruling party *vs* the powerless small opposition parties in Namibia). Systemic corruption is a complex problem situation, as explained in the first two chapters. Efforts to contain it should not increase its complexity. Bridging relationships should be built between alienated and polarised groups to withstand the strain of future negotiation for achieving systemic outcomes. Alienation (feelings of rolelessness, meaninglessness and exploitation), polarisation (ethnic, religious, racial and class differences) and corruption are characteristics of a failed society or state (Spies, 2011: 16). In building these relationships of mutual trust, perceptions, emotions and communication should be managed. Different and opposing perceptions should be acknowledged and discussed. All groups that remotely have a role to play in containing systemic corruption should participate, especially minority and marginalised groups. Participation enables influence and ownership, as explained in Chapter 3, thereby increasing openness, accountability and transparency. Emotions should be made explicit and acknowledged as legitimate, for example fears of the ruling party to lose substantial voters' support if supporting anti-corruption initiatives and marginalised groups' fears of intimidation, harassment and murder by ruling party supporters.

Vested and legitimate interests of opposing groups should be acknowledged. The focus should not be current positions of power, e.g. of the Namibian ruling party's power dominance *vs* the powerless situation of the small opposition parties; and empowered business tycoons *vs* the economically powerless, unemployed and abject-poor. Narrowly focused interests that are conflicting in Namibia, such as the minority of white farmers who are land owners *vs* the majority of landless blacks; and the impact of transformation on such interests, should be identified and acknowledged. Narrowly focused interests should be reconciled to develop broad-based shared interests, for example shared land ownership for increased meat production and national reconciliation between the white and the black segments, as well as between the most powerful ethnic group (representing mostly the ruling party) and marginalised ethnic groups (such as the San). National consensus for transforming corruption is possible once a change of phase or long-term change (based on a number of quantitative changes that adds up to a 'tipping point') is achieved, as explained in Chapter 2, based on the explanation of stimulating social and bridging capital, social entrepreneurship and creating social value. These shared cross-cutting ethnic, business, and racial interests, values and outcomes can provide the foundation for transforming Namibia as a systemically corrupt country into one that is transparent, accountable and sustainable.

Options for mutual gain for all groups should be created. Social innovation is needed for managing conflicting interests. International facilitators with a reputation of objectivity and creativity (for example Al Gore, a former Vice-President of America who is an example of a social entrepreneur) can be invited to facilitate brainstorming sessions for generating divergent options for containing systemic corruption. Differences in interests should be identified, for example between ideological viewpoints of the ruling party *vs* pragmatic interests of marginalised parties; and between political considerations of political parties *vs*

economic interests of business owners. Once business leaders realise that they will benefit more from an efficient Namibian Public Service, they will financially support parties that are willing to reduce corruption, as explained in Chapter 7. International expertise available in the UN, TI and Global Compact and other professionals skilled in political, economic, knowledge and educational systems, and psychology, should be invited to assist groups in brainstorming shared options. From these options, different types of possible agreements should be identified, e.g. short-term *vs* long-term and provisional *vs* permanent. These options can broaden the scope of future agreements.

Objective criteria should be identified to evaluate the shared potential of the brainstormed and agreed-upon options. Such criteria should be based on international, independent standards and precedents that will make them legitimate and fair, less vulnerable to attack and more acceptable to Namibian groups with opposing interests, perceptions and fears. For example, one criterion should be to bring in 'international expertise and new blood', as will be further discussed in this chapter. Other criteria can include universality, such as best practices of systemic reform in the USA, UK, Hong Kong and Singapore, as discussed in the previous chapter; and the other values that are central in this dissertation. These values will be further discussed in the section that follows.

8.2.6 Universal values/principles for creating access to systemic outcomes

Values[197]are universal and provide objectivity and legitimacy. Such values can provide agreement about access to and can 'anchor' systemic outcomes in a polarised Namibia. These are four values, which are central in this dissertation, that need to be created and nurtured: transparency, accountability, sustainability, and universality. The first three values were discussed in Chapters 1-4, and these values are also in line with the following conventions/protocols: The UN Convention against Corruption, the OECD (Organisation for Economic Cooperation and Development) Convention, the Convention on Combating Bribery, the African Union Convention on Preventing and Combating Corruption, and the Southern African Development Community (SADC) Protocol against Corruption. Transparency creates openness. If actions and decisions are accessible, people can ask questions and it stimulates accountability. When a system is transparent, open and collectively accountable to all groups, it creates public trust. Such trust is a systemic outcome of transformation, but also imperative for developing public dialogue and public policy in a polarised and divided society characterised by cross-cutting ethnic, cultural and racial tensions, as in Namibia. Public policy should contain public and social value. Social value and social innovation can contain first-order-problems, for instance poverty, disparity and violence; and second-order-problem situations, for example alienation, polarisation, and terrorism. Social value is also imperative for stimulating sustainability. This value enables prudence and long-term thinking needed for creating a durable institution. The last value,

[197] Reference to values in this section also includes 'principles'; unless indicated differently.

universality is a systemic outcome of the values of transparency, accountability and sustainability. However, universality is also part of international standards of performance, behaviour, and benchmarking. The proposed four values have the potential to anchor the new culture of Namibia. Such culture should be inspirational and encourage risk-taking to overcome resistance to change, i.e. conservatism, segmentalism and structuralism as discussed in Chapter 6. Resistance to change can be overcome by bringing in 'new blood'. The Namibian Public Service Charter's seven public service values, as mentioned in the previous chapter, are too many for identification and for linking them to performance outcomes (institutionalising). These values need to be reduced to be in line with the proposed four values, but not the same because they need to reflect the unique ethos of the Namibian Public Service. The four values need to be discussed, interpreted and agreed upon for application at forums representing different sectors and institutions. The articulation of ethical codes and designing criteria for measuring these values at national and sub-level (sectoral and institutional level) are needed for creating not only dialogue, but also collective agreement for the application of these values. Except for the four values discussed, there are also conflicting value systems that need clarification and understanding.

8.2.7 Differentiating between traditional African values and modern western values

The four proposed values should be contextualised in relation to the conflict between traditional African values *vs* modern western values of capitalism. This does not mean that *ubuntu* does not have a role to play, as discussed in Chapter 1 under the section dealing with 'good governance'. In African countries, such as Namibia, it is not clear to people that these opposing value systems are compatible, but different in application and impact. Sipho (2009: 219-222) said that at home and in traditional villages, traditional values can apply where the individual is less important than the group and the chief or leader is also the undisputed judge and jury who must be obeyed at all times *vs* modern institutions where these traditional values cannot be applied 'exclusively'. Collective accountability in the traditional value system means that the individual is subjected to the group, and the group is subjected to the pleasure of the chief who has all powers vested in him. Therefore, collective responsibility, accountability and liability (traditional values) cannot 'replace' individual responsibility, accountability and liability in modern Namibian institutions. Differences between the two value systems should be made clear to employees working in modern institutions, so that they are able to apply them complimentarily and not exclusively. The application of these value systems exclusively and exploiting such confusion, is contributing to corruption in Namibia. Traditional values are used as an excuse to justify the unchallenged autocratic abuse of power by political leaders who are perceived as traditional chiefs. In South Africa, President Zuma is an example (Sipho, 2009: 203-222). The majority of citizens tolerate such corrupt leadership behaviour although they are excluded from power sharing and discriminated against, preventing them from fulfilling their urgent and reasonable needs such as employment and self-actualisation. The poorly educated workforce in Namibia (of whom more than 50 percent is unemployed) is not aware of the differences in application of these two value systems. These differences

should be made clear to them as part of a national awareness programme and included in educational institutions' curricula.

In the process of differentiating between opposing value systems, focusing on universal ethical values can have a positive impact on other cross-cutting areas, such as leadership and quality of members.

The next section synthesises this chapter that has focused on containing and dissolving systemic corruption.

8.3 SYNTHESIS

The chapter has described how to manage the key drivers, key uncertainties and key strategies as part of containing and dissolving the corruption problem situation in a developing country. The containing phase is to stabilise corruption and its impact before moving onto long lasting reform. Once the problem situation is under control, the environment can be changed, because systemic corruption cannot be solved, but needs to be dissolved, given its complexity. In dissolving corruption, lucrative opportunities should be reduced, risks should be increased substantially more than the benefits from corruption and the 'level of temptation'. Preventing corruption should take place within a transparent legal and regulatory environment where a blend of formal or hard structures (short-term) and informal or soft approaches (long-term); and structural (strategic/prospective) as well as tactical-operational strategies are applied to enable transformation of the system.

A developing country's corruption problem situation transformation process should include opposing development applications, namely soft *vs* the hard approach; informal, voluntary and social *vs* formal and legalised networks; bridging capital *vs* bonding capital; transparency and public trust *vs* subverting the subversive; incentives *vs* penalties; coordination *vs* control; and inspiration *vs* enforcement. These dialectic and opposing strategies form a synergy of integrated developmental improvements for sustainable change and transformation of systemic corruption. In the absence of political will, a national consensus should be stimulated to create a critical mass for a change of phase or long-term change. Such a national consensus should be anchored in shared values about the future, generated during principled negotiation and conflict resolution. Social entrepreneurial responses are needed for creating 'safety nets', for the abject-poor, as well as a 'social market' for funding innovative cross-cutting development initiatives. Social entrepreneurship is emerging as a fast growing global trend that needs to be tapped into and capitalised on. In dissolving systemic corruption, both integration and differentiation strategies are needed to institutionalise transparency, sustainability, accountability and universal standards. An increase in integration must be counterbalanced by differentiation.

Application of the systems approach demonstrates that systemically corrupt institutions can be transformed, because it can contain and dissolve complex systems as follows: **Purpose** – changing the self serving

perpetual behaviour that breaks down the original purpose of the system to restore the system's integrity; **structure** – changing relationships between elements that manipulate their environment to a legal and regulatory environment with social consciousness; **process** – changing the knot of intricate, secret network behaviour to transparent behaviour via disclosure; **context** – changing the climate that breeds corruption, where benefits from corruption overshadow risks and penalties, to incentives for whistleblowing and reporting corruption, and the increased probability of detection; **governance** – replacing weak and immoral leaders with moral, transformational and competent leaders; **self-organising** – breaking the circular character of subsystems to self-organise themselves when any of the five key drivers change, by reducing monopolies and creating competition; **recurrence** – breaking the continuous repetitive behaviour of corrupt subsystems to serve only its members, by eliminating programmes that co-produce corruption, so that society at large can benefit.

With the process of systemic transformation completed, the following chapter will conclude the dissertation by *inter alia* revisiting the research objectives as outlined in Chapter 1, and reporting on its achievement.

CHAPTER 9
CONCLUSIONS

This chapter revisits the research objectives to assess their achievement and synthesises the dissertation's contribution towards increased understanding and insight into systemic corruption within the broader body of knowledge and within the context of the subject area of management/business. Before the remit of the chapter is pursued as outlined, a summary of the dissertation and the way it has been presented follows.

Systemic corruption is the unit of analysis. Corruption in its various forms is a subsystem of the social system, the latter being embedded in economics, politics, science and technology (knowledge structure), ethics and aesthetics. The dissertation has explored the primary obstructions of systemic corruption and provided a contextual analysis of the negative impact of the phenomenon on socio-economic and human development, focusing on developing countries.

Primarily exploratory research and secondarily hermeneutics have guided the reader towards a systematic framework that offers an integrated understanding of systemic corruption and its nexus with other variables, especially in developing countries. The dissertation has employed conceptual analysis and hermeneutics. The conceptual basis of the dissertation has been anchored in a wide and current body of relevant literature. The conceptual framework facilitated the process of presenting material. The domain argument derives from the assumption that systemic corruption is an interdisciplinary and multi-facetted phenomenon, driven by co-producers, each embedded in its own context and complexity, each co-producer having the ability to mutate, creating new co-producers and accompanying subcultures.

The dissertation has demonstrated that systemic corruption can be viewed as a construct (concept), a condition, a manifestation, an impact, a co-producer and a (sub)culture embedded within a unique environment that contributes towards poverty and underdevelopment. The dissertation has explored the latter dimension where poverty can be a co-producer of, as well as an impact on underdevelopment and *vice versa*. Systemic corruption operates at different registers in the wider social system, i.e. at strategic, tactical-operational level with reference to its institutional context. The primary focus of the dissertation has been on the socio-economic impact of systemic corrupt institutions on developing countries. The dissertation has applied systems theory with a blending of mainly soft systems theory and to a lesser extent complexity theory. Systemic corruption is viewed as a social pathology that threatens integrity, virtue and other moral principles, impairs good governance, leads to a distortion of efficient and effective processes and contributes towards a departure from the original purpose of systems. The purpose of the corrupt is not to destroy a whole system, but primarily and exclusively to serve their perpetuating behaviour. Corruption does not have root causes, but various co-producers that, in turn, obstruct first-order-development of an institution, and can become mutually constitutive for second-order pathologies such as alienation, polarisation and terrorism. Alienated social formations are excluded from the social networks and safety nets of formal society, they are

susceptible to be criminalised and advance their own righteousness for perpetuating their corrupt practices for survival within a dependency cycle that is extremely challenging to halt.

From the dissertation, it is clear that systemic corruption cannot be transcended through linear approaches, but through systemic approaches only. Such approaches privilege a deep understanding of the soft and complex systems dynamics involved to transform the culture of corruption by changing its context and co-producers. Strategies include moral and transformational leaders and role models, as a means towards creating innovative, transparent and accountable institutions.

Using a description of the corruption problem situations in developing countries, based on actual incidents of corruption in Namibia, South Africa and other developing countries, the dissertation has demonstrated how tailor-made design strategies (based on idealised design and interactive planning approaches of Ackoff), augmented by leverage points (following Meadows), can reduce, mitigate and control the impact of corruption. The five key drivers that are central in the dissertation have been used to identify key uncertainties and to outline how they can unfold, based on key assumptions to design key strategies. These strategies consist of tactical-operational, that are hard/structural strategies as part of leveraging change as quickly as possible to achieve a change of phase or long-term change in containing corruption; and strategic/prospective, soft, informal strategies as part of dissolving corruption. The section that follows revisits the research objectives formulated in Chapter 1.

9.1 RESEARCH OBJECTIVES REVISITED

Research objectives were achieved as follows:

- *To specify the nature of corruption*. The systemic problem situation of corruption was discussed. Systemic definitions related to systemic corruption were discussed, namely good governance, ethics, morals, corruption, integrity, social systems, development, poverty, social capital, quality, complexity, culture and change.

- *To identify the co-producers of corruption, their negative impacts on the socio-economic development of developing countries*. First-and-second-order-obstructions to development were discussed. Three categories of first-order-obstructions were explained, namely absolute exclusion, relative exclusion and total exclusion. Second-order-obstructions were described, namely alienation, polarisation and corruption. The impact of corruption on development was discussed, in terms of unproductive (severe and/or direct) and non-productive (most severe and/or indirect) costs. The impact of corruption on the following was explained: competition and non-improvement, quality, institutions' ability to renew and sustain themselves, culture, resources, regulatory and administrative behaviour and control, power and good governance.

- *To illustrate some manifestations of corruption*. The overlap amongst different manifestations was discussed. The non-suitability of manifestations for serving as proxies for determining the impact of corruption was discussed. Manifestations overlap so much that they cannot be used as valid and reliable indicators of corruption. However, it was pointed out that manifestations create reciprocal obligations of mutual dependence that strengthen further corruption.

- *To construct a conceptual framework for developing indicators to profile a systemically corrupt institution*. A systemic definition of corruption was applied to develop the parameters of the normative framework. Strategic indicators were developed, e.g. from the impact of corruption on good governance; and tactical-operational indicators were developed, e.g. from the impact on culture, social capital, and quality.

- *To design strategic/prospective and tactical-operational/audit approaches for the institutionalising of durable values in transforming the 'hard' institutional structure and the 'softer' culture of a systemically corrupt institution to a culture with good governance and social consciousness*. The normative framework that has been developed consists of good governance indicators, *inter alia* from the following: public management principles, *batho pele* principles, and corporate governance principles; and fiduciary powers of directors of companies, representing the strategic-prospective approach; and indicators of moral leadership, a moral and durable culture, and institutional integration, institutional integrity, and institutional trust, representing the tactical-operational approach.

- *To develop operational guidelines for corrective change management strategies*. Strategies were developed to change and transform an institution that is systemically corrupt to an institution that is just and fair, with a culture of discipline that preserves its core values and has properties that represent the system's integrity. Strategies that have been developed meet the requirements of both integration and differentiation of the five processes of development, namely participation, organisation, socialisation, adaptation and innovation.

- *To illustrate the application of the systems approach vs international best and worst practices*. In terms of the author's interpretation and understanding of comparative best practice case studies of the USA and UK, and Hong Kong and Singapore respectively, an aspirational taxonomy was developed of the application of the systems model. A description of a developing country's corruption problem situation was developed from real cases. It gave snapshots of the context in a developing country. A synthesis was provided about key drivers, key uncertainties based on key assumptions and how they can unfold in alternative directions of corrupt activities. Leverage points, as part of containing corruption were identified to illustrate best places to start with the change and transformation process, to achieve a change of phase or qualitative multilevel change within the shortest possible time. Containing strategies focus on hard, formal and short-term operational strategies. Dissolving strategies focus on soft, informal and long-term strategic strategies. As part of dissolving corruption, the focus is

on changing the context of the system so that key drivers are managed and key uncertainties (co-producers) are eliminated.

The next section focuses on the core issues arising from the dissertation that need further thought and research.

9.2 RECOMMENDATIONS

No script, including this dissertation, can have the last word on corruption. The disciplinary focus with its preference for Business Management and Administration detracted from a wider culling of sources in cognate disciplines such as Philosophy. For example, literature within the field of Moral Philosophy and African Ethics could have been stronger. The Greek philosopher, Xenophanes, said that if horses could paint they would have painted horses as gods (*Werkstuk KCV Literatuur van de Griekse stadstaten*, 2012), meaning that subjectivity in perceptions dominate even the smartest of thinkers and that absolute knowledge (absolute facts or truths) is not possible. The quality of the search for understanding, insight and wisdom is more important than the destination. Such search for insight and understanding of corruption and corrective change management strategies is ongoing. Except for the subjectivity of any perception or approach, the unit of analysis, systemic corruption, is a pathology with unlimited symptoms and/or disguises that confuses treatment/managing. For example, as discussed in Chapters 1-4, the disease can be considered from a variety of treatment/vantage points: as a construct (concept), a condition, a manifestation, an impact and as a co-producer that contributes towards poverty and underdevelopment. A number of core issues from the dissertation need further attention and will now be discussed.

9.2.1 Moral and transformational leadership

The absence of moral leadership has been identified in Chapter 5 as an indicator for profiling a systemically corrupt institution. In Chapter 6, the importance of role models of moral and transformational leadership as agents of hope to the hopeless has been discussed, as part of developing corrective change management guidelines. Failed moral leadership in developing countries is an inevitable outcome of vacuums of power created during the transformation process, as discussed in Chapter 7. Moral and transformational leadership is the most important systemic strategy/leverage to manage corruption. All other strategies can at most be supportive, as discussed in Chapter 8.

Strategies on how to develop and nurture moral and transformational leadership as a means towards setting up innovative, transparent and accountable institutions, need further thought and research. For example, the role that educational institutions can play in educating the youth on leadership, needs consideration. Educational systems need to stimulate innovation and critical/lateral thinking. Interactive educational systems are needed that enable interaction between students and teachers/facilitators for mentoring and self-

learning, for bringing forth insight into, understanding of and wisdom on the qualities of role models of visionary and moral leadership in all areas of life.

9.2.2 Second-order-learning and the spiritual driver of development

Corruption is a man-made problem situation that is embedded in the complexity of the culture, process, structure, purpose and governance of a specific society, as discussed in Chapters 1 and 2. Developed countries, such as Norway, score substantially higher in human development, quality of life and innovation, and tend to be less corrupt than developing countries, such as Kenya and Namibia as indicated by perception indices, as discussed in Chapter 7. In developing countries, primary obstructions to development as outlined in Table 2.1: Ackoff-Gharajedaghi Five Dimensional Design are much more dominant compared to developed countries where they are suppressed by a better quality of life, more checks and balances in the five social subsystems, the bigger size of the economy to afford/mitigate/absorb and more social safety nets such as social entrepreneurship. It is no surprise that corruption emerges as a second-order-obstruction to development in third world countries, as explained in Chapter 3. Second-order-learning (qualitative/attitude learning) is required to dissolve corruption. Qualitative learning requires a deep understanding of and insight into the drivers of development, as set out in the Ackoff-Gharajedaghi Five Dimensional Design. Such learning requires unlearning of deep-rooted perceptions and making paradigm shifts to exceed conventional ways of problem solving. How to fast-track second-order-learning to speed-up the process of change requires further thought and research.

Focusing on the drivers of human development, and reducing and removing obstructions to development can play a critical role in managing corruption. One of the drivers of the Ackoff-Gharajedaghi Five Dimensional Design is ethics/morality/spirituality. Within this driver, the internal emphasis is due to change. Spirituality is a fast growing global trend. For development, it is not sufficient to be ethical and moral only. Ethical and moral development implies conformation to the limitations of a specific society. However, spiritual development enables more inclusive development of a higher order that goes beyond ethical and moral boundaries. Ethnic, racial, class, ideological and religious limitations always exclude some group or individuals. Spirituality, however, is not bound by any of these limitations of polarisation (as discussed in Chapter 3), but is inclusive of the transparency, accountability, sustainability and universality needed for systemic transformation, as discussed in Chapter 8. The role that spiritual development can play in managing corruption needs further thought and research.

9.2.3 Breaking the cycle of corruption

Corruption, as a complex problem situation, creates self-serving subcultures with recurring negative feedback loops (self-organisation) that take on a life of their own, as discussed in Chapters 2 and 3. Such dynamic ability to change and sustain itself demonstrates its entrenched and pervasive nature. To break its

ability to self/re-organise requires a non-analytical and creative approach. Such approach must change the environment/context of these pervasive subcultures, so that the drivers of corruption (that can also be obstructions to development) do not resonate, and in doing so, co-produce corruption, as outlined in Table 2.1: Ackoff-Gharajedaghi Five Dimensional Design and Figure 7.1: System dynamics for understanding second-order-obstructions. To compare corruption with a disease: treatment requires stabilising the patient by strategies designed to get the disease/corruption under control (containing). Once that has been done, strategies (dissolving) to change its causes (co-producers, in case of corruption) should be put into place to remove and prevent a relapse, as discussed in Chapter 8.

Containing and dissolving strategies for Namibia were discussed in Chapter 7. However, blueprint strategies on how to break the cycle of corruption and how to manage corruption sustainably in all institutions under all conditions are not possible. Only operational guidelines on how to develop such strategies are feasible, as discussed in Chapter 8. A one-size-fits-all strategy cannot accommodate the uniqueness of the composition and emphasis/priority of the drivers of corruption in every institution. Some of the differences of the drivers of corruption between developed and developing countries have been discussed in Chapter 7. The dissertation provides a useful template for understanding the drivers of corruption in developing countries and operational guidelines for developing tailor-made institutional strategies. However, institution-based research is needed to understand the composition of such drivers and the leverage of these drivers in developing tailored corrective change management strategies.

9.2.4 Incorporating insight about developing countries' corruption in development planning

As a second-order-obstruction, corruption severely hampers and/or prevents development. Corruption impacts negatively on developing countries and their development, as discussed in Chapter 4. During the last two decades, corruption has become the highest priority on the development agenda. Various indices have been created that measure perceptions of corruption, as discussed in Chapter 7. Internationally, the impact of corruption on development has been realised by institutions such as the World Bank. However, incorporating insight into and wisdom on corruption in development planning in developing countries (as it should be) has not taken place yet. The World Bank's definition of corruption as "the abuse of trusted office for personal gain" distinguishes between 'isolated' and 'systemic' corruption (World Bank Report, 1997: 9-10). However, the World Bank's definition is inadequate for managing corruption, it still does not acknowledge the general nature of corruption as being systemic, and does not comprehend the complexity and severity of corruption and how to accommodate it effectively in development planning. The overemphasis on economic growth *vs* socio-economic development for sustainable and accountable development, and the use of aggregate growth indices such as GDP and gross national product (GNP) instead of using socio-economic development indices to measure drivers of development, as applied in Chapter 7, contributes to the development-corruption problem situation.

Bridging the development divide between developed and developing countries requires a redefinition of the following:

- What should be the role of a responsible state?
- What should be the role of the private sector?
- What should be the role of civil society?

The following can be considered as a departure point for a responsible state: A democratic state that is legitimate and accountable and enables a good quality of life for all its citizens who experience fulfilment in an inspired and sustainable environment supported by strong public and active civil society institutions and legal order.

Having completed the section on core issues that need to receive further thought and research, the last section focuses on the dissertation's contribution towards broadening the view of knowledge of and insight into understanding systemic corruption.

9.3 BROADENING THE VIEW OF KNOWLEDGE AND INSIGHT ABOUT SYSTEMIC CORRUPTION

One of the biggest contributions of the dissertation towards the body of knowledge on 'soft' or societal problems, is creating systemic and tactical-operational guidelines on how to manage and control corruption, from the successful blending of the following contributions, to meet unique institutional challenges as follows.

Checkland's soft systems approach enables embarking on corruption problem situations from any intervention point. Comparative best practice case studies of the USA and UK, and Hong Kong and Singapore respectively, enable the development of common denominators for systemic application. Klitgaard's 'hard', formal and structural approach, i.e. political commitment, transformational leadership, and penalties and rewards, enables creating an institutionalised, legalised and legitimised environment for reform and/or transformation. Putnam and Spies' 'soft' approach of creating social capital, a social consciousness and safety nets enables the nurturing and integrating of polarised and alienated individuals and groups (on the fringes of criminalisation), into a caring society. Ackoff's idealised design approach enables the postulation that corruption is a systemic problem situation that is co-produced by obstructions of the economic, political, knowledge, ethical, and aesthetical dimensions. Ackoff's interactive planning approach enables the realisation that the future of systemic corrupt cultures cannot be solved completely, and can only be reduced, mitigated and controlled in a holistic attempt. Such realisation is possible by studying the interactions between co-producers and how they interact with environmental variables to create new co-

producers, new impacts and new subcultures with changed environments. Meadows' leverage points of prioritising interventions enable the creating of the most change with the least resources in the shortest possible time. Gharajedaghi's development processes enable the emergence of parallel institutional integration and differentiation, for example participation, parity and stability. Creating a National Integrity System for Assessment enables the validation of the 'hard' or structural part and the quality of relations amongst institutions in transition towards durable and moral institutions. Developing countries' corruption problem situations, as an integrity template, illustrate the blending of real examples of corruption. This description also highlights the supposition about how the systemic approach cannot be applied as a predetermined recipe, but with differentiation and a unique understanding of an institution's interdependent dynamics of co-producers, impacts, culture and its context.

Given the dissertation's contribution towards understanding systemic corruption as a 'softer' societal challenge, the latter should be contextualised in terms of its contribution towards the subject discipline. Management/business science is preoccupied with the 'hard' scientific approach of researching phenomena that are tangible, quantifiable and measurable. 'Typical' or traditional business problems focus *per se* on solving recurring problems that can be anticipated and solved with accuracy and precision 'to march in an orderly and calculated way'. Due to global trends such as good governance and sustainability, society's expectations are impacting on business, requiring more involvement in solving societal problems, making the traditional management/business approach's applicability questionable. Management/business research needs to direct some of its energy to posing more 'why' questions. These 'why' questions are especially needed in terms of trans-disciplinary problem situations, such as poverty, underdevelopment and corruption, that require exploring or discovery of trans-disciplinary trends. This dissertation underscores the futility of studying the variables of systemic corruption, for example impacts, co-producers, and manifestations, in isolation. The study emphasises the need for a systems approach to research corruption as a systemic and complex set of problem situations that cannot be analysed and solved by eliminating factors or causes and managed like business challenges such as profit making. These systemic 'knots' need to be 'dissolved' in a holistic, idealised and interactive synchronisation of 'hard' and 'soft' approaches, and also by balancing parallel development processes of integration (hard) and differentiation (soft) in terms of containing and dissolving.

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