STRATEGIC BUSINESS MANAGEMENT

Final Test of Professional Competence

12 December 2006

From 2.00pm to 5.00pm
plus ten minutes reading time from 1.50pm to 2.00pm

Instructions to candidates

*Answer **four** questions in total.*
Both** compulsory questions from Section **A
Two** of the three questions from Section **B

The questions in Section A carry, in total, 60 marks
The questions in Section B each carry a total of 20 marks

Where a question asks for a specific format or style, such as a letter, report or layout of accounts, marks will be awarded for presentation and written communication.

At the end of the examination, students should append their sheet of A4 notes to their exam script. Students failing to do this will automatically be deemed to have failed this assessment.

This paper is based upon the pre-seen material:

The Quest for Public Service Ethics: Individual Conscience and Organisational Constraints, Kyarimpa and Garcia-Zamor, PMM V26N1 Page 31, January 2006

and

Raising the Standard?, David Walker, Public Finance, November 2003

PRE-SEEN MATERIAL

Article 1

The Quest for Public Service Ethics: Individual Conscience and Organizational Constraints

Genevieve Enid Kyarimpa and Jean-Claude Garcia-Zamor

Contemporary public organizations are facing numerous challenges. Most critical is the use of bureaucratic discretion and ethics. A changing public service demands individual public officials to act responsibly in accordance with democratic principles and the public interest. What kind of ethical posture should public servants have? What should shape and guide their performance? What is the role of individual conscience? How do organizational culture, structure and processes affect individual ethical performance? The authors attempt to answer these questions by explaining the relationship between individual conscience and ethics on one hand and the relationship between the organizational culture, structure and processes and ethics on the other.

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Public Service Ethics: Introduction and Theoretical Overview

The search for ethical behaviour in public service is not new. Calls for an ethical administrative system and public service date to the 19th-century reform efforts that aimed at stamping out the 'spoils' system of administration. Yet, while most ethical infractions of that era emanated from patronage politics and administrative inefficiency, contemporary ethical infractions are wide-ranging in source and far-reaching in impact mainly because the public service has greatly expanded in size and scope. Cooper (2001), in his analysis of the emergence of ethics as a field of study in American public administration, contends that in the late 19th-century focus was placed on administrative efficiency, neutrality of public servants and equity in the delivery of public services, while the 20th century has seen the focus broaden to encompass such issues as morality and virtue among public servants and their obligations to citizenship and democratic theory.

Conventional reference to ethics in public service evokes views about such issues as virtue, morality, integrity, misuse of bureaucratic discretion, corruption, bribery, embezzlement and misuse of public funds, neutrality and conflict of interest, discrimination, and general abuse of public office. Clearly, public service ethics has become a very broad and often ambiguous category that sometimes generates controversy as to what constitutes the term. Pratchett (2000, p. 114) observes that 'public service ethics are ambiguous despite the clarity which has been given to the core values of public administration'. In his view, this ambiguity does not stem from the fact that public service values are vague but, rather, the meaning of such values in particular contexts is. A look at a number of definitions of the term 'ethics' gives credence to his argument and shows that the term is premised in core moral values and that it is those values that should guide public service performance. How these values are translated in practice, however, largely depends on individual conscience and organizational culture,

structure, and processes.

Lewis (1991, p. 3) says that the term 'ethics' 'involves thinking systematically about morals and conduct and making judgments about right and wrong'. In her view, ethics should guide the actions and performance of public servants, and values like morality should help them delineate right from wrong actions. Similarly, Denhardt asserts that it is the 'process by which we clarify right from wrong and act on what we take to be right' (1995, p. 135); he says that by clarifying what is right, one opts for moral action and upholds moral standards. Chapman's (2000) views are similar: he writes that 'ethics in public service is about the practical application of moral standards in government. All ethical behaviour is concerned with how an individual feels he or she ought to behave. It is about values and the application of those values in any given context' (p. 218). Chapman, however, emphasises the individual and the individual's value perceptions. Based on his definition, one finds basis for agreement with Prachett that different individuals bring different sets of values and perceptions that generate ethical relativism which ultimately enhances ethical ambiguity.

Greene (2005, p. 360) believes that ethics is 'a set of standards that guide our conduct and help us when we face decisions that involve moral choices'. He observes that while ethics reflect personal and professional standards, it is values that give meaning to the term 'ethics and it is values that define what we view as right'.

Public service ethics is shaped by circumstances including the political and social contexts. In their assessment of administrative ethics in Hong Kong, Lui and Scott (2001, p. 654) assert that 'In so far as culture represents a system of shared values, perceptions, attitudes, and beliefs which characterize a community, a study of culture is definitely relevant to our exploration of the administrative arrangements and their attendant ethical implications for Hong Kong'.

The meaning of, and attention given to, ethics vary in response to the shifting nature of societal needs, culture, problems and the changing perception of the role of government. Numerous changes are taking place as a result of current pressures to reinvent government. Traditional societal needs have tended to focus on values like justice, equality, freedom, co-operation and stability (Rawls, 1972), but the focus is now shifting to values such as efficiency and effectiveness. As greater emphasis is placed on efficiency and its benefits, values like justice and equity that embrace ethics tend to lose their importance. More generally, there is a more noticeable focus on self-interested financial accumulation and 'climbing the social ladder'. Indeed, professional and social success is measured largely in terms of material wealth accumulation. So long as the public service is viewed as an avenue for extrinsic rewards and maximization of social mores, ethical values will not be the priority.

Views about the role of government are also changing. With the emphasis on new public management, government is called upon to adopt an economic market orientation, to be competitive, to focus more on productivity, performance and results, do more with less and to control costs (Osborne and Gaebler, 1993). In a bid to cut costs, many traditional public service roles and responsibilities have been privatized or contracted out to not-for-profit organizations. Denhardt and Denhardt, citing Leaze (1997), suggest that 'Public accountability is lessened when governmental services are performed by non-profit or private organizations that are not bound by public law principles' (Denhardt and Denhardt, 2003, p. 132). At stake, therefore, is whether market-based new public management prescriptions can be made compatible with ethical requirements in public service. According to Denhardt and Denhardt, this might be an uphill task.

In such a dynamic environment, public servants must react to numerous and diverse environmental factors and dilemmas that often constrain their commitment to accountable, moral and responsible performance. The context under which the public service operates often determines the standards expected. This means that, depending on the time and place, the organizational processes, structures and constraints, certain forms of behaviour are accepted while others are rejected. Cultural, political and social environments are crucial to understanding why ethical behaviour is relative. In addition to those influences individual conscience also plays a critical role in making ethics situational. Ultimately, it is the individual public servants that have to synthesize and appraise the environmental context under which they operate and do the best they can to uphold the ethical stance of the public service system.

The Quest for Ethics in the Public Service

The public service is facing numerous challenges. Most critical is the use of bureaucratic discretion in performing one's role, making decisions, and serving the public interest. In addition, the public service is expected to exhibit a high degree of responsiveness and accountability. While in serving the public interest high standards of ethical conduct are expected of public servants, the administrative system is made up of people with diverse views, goals, morals, and values.

The quest for success, power, material wealth, and general satisfaction of individual interests and welfare may relegate the major objective of public service—serving the public interest—to the background. In order to ensure that the public service does not deviate from its main goal, ethics is rigorously emphasized and sought through many avenues, including ethics training, setting up control mechanisms that enforce accountability and responsiveness, and external control mechanisms like codes of ethics and codes of conduct. The quest for ethics is therefore to safeguard public service integrity and to help public servants abide by their professional standards, serve the public interest, and maintain public confidence in the service.

Most countries, developed and developing alike, anticipate ethical problems in their administrative systems. The commonly acceptable means of promoting ethical behaviour in public service have for quite some time focused on strengthening external controls—the formal rules and regulations to constrain individual behaviour. In this regard, codes of conduct are put in place to govern the behaviour of civil servants. Generally, the codes of conduct make a statement about what is expected of public servants and set out principles that are to be followed and abided by. Citing J. S. Zimmerman, Lewis asserts that 'codes are best associated with three general but realistic objectives: to encourage high standards of behaviour, to increase public confidence, and to assist decision-making' (Lewis, 1991, p. 143). However, because codes of conduct offer the minimum expectations of acceptable behaviour, they are only safeguards, not guarantors of ethical behaviour. In fact, they often fail to guide public servants in resolving tough, ambiguous, and conflicting ethical dilemmas. As result, while some scholars and bureaucrats emphasize such control measures and standards, others maintain that ethics is a matter of the individual's internal standards of conduct, what we call in this article 'individual conscience'. Nonetheless, codes of conduct have widely been adopted by various professions and organizations. Most public service systems have codes, as do professional associations and qualifying bodies.

Codes of Conduct: A Critique

Codes of conduct have been widely criticized. Bowman and Williams (1997, p. 522) argue that they are dictated from above, 'typically imposed on (and often resented by) employees with no advice for effective implementation, training and development'; and that codes of conduct are a 'coercive, quick-fix strategy' that 'reduces ethics to legalism by focusing on both the lowest common denominator and penalties for deviations'. In

their view, this discourages personal responsibility and does little to help public servants deal with complex dilemmas. They offer an alternative that they believe is more useful: codes of ethics, which 'in contrast demand more than simple compliance; they mandate the exercise of judgment and acceptance of responsibility for decisions rendered—the real work of ethics' (*ibid.*).

Other scholars have also agreed that codes of ethics have merit. Terry Cooper (1990) contends that codes of ethics can project ideals, norms, and obligations; and 'Codes can establish an ethical status to which members of a profession may aspire—the moral optimum rather than the moral minimum established by ethics legislation'. Codes of ethics focus more on the typical situation of a profession and provide mechanisms for clarifying and internalizing the values of a professional group because they are narrowly focused. However, there is disagreement about what a code of ethics should entail. According to Corbett (1997), some argue that it should express ideals and exhort staff to measure their actions by the best possible standards, while others prefer a more down-to-earth code that sets minimum standards and tells staff what they should not do, but abstains from idealistic expectations. The latter kind of code, its advocates maintain, has more relevance to disciplinary action; but those in the other camp contend that a code expressing high aspirations is more useful in training and in cultivating the desired organizational culture (Corbett, 1997). There is, however, agreement that a good code should be detailed and specific.

Codes of ethics also have some demerits. They have been criticized for being vague, abstract, and difficult to apply in specific situations. Cooper (1990, p. 144) says that they often lack 'operational enforcement structures and procedures' hence end up taking 'the form of elegant plaques that are hung on the office walls and thereafter ignored. They may be quoted on ceremonial occasions, but never taken seriously enough to use in assessing the conduct of individual members' (*ibid.*). Garofalo and Geuras (2002), similarly, contend that codes of ethics 'although somewhat useful, tend to remain at an ethically superficial, and therefore limited, level with regard to promoting the development of morally mature and responsible public administrators'; 'codes of ethics tend to stay at the surface, leaving public administrators with no greater understanding of ethical thinking, deciding, and doing than when they began'.

It is the public servant's internal moral character and individual conscience that is critical in ensuring that actions are ethical and are in line with the ethics codes, and that they are carried out with integrity and morality. Carl Friedrich (1935) stated that internal control and individual conscience are the core of ethical behaviour and standards in the public service. We believe that the strength of the codes depends on the mechanisms used by the administrative agencies to enforce understanding and compliance, while at the same time cultivating an ethical character by emphasizing individual morality. Yet, in the quest to secure strict adherence to ethical codes, bureaucratic red-tape may intensify while the public servant's morale may plummet. In essence, over-reliance on external formal procedures in the pursuit of ethical standards might end up negating the goal of streamlining performance and raising the ethical stance of the service. At stake is whether organizational reliance on external formal procedures like ethical codes of conduct will strengthen and generate a resurgence of ethics in the public service or exacerbate the pathologies of bureaucracy.

Individual Conscience and Ethics

Specifications of appropriate behaviour and values are normally embodied in the code of conduct and code of ethics and national constitutions. However, while rules, regulations, and ethics codes of conduct are instrumental in educating, training, and orienting public servants toward an ethical posture, they do not adequately prepare them to handle issues associated with, say, conflicts of interest and discretionary authority unless grounded in a firm belief in the principles they espouse.

This firm belief originates from individual conscience. According to Greene (2005, p. 363), individual conscience is 'the internal component that assists our moral reasoning'. Individual conscience plays a critical role in guiding a public servant to decide what ought to be done in difficult, conflicting, and often unclear circumstances. In such a context, the individual public servant relies on his/her internal moral character, beliefs, and orientation, to ponder, resolve, and take action. Lewis calls this the 'high road' of integrity approach, solely based on individual integrity. In her view, 'individual responsibility is both starting and end points on the integrity route in public service. Along it lie the normative, voluntary, prescriptive, persuasive, and positive—but no external—inducements or penalties' (Lewis, 1991, p. 10). In our view, individual responsibility is shaped by individual values that are embedded in the individual's conscience: 'the personal values of public servants are the most important element in public service ethics' (Chapman, 1993, p. 168).

Individual conscience has long been recognized as important in fostering ethics and constitutional and democratic values (Friedrich, 1935; Rohr, 1978). Indeed, many democratic societies expect public servants to follow their own consciences and decline implementation of unethical procedures even when the orders come from above. Individual public servants are also encouraged to use their conscience and report all unethical conduct they notice around them, this is why whistleblowers are often given protection. In the USA, whistleblowing helped to expose a great number of wrongdoings in corporations like Worldcom and Enron. In their study of culture and whistleblowing in the USA and Croatia, Tavakoli *et al.* found that managers in the USA have a strong individual and organizational tendency to whistleblow (Tavakoli *et al.*, 2003). Yet, there are those who see whistleblowing negatively. According to Miethe (1991, p. 21), whistleblowers in the USA are shunned and nicknamed 'rats' to signify a 'mean person who furtively sneaks into an organization and takes a dig at another's secret or fault'. So while whistleblowing can be instrumental in fostering ethical conduct, the informal values and cultures of organizations can hinder it.

It is generally accepted that each individual public servant has the basic understanding of morally acceptable, and sometimes obligatory, behaviour and that which is considered morally inadmissible (Garcia-Zamor, 2003). However, individual values are influenced and shaped by many sources, for example families and upbringing, friends, religion, education, and organizational contexts. According to Chapman (1993, p. 168), individual values have a variety of sources that include 'the family background and early socialization of officials; their education; their choice of career and selection at recruitment stage; training and socialization after recruitment; the continuing changing values in society; influence from the political environment; the embodiment of some of the values and other factors in constitutions, codes and rules; and the requirements of national (and sometimes international) law'. It is precisely because individual public servants' values are shaped differently that ethics in public service tends to be individual and situational. Different individuals bring diverse beliefs and preferences to bear in specific circumstances and find justification for arguing that their behaviour and actions are ethical.

In a study of an ethically exemplary corporation, Bowen (2004) found that individual ethical frameworks are important to decision-making because they allow autonomous moral analysis. Most of the participants in her study indicated that they had strong personal values and ethics before joining the organization and that the fact that the organization has a strong ethical stance was what attracted them most to it. Bowen's findings show that an organizational culture that appreciates that individuals have personal values and ethics supports and enhances the workers' performance by serving to clarify rather than instill ethical values in them.

An individual's ethical orientation is influenced by another important variable: 'spirituality'. According to Garcia-Zamor (2003), an individual's spirituality is critical to his/her comprehension and perception of ethical behaviour. Although spirituality is not the same as ethics, Garcia-Zamor says that a spiritual person will not find much difficulty being ethical: 'spirituality encompasses the same topic that is so important to ethics: character, and the giving of oneself for the benefit of others'. Spirituality and ethics have been intertwined for long. Ethical theories, moral philosophy, and religious discussions have for long generated major ethical principles. A good example is the golden rule and the 10 Christian commandments that can be looked at as ethical codes of conduct. The golden rule: 'do unto others as you would have them do unto you' though a religious philosophy is prominent in the day-to-day moral operations of public servants and decision-makers and is particularly useful when faced with ethical dilemmas.

Not surprisingly, there are individuals in the public service that yield to unethical behaviour like embezzlement of funds and corruption, and mistreatment of fellow workers, subordinates and even the general public. This speaks to the fact that individual conscience cannot be relied upon as the only source of ethical guidance. Left to their own, some public servants may engage in selfish behaviour. This is where external controls like rules and regulations, penalties and punishments that impose constraints on the conduct of public servants find usefulness. Yet, in reality seldom do they dissuade public servants from ethical misconduct be they high level administrators or those at the lower echelons of the administrative ladder.

Organizational Culture, Processes, Structures and Ethics

In most administrative systems, emphasis has been placed on the virtues of strong organizational cultures and their roles in guiding employee performance (Ott, 1989). According to Theobald (1997, p. 493), organizational culture fulfils several functions: 'it conveys a sense of dignity to the organizational members; plays a major role in developing a sense of commitment to an entity larger than the individual; enhances the stability of the organization as a system of interrelated parts; and embodies a pattern of metaphors and symbols that provide crucial guidelines for behavior'. In most public service organizations, patterns of basic assumptions predetermine and even control behaviours, thinking, performance, and decision-making of individual members. These basic assumptions may take the form of values, beliefs, symbols, customs and rituals—thus constituting organizational culture that guides the performance of organizational members.

Organizational Culture and Ethics
Organizational cultures can be formal or informal. The formal culture is based on the explicit organizational values, while the informal is embedded in the informal socialization processes. In most administrative agencies, organizational culture is a modernizing agent that nurtures and fosters integrity and moral attitudes among workers and a strong organizational culture is hailed as critical in enhancing organizational ethics and performance. It has been argued that for an organization to be ethical, it must have an organizational culture that values ethics (Bowen, 2004).

It is, however, not uncommon to find organizational culture, processes and structures that hinder organizational ethics. Garcia-Zamor (2003) cites Mertzman and Madsen as explaining that 'if the opportunity presents itself, and the risk of getting caught is low, and if the organization does not foster an ethical climate, then chances are fairly good that corruption will take place. This organizational explanation of governmental mischief, then, sees such conduct as less the function of individual, psychological disposition and more the result of institutional dysfunction'. Some organizational cultures place emphasis on personal survival, maintenance of the status quo and avoidance of conflict. Garofalo and Geuras (2002), while citing Gabris (1991), describe a situation in which a city

manager did not fire an incompetent and authoritarian police chief simply because the latter 'is a veteran of the force and is well-connected in the community'. In their view, 'such tolerance makes personal survival sense, and such behavior maybe rooted in the organizational culture'.

Institutionalization of Ethical Conduct in the Public Service
Public service organizations have elaborate hierarchical and bureaucratic processes and structures to keep their workers on an ethical path. Goals, objectives and mission statements are simplified and clarified for the workers and rules and regulations, designating what is deemed appropriate and inappropriate conduct, are provided. However, these arrangements sometimes generate pressure that shapes public servants' understanding of their work and conditions their ethical performance. According to Pratchett (2000, p. 121), organizational arrangements tend to focus more on consistency and order rather than 'the complex interplay of competing values and the unique circumstances of each individual ethical dilemma…it is not uncommon to hear public servants justifying actions on the basis of precedent and the need to demonstrate consistency'. In his view, in their quest to offer an ethical framework to guide public servants in carrying out their mandates, organizations 'absolve those same public servants from moral and ethical responsibility for their behavior. Individuals become more concerned with following customs and practices than they are with achieving ethical outcomes' (*ibid.*). Indeed, as long as public servants have to perform within the confines of organizational processes, structures and constraints, they are given limited chance to use their conscience and personal values in delineating ethical dilemmas and balancing conflicting obligations. Ultimately, they are denied the legitimacy of administrative discretion (Thompson, 1987).

In order to get rid of the restrictions imposed by the hierarchical and bureaucratic organization, new public management calls for decentralization, increased administrative discretion, and bureaucratic innovation. Such calls have generated changes within organizational structures and processes. According to Lawton (2005, p. 236), public organizations 'have become more fragmented with a range of different organizations delivering public services…the internal structures of individual organizations have changed in the direction of flatter, less bureaucratic arrangements working with a range of partners'. However, such changes have generated both positive and negative effects. On the positive front, responsiveness is said to increase with decentralization but bureaucratic innovations that have taken the form of contracting out have generated negative effects. The various agencies that take on the provision of services formally offered by the government are not subject to the same constitutional, statutory, and oversight restrictions, and other traditional accountability procedures. Therefore, as organizations operate more on private sector standards that are less stringent, profit and satisfaction of the shareholders take precedence over ethics and service to the public.

In addition, as public servants become entrepreneurial and gain more discretion and adhere less and less to bureaucratic rules and procedures, they are placed in the delicate position of sifting through conflicting situations to make an ethical decision while keeping self-interest at bay. There is also a risk that public organizations will cut corners in the quest to control costs and be results oriented. It is under such circumstances that individual conscience plays a critical role. However, individuals bring diverse values and perceptions of what is ethical to the public service. Left on their own, public service performance would deteriorate rapidly as different individuals would handle ethical dilemmas and conflicting loyalties in different ways. Hence, the presence and importance of organizational processes, structures and constraints cannot be over emphasized. They are crucial for putting in place a solid and lucid ethical framework, without which conflicting and probably unethical outcomes would permeate the public service.

So organizational culture, processes and structure bring both positive and negative influences on public service ethics. Culture is not static and not always a modernizing, efficiency and ethics generating entity. Some values and beliefs foster behaviours that tolerate and even applaud misconduct. For instance it is not uncommon to find some organizational cultures in which employee theft is tolerated and not 'snitched on' by fellow workers. On the other hand, procedural processes and structures may inhibit individual initiative in handling ethical dilemmas as discussed above. It is therefore very important not to ignore or downplay the effect of the public service organizational context on the workers' ethical performance. The public service agencies should 'conduct an 'ethics audit' to redesign work settings, create proper incentive systems, and modify patterns of interaction among employees. Such an 'ethics audit' would identify sensitive situations that might tempt an individual to act unethically' (Garcia-Zamor, 2003, p. 359). Yet, despite such influences, upholding moral values and choosing the path of good ethical judgment ultimately depends on the conscience and quality of character of the individual public servant.

Individual Conscience, Organizational Constraints and Ethics: A Synthesis and Conclusion

Tension does arise between an individual's conscience and organizational culture, processes and structures. It is also not uncommon to find tension between personal and public service values. Greene (2005, p. 386) puts it well by saying that 'the great task lies in trying to maintain one's personal standard of ethics while working within the often conflicting realities of government…which play by a different set of rules'.

It is crucial to recognize the interrelationship between organizational values, culture, structure and process and individual conscience and their effect on the public service ethical frontier. According to Lewis, 'when reduced to simplistic do-good exhortation', individual conscience 'overlooks the competing claims that perplex an ethical manager'. She puts it succinctly when she asserts further that 'by neglecting the decision-making environment and focusing exclusively on autonomous moral individuals, the integrity approach sweeps aside organizational and other influences that affect behavior' (Lewis, 1991, p. 11). Organizational culture, processes and structures must facilitate public servants' capacity for discretion so that they can ably and morally evaluate all competing values and dilemmas.

Some organizational efforts have focused on training public servants in the hope of shaping and developing more ethical characters. This is crucial since ethical behavior is learned behavior. Ethics training can therefore facilitate the harmonization of individual values with organizational ones. According to Bonczek and Menzel (1998, p. 105): 'When ethics training is successful, employees become aware of ethical choices and have the knowledge and resources to choose and carry out the right choices'.

Ultimately, public service ethics depend on the individual conscience of the public servants and the organizational constraints that may take the form of rules and regulations, codes of conduct, organizational process, structures, and culture. It is these crucial components that provide the framework for public service and condition its ethical orientation. But more often than not, individual conscience and personal ethics influence how the public servant will handle and react to ethical issues that arise. If the organizational influences, norms, standards, rules and regulations get incorporated into the individual's value and belief system, chances are that ethics will be upheld. However, and in spite of organizational influences, it is very difficult to alter people's characters and personality traits. As Greene (2005, p. 384) notes, 'values are formed long before people enter public service. Ultimately, the responsibility to be "ethical" resides in the individual'.

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Article 2

Raising the standard? By David Walker

With 100 staff and a £6m budget, you can be sure the Standards Board for England is investigating a councillor near you. But should it be? David Walker has his doubts

Sir Tony Holland doesn't look much like a witchfinder-general. In his sparkling new offices overlooking the Thames at London Bridge, the chair of the Standards Board for England exudes bland assurance. 'Honest democracy will win the confidence of the public,' he says.

But a council chief executive, who asked not to be named (the Standards Board has that effect on people), thinks differently. 'If you believe witches exist and go ducking old women in ponds, you are bound to get results,' he says.

The board certainly seems intent on finding something. Since its birth early last year, it has expanded at a vast rate. Staff numbers have doubled to more than 100 and it is now advertising for a new chief executive at £102,000 a year.

Its £6m budget pays for an apparatus of 'ethical standards officers', ex-police and Customs officials – some with no great understanding or sympathy for local government – to crawl over the minutiae of who said what to whom in Little Gidding parish council. And whether London Mayor Ken Livingstone did or did not push his partner one evening when they were at a party.

When they investigate more serious allegations, say about political bias in appointments, you have to wonder whatever happened to all those other organisations with a direct and sometimes legally enforceable interest in probity – the Audit Commission and District Audit, the Local Government Ombudsman, the Office of the Deputy Prime Minister, the courts, let alone the professional bodies representing council staff?

In addition, councils have 'monitoring officers' with statutory powers to examine councillors' conduct. Many also have bipartisan scrutiny committees, which could look at ethics questions if they chose.

And, some might say, if there is a case for a quango to invigilate political conduct, why doesn't it apply to Westminster and the devolved administrations, too? The Committee on Standards in Public Life (chaired by Sir Nigel Wicks) has a staff a fraction of the Standards Board's and is not statutory. It produces general reports, for example on the role of special advisers to ministers, and does not investigate why one MP slagged another off on the floor of the House of Commons. The Standards Board does censure councillors for their language in council chambers.

'Ah,' says Holland diplomatically, 'those are good questions – you should address them to the authors of the statute that set us up.' After a career as a solicitor, Holland has served on various public bodies. He is currently chair of the Parades Commission in Northern Ireland. He adopts the guise of a reasonable man charged to establish this new body as expeditiously as he can; it's not for him to ask profound questions about the nature of local democracy.

As for the Office of the Deputy Prime Minister, it says the Standards Board's powers are under review, and not just because the former Tory leader Iain Duncan Smith promised to remove parish councils from its ambit. The official line is that the board is doing a good job in realising Labour's ambition of restoring trust in public bodies by demonstrating to the public that its anxieties about councillors will be taken seriously.

Let's take the case against Councillor Howard Roberts. Ms X (accusers can remain anonymous) was anxious about the conduct of the Cornwall County Council Independent, who farms at Lanlivery near Parr. She alleged that he refused to take communion bread in St Brivita's parish church that had been baked by her mother. A churchwarden himself, Roberts had in addition been 'cross' in a phone call to Ms X's mother. There had been a *casus belli*: a planning application by the X family to erect a large wind turbine. Roberts, who represents a different ward from the one in which he lives and has no planning responsibility on the county council, had a neighbourly objection to the plan.

'I cannot estimate what the investigation into me cost,' he says, more with resignation than bitterness. 'Innumerable letters, hours-long interviews… I have been a councillor for 12 years and a parish councillor for 30 and am chair of governors of two village schools. It was absolutely excessive to put me through a year of investigation. Two years before the next election, I'm asking whether I really want to do this again.'

Eventually, the Standards Board decided not to pursue the matter further.

Its job is to investigate alleged breaches of the statutory code of conduct for councillors introduced in November 2001; the previous code was voluntary. But this is as good as a carte blanche because, as judges have subsequently opined, the new code is wide and loosely worded. On conviction, councillors are referred to a separate adjudication panel for sentence, which can include disqualification. Along the way they may, by infringing board rules, commit criminal offences, carrying prison sentences.

Holland presents the board's history to date as a learning curve during which, inevitably, mistakes were made. One of the biggest was the preoccupation with parish councils. Almost half of the allegations made in 2002/03 concerned these councils – which spend the princely sum of £280m a year. 'When we started to get some experience under our belts, we took a decision to be more selective. We now investigate less than half [the complaints] sent to us.'

But it's worrying that some 43% of allegations are by councillors about councillors, says Chris Skelcher of the Institute of Local Government Studies at Birmingham University. 'Whatever happened to normal political tit for tat?'

A significant proportion of the board's business does concern charges that councillors have brought local government into disrepute – surely a highly subjective judgement to make at the best of times?

Awaiting adjudication is a case in Islington. Last year, the Liberal Democrat-controlled borough appointed Helen Bailey as chief executive. She had been a political adviser to the Liberal Democrat group and a member of the party's federal executive. But her predecessor, Leisha Fullick, had, prior to her service as chief executive, been a Labour councillor. That kind of pattern is becoming less common nowadays but movement from politics to public management says nothing about capacity or fitness for office. How could it when the premier citizen above suspicion, the chief executive of the Audit Commission, Steve Bundred, was a Labour member of the Greater London Council?

But complaints were made to the board about Bailey's appointment, focusing on the council leader, Steve Hitchins, and some other LibDem members. Ethical standards officers investigated – at least they started to investigate last summer and are still on the case. This spring they added allegations against some Labour councillors, that they had, during the same appointment procedure, discriminated against another candidate for the chief executive's job. Hitchins says the council chose the best person for the job and that the procedure was 'rigorous and standard'; candidates had been shortlisted and selected under the supervision of the council monitoring officer.

Obviously, this is highly charged stuff: imagine the headlines if a LibDem council were found guilty of ethical misdemeanours. So why has the investigation and judgement taken so long?

'We don't comment on specific cases because it might prejudice the outcome,' says the board. It may take time because of by-elections or because councillors and officers seek legal representation (for which they have to pay out of their own pockets) or simply because it is an expensive business to take lengthy statements. 'We prefer to take care and not rush.'

The board covers 386 English councils and more than 8,000 parishes, police, fire and parks authorities. This adds up to some 100,000 elected members in total – the vast majority of whom get no financial reward whatsoever and serve the public in their free time. For consistency's sake, the board also seems likely to be asked to investigate elected members of foundation hospital trust boards – though no one has told Health Secretary John Reid this yet. Will these members, like councillors, have to consider taking out indemnity insurance before standing for office?

Holland rejects the confrontational tone in all this, emphasising the way that the board co-operates with standards committees set up ad hoc by councils. The board signed a concordat with the Local Government Ombudsman. On the face of it, the division of labour is that one does officers and the other councillors, except that the Ombudsman can also censure 'councils', as if they existed independently of the political animals that make them up. It's not quite as simple as that, however, since the Ombudsman also has oversight of the councillors' code of conduct.

The Ombudsman's office says sweetly that it is in business to wind itself up – to improve administrative standards so much that people don't complain. Until recently, the Ombudsman got some 60 complaints a year from the public about councillors – which might suggest the public were broadly happy. The board says: 'The number and range of allegations we receive show what a serious business this is.'

Serious? One day last year, Neale Mittenshaw-Hodge, a Tory councillor on Nottingham City Council, went out on a site visit with a council health and safety officer. He was inspecting the Gala casino in Bridlesmithgate, in the centre of town. Mittenshaw-Hodge saw a broken football table in a disused storage area and asked if he might take it, to pass on to a local youth club.

Allegation and investigation followed, which took months. Finally: 'While it is uncontested that Councillor Mittenshaw-Hodge did not volunteer to pay the casino in return for the table (which was in pieces), no pressure appears to have been brought to bear on the casino's duty manager to agree to the councillor's request.

'Councillor Mittenshaw-Hodge attended the inspection in an observation capacity only, and did not ask questions related to it. It therefore seems clear that he did not seek improperly to use his position for the benefit of the youth club.'

Was there even an ethical problem to begin with, asks Chris Skelcher of Inlogov? 'We looked at councils that had set up their own internal standards mechanisms before the statutory code came in and they seemed to work well. Once you set up a complaints body, people will complain. A short-term effect of the Standards Board could be to make people more suspicious of local government, not less.'

And, he says, there's growing confusion about the role of monitoring officers who, though their position is protected in statute, may be required to investigate their own elected members. Interestingly, Cabinet secretary Sir Andrew Turnbull ruled out such an ethical investigatory role for civil servants only recently.

Opinion polling commissioned by the Wicks committee seems to show that people are more easy-going about standards of conduct among councillors than MPs. 'People are a little more forgiving at local level,' says Professor Charlie Jeffrey, who heads the Economic and Social Research Council programme on devolution and constitutional change. The government and Standards Board are making a mistake if they think people's feelings on standards have anything to do with election turnout, he adds.

David Walker writes for the Guardian

28-11-2003

SECTION A - (Compulsory)

1

- **Requirement for question 1**

Discuss Kyarimpa and Garcia-Zamor's (PMM V26N1) conclusion that 'ultimately, the responsibility to be "ethical" resides in the individual', and explore the success of approaches used by organisations to standardise ethical behaviour. Use examples from across the public services to support your submission.

(30)

2

- **Requirement for question 2**

Consider the potential impact of new public management concepts; debate the probable resultant ethical dilemmas on organisational culture driven by their implementation, and examine possible ethical dilemmas caused by such changes. Use real examples to support your submission.

(30)

SECTION B - (Answer two questions only)

3

Balagun and Hope Hailey (Exploring Strategic Change 1999, adapted for Johnson and Scholes 2002, OLM p651) identify four types of strategic change: evolution, adaptation, revolution and reconstruction.

However, it is acknowledged, 'there is no one right 'formula' for the management of change. The success of any attempt at managing change will also be dependent on the wider context in which that change is taking place'. (Johnson and Scholes, 2002 p652 OLM)

- **Requirements for question 3**

(a) Provide a brief outline of each of the four types of strategic change identified by Balagun and Hope Hailey (detailed above), and give an example from an organisation with which you are familiar when each type of change would be appropriate. *12*

(b) Identify the key features a manager must consider when implementing strategic change and explain the importance of each in the strategic change process. *8*

(20)

4

First it was in, then it was out, now it's 'in-sourced'. Croydon Council believes it has found the best way to run its benefits service. Nathan Elvery explains

It is one of the age-old questions: keep a service in-house or outsource it? Combine this with the political importance of a major service such as benefits and the Audit Commission's efficiency challenge and you have one hell of a decision to make.

But there is another route: learn from both experiences and put the best of both into a new 'in-source' option. This was the decision the London Borough of Croydon made for its benefits service in April 2004, after it had been outsourced for ten years.

The result has been major improvements in performance indicators, increased customer take-up and awareness, a service rating rise from three to four and an 'excellent' Comprehensive Performance Assessment rating.

But to begin at the beginning. The benefits service used to be run in house, but became too expensive and inefficient. It was contracted out in 1994. This arrangement worked well initially, achieving the cost and performance gains needed.

Extract from Public Finance 'Better in than out' by Nathan Elvery (27 January 2006)

A common strategic choice an organisation must take is whether to provide a service in-house or outsource part or all of the service.

When evaluating strategic options of this nature the manager must consider the suitability, acceptability and feasibility of each option.

- **Requirement for question 4**

For an organisation with which you are familiar, identify a service, or part of a service, which could be delivered in-house or out-sourced.

Outline the criteria (including key considerations, tools and techniques) you would apply when evaluating the suitability, acceptability and feasibility of delivering that service in-house or out-sourced.

(20)

5

Strategic capability is defined as, 'the ability to perform at the level required for success. It is underpinned by the resources and competences of the organisation'. (Johnson and Scholes (2002)).

To determine the 'level required for success' the organisation has to identify what the customers/consumers value (critical success factors).

The organisation then has to evaluate the 'resources and competences' required to provide the level of success (available, threshold and unique resources and core competences).

- **Requirements for question 5**

(a)   Explain what 'critical success factors' are, and briefly outline (with examples) why they are an important starting point for understanding strategic capability of a public service organisation.   *6*

(b)   Outline the strategic importance of 'resources and competences' for a public service organisation, and briefly discuss the implications for a public service organisation if its strategic capability does not allow it to 'perform at the level required for success'.   *14*

(20)