Ethics Management Strategies in Public Organisations
The Case of Sweden\(^1\)

Staffan Andersson\(^2\)

Ethics of government officials and the integrity of governance are important for our trust in public administration and democracy. This is one reason why ethics management in organisations is important. Although it has been noted in the literature that knowledge about to what extent ethics management strategies contribute to improved ethics is limited, it is clear that ethics management can have a positive contribution on democratic governance and its fairness, if well crafted.

This paper is particularly interested in ethics management in contexts where corruption comparatively is ranked as low, governance is working well, and democracy and the market economy is well functioning. In these contexts, Michael Johnston (2005, 2014) calls their corruption syndrome Influence markets, it has been noted that despite these favourable conditions, corruption is still around although in more hidden forms as politics have adapted to wealth interests. Abuse of power often concerns pushing otherwise legal and frequently appropriate activities such as lobbying or campaign funding to extreme levels. Corruption tends to be less about high-level bribery and more about how wealth and power is pursued creating favouritism and conflict of interest. Many of these countries also have undergone new public administration reforms that include more use of market incentives contracting out of public services, and privatisation (NPM reforms). This has resulted in more complex organisations and a more blurred line between the public and private sectors, and in many situations reduced accountability and increased vulnerability for unethical behaviour and corruption.

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\(^2\) Department of Political Science, Linnaeus University, Sweden (staffan.andersson@lnu.se)
Interestingly, citizens in these countries normally have high expectations on a non-corrupt public service that is impartial and fair, while they also perceive corrupt influence to be a big problem. The U.S. is an obvious example. Illustrative is the example of the widespread perception that political donations, though they are legal, corruptly influence political decision-making.

In this context, we are therefore faced with a situation of increased vulnerability for corruption and integrity violations, while citizens have high expectations on good governance and non-corrupt public services but also hold the view that corrupt influence is affecting public governance.

Given the situation described, several questions come to mind in relation to ethics management. How is ethics management organised in public organisations to deal with the effects of NPM reforms? How can ethics management strategies of organisations best deal with surrounding mistrust and what works best to improve the situation and keep high trust or restoring trust in the activities of the organisation? This paper argues that bottom-up cooperative ethics management strategies can play an important role in responding to these challenges, and that we need to know more about to what extent such approaches are used and their effects.

Against this background, Sweden is an interesting case to study. First, it is a very good representative of the influence market situation described above. Sweden comes out very well in international comparisons on public sector efficiency, democracy, wealth and the like, but at the same time citizens in Sweden is of the view that favouritism and conflict of interest is common in the public sector. Simply put, according to Swedes, it matters who you are, and who you know for how your case will be handled by public officials, and these figures are higher than in other comparable countries. Indeed, such citizen perception matter a lot, no matter whether it reflects the real situation or not, as these perceptions matter per se. As put by Donald Menzel (2007: 23) “Appearing to do wrong when we actually have done nothing wrong may
have the same negative impact as doing wrong. The appearance of impropriety erodes employee and public trust in public agencies and weakens the principles of accountability.” Second, in comparison with the U.S. case, ethics management issues have not been as extensively researched.

The purpose of this paper is twofold. The first is to elaborate the argument for the importance of studying ethics management strategies in “low corruption” countries in the influence market category. I argue that Sweden is a particular good representative of an influence market. It provides an interesting case for what role ethics management can have and how, as an antidote to the type of integrity problems this group of countries face. The second purpose is to outline my proposal for a research project on the study of ethics management strategies of public sector organisations in Sweden.

The overarching research question concerns how ethics management strategies are organised in Swedish public sector organisations and to what extent this is adapted to the ethics challenges facing public administration in this context. I develop further sub-questions in the paper in relation to this question and the constituting parts of the proposed project.

The argument is presented as follows. First, I discuss why ethics management has an important role to play in low corruption, good governance settings. I then, in the following section elaborate on the importance of the increased role for public private governance and use of new public management and its impact on governmental ethics and corruption. I will also describe the role of new public management in Swedish governance and its effects on ethics. Then, I will look at the concept of ethics management. After that, I turn to the major section of the paper on the study of ethics management strategies in Swedish public sector organisations, where I outline the research project. This section first takes a brief background look at the Swedish national integrity system putting public sector organisations in their context. Secondly, the focus turns to the proposed study where I elaborate my thinking on the selection of cases, research questions, and expected outcomes. Thirdly, in this section I also
look at various approaches to ethics management and how the literature discuss the components and issues previously outlined as part of the method of studying ethics management in this project. This is also the final section of the paper.

**Why study ethics management in a low corruption setting?**

The ethics of actors in public governance is in general what enable us to trust them and to regard them as legitimate. It is of vital importance for trust in public administration and in the democratic process (Rose & Heywood, 2013). And from an organisational perspective, research show that ethics is positively linked to performance. An ethical climate is good for employee work satisfaction, employee turnover, and performance (Menzel, 2007: 11-12). But as regards the effectiveness of various integrity policies and policy instruments that aim to build such organisations of integrity there is more limited research (L. Huberts, Six, van Tankeren, van Montfort, & Paanakker, 2014: 167).

If we believe in a public administration that is responsive to democratic citizenship, then its actions and conduct need to be guided by policies that enforce and reinforce stipulated public service values. Although there must be limits to loyalty to particular organisational hierarchies it can be expected of public officers who accept a fiduciary role to generally abide by the values of citizens as expressed by democratic processes and citizen participation (Cooper, 2012: 128).

Ethics management strategies at different levels of government thus have a key role to play in upholding and restoring trust in government. However, this has not always been recognized as focus has been on economic efficiency and effectiveness (cf. Maesschalck & Bertok, 2009: 21; Menzel, 2007: 4, 10). Well-developed ethics management strategies can contribute to higher quality of decision making where alternatives are impartially weighed and decisions taken on the merit of the case (Maesschalck & Bertok, 2009). Moreover, this importance of ethics in relation to trust and good governance
is important also in governance contexts that comparatively are regarded as having good and effective governance.

This paper focuses on ethics management and its role in such contexts with established democratic governance and well-functioning institutions. I argue that ethics management has an important and specific role to play here. Although this might at first be counterintuitive, this has to do with two tendencies that I will elaborate on below: an increased vulnerability for corruption and integrity violations, and citizen’s high expectations on good governance and public services in these contexts and how this is related to the view of corrupt influence increasingly playing a role in public governance.

In countries characterised by this situation problems of corrupt influence have less to do with high-level bribery and clear-cut cases of corruption. At the centre is instead instances of interest conflicts, softer forms of corrupt influence and integrity violations within established institutions. As expressed by Michael Johnston, in these environments, *influence markets*, where law and accountability are comparably strongest and with a tradition of a clear division between private and public corruption, corruption is paradoxically hardest to define. In the emerging global arena, use of wealth and power often takes place in sectors and involve roles that are neither clearly private nor public and with blurred accountability lines (Johnston, 2014: 7-8). Perhaps the problem is not even whether funds have actually been used illegally but rather a feeling among citizens that they have been excluded from the decision making process in favour of certain more powerful interests. Abuse often take place within the system pushing legal and often desirable activities and connections to extreme levels, for example lobbying and political funding (Johnston, 2014: 21). Accountability cannot

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3 L. Huberts (2014) defines integrity violations as “behaviour that violates the relevant moral values and norms. Examples include “…fraud and theft, leaking information, conflict of interest, private time misbehaviour, sexual intimidation, and discrimination.”
be taken for granted as there are many ways used to use wealth to gain influence legally within institutions (Johnston, 2014: 50)

Citizens’ expectations are important in this low corruption context as they have an important role both for how well democratic governance works and the possibility for reform. The mere expectations of others to be fair and non-corrupt, and high expectations on service delivery, increases social sanctions and transaction costs in general for corruption. High expectations also serve as counter check against corruption, which is at least as important as legal rules. A virtuous circle of trust, high/effective performance, and low corruption is characterising this context in comparison to a situation of high corruption where instead trust and expectations are low. But these norms and expectations are in parallel vein also a key to understand disillusionment and reduced trust in democratic governance. As Johnston has noted for the U.S and similar influence markets, the importance of upholding integrity and preventing corruption in public administration cannot be underestimated. Though such countries have been able to deal with corruption scandals they are still vulnerable for corruption to lead to higher inequality, less trust in institutions and between individuals, and political disengagement. It may take a lot in terms of reforms to convince citizens who have lost faith in elections and democratic institutions that they are becoming fair (Johnston, 2014: 60-81).

Sweden is an interesting case against this background. It is a clear high performer in international comparisons on democracy, public sector efficiency and transparency, justice, and corruption⁴ (e.g. The World Justice Project, 2019: 141). However, citizens perceive favouritism as common in the public sector. This may be the result of a plethora of scandals that has happened at the local as well as national government. Moreover, in 2016 the

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⁴ Leaving aside the interesting question of which measure of corruption and integrity that best catches real corruption problems, here we hold on to the observation that even in some of the countries regarded as least corrupt and with well-functioning governance, we are faced with a situation of growing unease among the public for interest conflicts affecting public sector matters.
three Auditors General of the Swedish National Audit Office (the supreme audit institution) had to resign after a series of revelations about favouritism in hiring and inbuilt institutional interest conflicts between the National Audit Office and the Government Offices.

If we look closer at data on corruption and favouritism, we can entangle this seemingly odd picture of low corruption and view of widespread favouritism. As regards corruption very few Swedes have paid bribes or been asked to do so in relation to the public sector (basically all different surveys point to less than 1 per cent having this experience, which is below the EU average). If the question is broadened to having experienced or witnessed corruption, slightly more, 5 per cent (EU average 8 per cent), have this experience respondents (European Commission, 2014). So far these data concern experience of bribery and more broadly corruption.

If this is further widened to concern citizens’ general perception about corruption, scores are considerably higher. Asked about how widespread the problem of corruption is in their country, 44% of Swedish respondents deemed it widespread (very widespread 7 per cent, fairly widespread 37 per cent). Although this is below the EU average of 76 per cent, it is higher than in the other two Nordic members of the EU, Denmark (20 per cent) and Finland (29 per cent) (European Commission, 2014).

Moreover, if we move towards issues of partiality, favouritism and interest conflicts in public administration this trend of higher scores compared with figures for bribery experience and in comparison with other Nordic countries strengthens. If we look at perceptions of impartiality, surveys show Swedish respondents to question the impartiality of the public sector. The ISSP survey 2006 asked respondents if “the treatment people get from public officials in [Sweden] depends on who they know.” In Sweden 41 per cent stated this definitely to be the case, a very high figure in contrast with neighbouring countries (Norway 21, Finland 13, and Denmark 8 per cent) (Linde & Erlingsson, 2013: 591). Combining those responding definitely and probably, the Swedish result that 89 per cent of respondents thought that personal
contacts played a role, is more comparable with scores for Russia than Norway (68 per cent), Finland (56 per cent), and Denmark (41 per cent). So, in this group of countries regarded as low corruption with good governance where there is a perception of and concern with ethics in governance and favouritism, Sweden is a case where these two opposing circumstances are particularly strong.

Now I turn to public private governance, its effect on ethics in public governance, and vulnerability for corruption and integrity violations. The rising concern for government ethics discussed above have interestingly coincided with the increased role for privatisation of government (Menzel, 2007: 175)

**Public private governance and ethics (management)**

The market-based reforms that came to be known as the New Public Management (NPM) (Hood, 1991) started in the 1980s in the U.K. and New Zealand, in particular. Kindred administrative reforms in the U.S. in the 1990s was inspired by ideas about reinventing government and dismantling bureaucracy (Osborne & Gaebler, 1993). The general idea was to use the market to reduce bureaucracy and to make government businesslike, entrepreneurial, and cost effective. This was a response to the critique of high taxes and big government, reduced trust in government institutions, and a search for finding alternative ways of more effective government as globalisation became more and more important (Kettl, 2005: 65). Important parts of these reform proposals were decentralisation, deregulation, entrepreneurship and market privatisation (Anechiarico & Jacobs, 1994: 468-471). But when calling for more entrepreneurial government and privatisation reformers did not raise what effect this would have on ethical public administration (Menzel, 2007: 171).

As a result, public administration moved towards “market intervention, technical efficiency and the private value of public things”, and away from public values (Bozeman, 2002: 157). Emphasis on economic individualism,
economic efficiency, and effectiveness may be good under certain conditions but it is bad when collective interests are displaced and result in “public value failure” (Bozeman, 2002: 150). There are studies pointing to how privatisation of public functions have led to diminishment or privatisation of ethical behaviour that is usually expected of public officials (Menzel, 2007: 173). Let us summarize some indications that the NPM reforms did not live up to expectations from proponents:

- First, evidence is mixed regarding if performance has improved or costs dropped (Hood & Dixon, 2015: 180-183).
- Second, the democratic nature of public administration was affected as the role of public service consumer substituted the role of citizen (Denhardt & Denhardt, 2000: 557).
- Third, fairness as measured by service user’s perceptions seems to have worsen (Hood & Dixon, 2015: 180-183).

Concerning the fourth point, it is difficult to say if these reforms led to more corruption and unethical behaviour. However, if it was thought that by reducing the size of government, corruption would fall, this has not materialised; in many cases corruption vulnerability increased. Negative effects on transparency illustrate this. Transparency rules at large apply to agencies and public administrators but not to the same degree to officers in outsourced public services. Such reduced reach of transparency rules means less clear accountability. The emphasis on NPM in public administration and its effects on public values has increasingly raised calls for finding ways for citizens and communities to be involved in their own governance to strengthen the status of public values again.
In Swedish government the Government Offices (which includes ministries) is separated from the state agencies that execute service and production. State agencies and other public sector authorities including local government administrative agencies have a long tradition of independence from executive interference, which has constitutional protection. Ministerial rule (ministers intervening in how public servants handle individual cases) is prohibited in contrast to almost all other countries (Instrument of Government chapter 12, articles 1 and 2). Central government and state agencies are responsible for law enforcement, social security, and university education. Regional and local government, which have elected assemblies, are responsible for providing most public services, particularly in education, healthcare, care for children and the elderly as well as land zoning and public planning.

Like in many other OECD countries Sweden’s reforms of the public sector have included many of the measures and policies described under the new public management umbrella. NPM reforms first took off at the state level of governance but later in the 1990s became particularly prominent at the municipal and county council levels of government, initially much as a response to demands for reducing costs due to strained finances. Reforms meant that private-public sector interaction changed. They included efforts to reduce the size of government and increase the use of private providers. Outsourcing and the contracting out of government services made public procurement of goods and service, which represents 15-20 percent of GDP (M. Bergman, 2008: 4), an essential component of public administration. Other components concerned a move towards managing by objectives and setting performance targets, and the increased role of competition and use of quasi markets.

5 The Instrument of Government (chapter 12, article 2) states: "No public authority, including the Riksdag and the decision-making bodies of local authorities, may determine how an administrative authority shall decide in a particular case relating to the exercise of public authority vis-à-vis a private subject or a local authority, or relating to the application of law."
In terms of how these changes have influenced ethics in governance and vulnerability for corruption overall, NPM reforms were initially not followed by a similar change in ethics management and ethics instrument to compensate for a changed situation. This increased vulnerability (Andersson, 2008: 192-193, 233-234, 246). Let us look at some indications of this from three studies.

Andersson and Bergman (2009:45-70) studied how NPM reforms influenced corruption vulnerability by placing the qualitative study of two county councils (regional governments), both of which reorganised their administrations in similar ways in the 1990s, into the framework of principal-agent theory. One administration experienced corruption scandals while the other did not. The article relates the propensity for corruption to mechanisms of delegation and control. They also conclude that these organisations had a rather informal ethics management strategy (see below) being based on moral leadership, role models, and positive reinforcement (cf. Menzel, 2007: 14) and they did not adjust much to a new environment. The traditional system of control was weakened both as concerns ex ante controls such as screening and selection mechanisms, and ex poste control in the form of follow-ups and monitoring. Leadership was recruited from the private sector with no previous experience of public administration at the same time as they were given more discretion in reaching goals, and there was less emphasis on how these goals were achieved also in terms of follow-up. This resulted in greater vulnerability to corruption and ethics violation. This, more than the NPM reforms itself, had an impact on increasing risk and opportunities for corruption (cf. Kolthoff et al., 2006; Maesschalck, 2004). Thus, whether NPM reforms actually brought about greater or lesser risks for corruption depends upon how mechanisms of delegation and control were constructed and in particular the extent to which they were appropriate for the new administrative structures.

The Swedish National Integrity System assessment (Andersson, 2012) pointed to procurement processes as vulnerable to interest conflict, due to weak rule compliance in practice and possibilities for penal sanctions (p.
Moreover, the constitutionally strong protection of public administrators who blow the whistle to media had lost in reach, as it did not apply in the same way in services contracted out to private providers and other alternative forms of operation (p. 21). This is serious given that media, via this mechanism, rather than government control institutions, have revealed a large share of corruption cases. This had also been accompanied by an increasingly quiet administration where administrators felt more obliged to be loyal to their agency. In general, anticorruption and ethical considerations when carrying out NPM reforms had not specifically been considered. Thus, in this regard the assessment recommended to improve transparency and the legal protection for officers in tax-funded services provided by private operators who blow the whistle to media. Steps in that direction were later taken, although still traditional public administration has the strongest protection in this respect.

Höglund and Falkenström (2018:1-8) looked at how new market inspired management forms affected equity values and respect for human dignity in health care ethics in Stockholm county council. Interviewed health care managers indicated that they gave priority to economic values over ethical values, and ethics was separated from their daily work. They also expressed that marketization had spurred this development on. One of the conclusions were that to further the position of ethics in the health care management organisations new steering forms less focused on market principles were needed.

**What is ethics management? The concept and its development**

Donald C Menzel emphasises how the creation of organisations of integrity involves promoting and balancing many various competencies and virtues that “improve judgement” in decision-making (Menzel, 2007: 5). In line with this he views ethics management as concerned with how to promote and maintain a strong ethics culture in the workplace. More specifically he defines ethics management as the “cumulative actions taken by managers to
engender an ethical sensitivity and consciousness that permeates all aspects of getting things done in a public-service agency.” (Menzel, 2007: 10)

Similarly, Maesschalck and Bertok (2009) defines ethics management (integrity management) in organisations as “the activities undertaken to stimulate and enforce integrity and prevent corruption and other integrity violations within a particular organisation.”

Another often cited example taken from the business ethics literature comes from Muel Kaptein (1998). He emphasises that ethics management is about the organisation of ethics, the activities and measures that “aim to organize ethics” (p. 44). He develops the concept much in relation to the context of the organisation/corporation and how it succeeds in fulfilling expectations of stakeholders and adequately balancing conflicting expectations (Kaptein, 1998: 42). His definition of ethics management is broad given its inclusive view of stakeholders⁶ and focuses on how to balance the interest of them. This is also a very useful perspective given that this paper is interested in the potential contribution of ethics management in countervailing rising public concerns about integrity in public administration.

In terms of the historical development of the role of and emphasis put on integrity in public organisations, the view of integrity has tended to focus on the personal aspect and responsibility and something that the individual either had or had not. The organisational context of ethics were long overlooked (Menzel, 2007: 7). Public organisations had little interest in ethical considerations, instead focus was on managerial issues (efficiency and technical matters). Moreover, despite the focus on power and democracy in political science, ethics and integrity have not been mainstream issues in the discipline (L. Huberts, 2014: 200).

⁶ Stakeholders have particular interests in relation to the company and are defined as "individuals or groups who (can) influence or are affected by the operation of a company.” (Kaptein, 1998: 15)
The idea of managing organisational ethics seems first (Cooper, 2006: 147) to have emerged in the early 1980s when Bowman (1983:69-102) discussed the establishment of a code of ethics as an act of ethics management. But as pointed out by Menzel (2007) what may be new is rather the way we think about ethics management; it is an older undertaking if we think about it in terms of “the promotion and maintenance of a strong ethics culture in the workplace.” (Menzel, 2007: 10).

One of the questions Bowman (1983:69-102) asks concern how corruption can be “responsibly controlled” given that it is difficult to fully prevent?” He concludes that democracy relies heavily on individual integrity and trust between citizens and public officials, and that citizens have been able to depend on the professional self-discipline of the majority of officials. An exclusive focus on individual ethics is though not enough as a base for understanding managerial ethics. This is related to the extent to which public organisations put officials in situations of discretion where what is right conduct is not obvious and consensus about this may also be lacking; opinion of what is right and wrong is diverse in pluralistic societies (Bowman, 1983: 73-74). He outlines a three-pronged strategy to improve managerial ethics based on training programs, codes of conduct, and understanding and dealing with administrative dissent (whistleblowing and protection of whistleblowers).

**Studying ethics management strategies in Swedish public sector organisations**

*The national integrity context*

Let us first briefly look at the national integrity system, with an extra eye on the results for public sector organisation at state and local level. Results are based on the Swedish National Integrity System (NIS) Assessment 2011 (Andersson, 2012). This was part of the European NIS, a project of 25 EU states and some non-member states (Transparency International, 2010). The TI NIS methodology focuses on how strong and well-functioning institutions
(the pillars) are that are important in upholding integrity (the roof) and preventing corruption (Figure 1). These factors together with the political, societal, economic and cultural foundations constitutes the national integrity system.

Focus is on national institutions. The subnational level of government has no own pillar but are part of the Public Sector pillar, which concerns those public sector services that are not included in the other pillars, such as courts, law enforcement. Institutions are evaluated concerning their capacity, governance, and role in the integrity system.  

Overall, the integrity system is relatively strong, but several weaknesses are identified in relation to vulnerability for corruption. Among them are the low priority given to corruption issues in authorities, while noting rising interest and increased activity. This was a result of Sweden’s partaking in intergovernmental cooperation and international anti-corruption conventions, corruption revelations and scandals, and the increased priority given to due diligence and countervailing corruption in business organisations.

One important reform that was introduced at the time concerned changes to the penal code on bribery and a Code of Business Conduct supplementary to this legislation (Andersson, 2012: 472-473). The code lays out how to avoid practices in relations with the public sector that could constitute undue favours and bribes (Institutet Mot Mutor, 2014).

Other weaknesses pointed to concerned the absence/limitation of post-employment work restrictions against high-level public servants moving between the public and private sector, e.g. a minister can leave government

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7 The assessment of a pillar is based on 13 indicators. Scores are based on questions for which the data are summarised on a standardised scale (0, 25, 50, 75, 100). Scores were high for all these categories but with some differences. Capacity concerns resources and independence, overall this is the strongest category in the Swedish assessment (96); governance deals with the indicators of openness, opportunities for accountability, and various mechanisms for maintaining high integrity (89); Role concerns the contribution of the institution to the integrity system, the weakest category in the assessment (79). Role varies depending on pillar: for example, it can be about anti-corruption work or the task of holding another institution to account, such as government being accountable to parliament.
and go straight to a position in a lobbying firm. Later, in 2018, a government bill introduced a 12-month post-employment restriction for government ministers and chief officers, the highest political appointees, of government departments. However, no such regulation has been proposed for subnational levels of government. Also, in general, more clarity was needed concerning recruitment and post-employment in sensitive activities, among them the National Audit Office, which could lead to the questioning of its independence. Another related aspect concerned weak systems for handling interest conflicts in relation to hiring and public procurement. A final example was the observation of there being no coordinated anticorruption policy (the assessment called for such a coordination mechanism within the Government Offices).

The various pillars overall got high scores but with variation. Taking a closer look at the public sector pillar it had the lowest average score (79). Weaknesses included the above-mentioned matters concerning weak regulation and sanctions in the areas of interest conflict in hiring, procurement and purchasing, and the reduced reach of the protection of officers providing information to media, given the increased role of alternative forms of operation of services.

If we turn to local government, these issues remain, and others can be added. Audit is weaker than in state agencies (local governments are responsible for their audit, not the National Audit Office), in many cases local governments have not abided by decisions by administrative courts concerning wrongful procurement decisions. In general, control systems in local government is weaker than for state agencies, and therefore the risk of detection lower, as are possibilities to apply sanctions in relations to conflict of interest situations in procurement (Andersson & Erlingsson, 2010: 211-212; Falk, 2009).
The proposed research project

This project will study ethics management in public organisations in Sweden. The overall research puzzle concerns what role ethics management can have in promoting or rebuilding trust in public organisations. The overarching research question concerns how ethics management strategies are organised in Swedish public sector organisations and to what extent this is adapted to the ethics challenges facing public administration in this context.

There are several sub-questions and factors that the project needs to explore to address this overarching project question. Now, I will elaborate how the project will do this.
Four public sector organisations will be selected for study: two state agencies and two local authorities. At both levels one of the selected authorities will have recent experience of unethical behaviour and the other not. This in order to see if the often ad-hoc responses to scandal affect ethics management work in these organisations. Local administration is included as this level of government have many vulnerabilities for corruption in Sweden, and in similar influence market countries where the local level is providing the bulk of public services (e.g. Bergh, Erlingsson, Sjölin, & Öhrvall, 2016).

The first part of the project will focus on one of the instruments included in the ethics strategy outlined by Bowman above: ethics codes. This will concern how codes are initiated, established, and implemented in public organisations, both at the state and local level of government. In particular, the project will be interested in to what degree the sub-management level is involved in work with ethics codes, and also the relation to outside actors and the public. Ethics code is a type of external control but depending on how the code is formulated and to what extent employees are cooperatively involved in this and the development, implementation, and review of the code, these ethical principles may internalise in the individual public servant. In connection to this, the project looks at how employees perceive this process and how it affects their view of ethics management and integrity in the organisation. In essence, I expect codes that are cooperatively organised to have a better chance to address rising concerns for unethical behaviour and corrupt influence.

Ethics codes can define the values that employees should abide by, assist decision-making in relation to ethical challenges, and stipulate sanctions for violations. In public organisations they commonly are linked to the public interest and public sector values of impartiality, integrity, and accountability (e.g. OECD, 2017). Traditionally ethics codes have not been common in Swedish public agencies, but recently this has started to change (Svensson & Wood, 2004, 2009).
Box 1 describes how the agency specific ethical guidelines of the Swedish Tax Agency are related to the six basic state-wide principles for employees of state agencies in Sweden that constitutes the ethical foundations of the state (Statskontoret, 2018): democracy, legality, objectivity, freedom of expression, respect, and effectiveness, efficiency and service. For any tax agency, it is of vital importance to have trust in its operations, avoiding partiality and favouritism. However, the tax agency has faced recent controversy. In 2017 the two most senior executives at the tax agency had given heads-up to a former Government Office colleague and friend about the investigation of his alleged tax avoidance, after being contacted by journalists investigating the case in the aftermath of the Panama papers (S. Bergman & Dyfvermark, 2016).

Box 1. The ethical guidelines of the Swedish Tax Agency

| Trust. This concern how your action would stand the scrutiny from family, friends, colleagues and the media. Would you proceed similarly if these parties knew about your actions? (cf. Cooper, 2006: 37). |
| The objectivity of the civil servant. All taxpayers must be treated equally under the law. Impartiality and professionalism are central aspects for an agency with power over citizens’ finances. The agency must guarantee that personal or other irrelevant interest do not influence the application of the Swedish revenue law. There is a clear and imperative prohibition against accepting bribes and having conflictual second jobs. The code also explains how to avoid unethical situations and what to do when one occurs. |
| Openness. The importance of appropriate and correct handling of taxpayer information is discussed in relation to the strong constitutional guarantee of citizen access to official records, the protection and anonymity of whistleblowers, and the ban on the interrogation of employees to find “leaks”. |
| An inclusive Tax Agency. This implies zero tolerance of any form of discrimination either within the authority or against citizens. |
| To be efficient with state resources. This aspect stresses financial restraint and prudent use of agency resources. Guidelines for this concern employee travel, environmental responsibility, and prohibition of personal use of agency resources and facilities. |
| An anti-corruption culture. The emphasis lies on dialogue and an ongoing discussion about ethics and values in the agency in order to embed a high level of ethical responsibility in agency personnel and in agency culture. |
Historically, ethics management strategies in Sweden have leaned more towards an informal approach, or relying on indirect external controls (e.g. the reliance on the publicity principle, access to official records, the media as watchdog). In individual organisations this may be reflected in approaches where ethics management is not given much emphasis aside from complying with legislation. But one should also remember that this may vary depending on organisation no matter the country. Moreover, the government have initiated several ethics management initiatives. One such example is the introduction of a common ethical foundation for state agencies. Another is the assignments for the Swedish Agency for Public Management (Sw. Statskontoret) to lead work to promote a sound administrative culture of the state (Box 2). Based on these initiatives we could expect this to be reflected in ethics management strategies of state agencies moving towards inclusion of more formal ethics management and values-based instruments.

Box 2. The Swedish Agency for Public Management

The Agency for Public Management is the Government’s organisation for analyses and evaluations of state and state funded activities. It also follows up governmental steering of local government. It has the specific assignment from government to contribute to and coordinate the state authorities’ work towards a sound administrative culture. A good management culture is viewed as knowing the values of the state and preventing corruption and developing an ethical compass and an ability to handle difficult situations. These criteria put forward as vital for strengthening trust in state agencies and public servants.

The agency continuously develops knowledge about how the authorities can foster and maintain a good administrative culture, including handbooks (for example on the Ethical foundations of the state and An anti-corruption culture), web education (concerning the state employee role and how managers can lead dilemma conversations), films and podcasts. The website provides a lot of this information easily accessible and many reports and handbooks can be downloaded.

The agency is also assigned to developing the work against corruption in the state. Part of this role concern leading the government network against corruption, which invites all state
agencies to learn from each other on how to work against corruption.

Source: Statskontoret (2019)

In relation to the subnational public sector organisation the Swedish Association of Local Authorities and Regions has a somewhat similar role as concerns information and support in relation to their members. This role is also very important considering that the finger has often been pointed to local government as especially vulnerable to corruption and having had many cases of irregularities and corruption. At a first glance, based on the information on the webpage, this information is more concentrated on the compliance side of ethics management (Box 3). Whether this also shines through in the local government organisations of study is something the project will look at.

Box 3. The Swedish Association of Local Authorities and Regions

The Swedish Association of Local Authorities and Regions (SALAR) function both as an employers' organisation and as a representative and advocate for local government in Sweden. All subnational authorities are members. SALAR’s mission is to "provide municipalities, county councils and regions with better conditions for local and regional self-government". The development of the welfare system and its services is regarded as “a matter of democracy”.

Its webpage provides information related to ethics in the area of cheating, irregularities and internal control, and corruption prevention (including information material in these areas). SALAR emphasises the role of internal control to ensure work lives up to goals and are done efficiently and safely. A conscious and systematic approach based on risk assessment can also prevent and detect cheating, irregularities and corruption. Four building blocks are regarded as essential; a robust organisation, risk analyses, measures and controls, and follow-up. It further provides support to municipalities and regions in their work to combat corruption. This include web education for elected representatives and officials who intend to start up strategic work against corruption in their organisations.

In 2019 SALAR started up a network for combating corruption. It aims to give participants knowledge and tools to be able to strengthen prevention, detection, and how to handle corruption in their organisations. Focus is on:

- In-depth knowledge of legislation, guidelines and recommendations within the area of corruption
- Knowledge, methods and good examples of how corruption protection can be strengthened
- How to use SALAR’s anti-corruption methods and tools in training in the organisation of the participant
- Exchange of experience and joint reflection

Source: The Swedish Association of Local Authorities and Regions (2019a, 2019b, 2019c)

The second part of the project will also in more general look at how the ethics management strategies of these organisations are organised, in terms of what strategies are dominating. Are these strategies formal or informal? Are instruments included rules and compliance orientated or values orientated? How are they mixed? To what extent are cooperative ethics management strategies used?

The next section looks at how the literature discusses these components that will be part of the method of studying ethics management in this project: rules-based approaches versus values-based approaches, formal versus informal ethics strategies, and the role of bottom-up approaches and cooperative ethics approaches. This is done by also putting these approaches in the context of how they have evolved, what are the conventional approaches, and the critique against them in the more recent additions to the literature. Important to consider is how the outer context of organisations matter and that ethics strategies need to deal not only with the individual but also the organisational and system levels. Integrity violations and corruption may not just vary with the organisational context but also be affected by the system context. Doing so the paper will reflect both an increasing interest internationally for ethics management in organisations, after several ethics’ scandals in the 1980s and 1990s, and how the academic literature increasingly pointed to inability of the rules-based approach alone to deal with the complexity of organisational ethics. The ethics management approaches adopted by governments and international organisations such as the UN and the OECD then increasingly were influenced by the values-based ethics management approach (Tremblay, Martineau, & Pauchant, 2017: 220-221).
Exploring various approaches to ethics management

How to deal with administrative discretion has been an ever-present factor in shaping various ethics management strategies and the debate of what works best. Most often the debate about the best strategy to uphold integrity and ethical conduct in public organisations has been depicted in terms of two general approaches (ideal types) at each end of a continuum: a compliance approach (rules-based) emphasising external controls and an integrity approach (values-based) with emphasis on internal controls.

These two approaches and their emphasis on external versus internal control can be traced back to the classical debate in the 1930s and 1940s between Carl Friedrich and Herman Finer. Friedrich stressed the importance of internal controls while Finer focused on the need for external political and institutional controls of the administration (Finer, 1941). Central for the debate was their different take on administrative discretion. This, against a background of an ever-expanding public sector with the development of modern public administration with large public organisations. Welfare responsibilities grew, as did the demand for technical expertise on behalf of administrators. Friedrich deemed the Weberian requirement of a clear separation of the political side from the administrative side of government not easily done in practice and acknowledged the need for discretion; in this situation, he regarded internalized standards and sensitivities as the only effective guide for administrative discretion. Finer however did not trust that internal controls could serve effectively to guide administrators’ discretion. This required external control (Cooper, 2006: 156).

External controls concern instruments imposed on individual public servants from “outside themselves”, such as ethics legislation and codes of ethics (Cooper, 2006: 149). Such a strategy emphasises rule compliance and avoiding illegal behaviour and a belief that relying on self-regulation and professional standards to uphold ethical behaviour is insufficient. It also tends to be top-down. Internal controls on the other hand centre on public servants to internalise professional values and standards through personal
and professional socialisation processes (Cooper, 2006: 149-150; 2012: 9). The aim with an approach based on internal controls is to encourage self-regulation, moral judgement and character, where each person strive to tune his/her ethical compass (Menzel, 2007: 190). For this, instruments such as ethics training, experience exchange, dilemma workshops and aspirational ethics codes can be used. This approach expects public administrators in an organisation to make decisions motivated by what is right based on moral values and not by avoiding punishment for doing what is wrong (Cooper, 2006: 150; Lawton, Rayner, & Lasthuizen, 2013: 117-120).

The advantage of values-based approaches is their potential for defining and encouraging ethical behaviour, a so-called high road ethics, while their disadvantage is the difficulty of applying and assessing personal ethics. In contrast, rules-based approaches are easier to implement and monitor. However, tough enforcement of ethics laws may result in inefficiency, goals displacement, and a so-called low road punitive ethics with focus on staying out of illegal behaviour rather than providing instruments for employees to develop ethical thinking and act according to shared values, a high road ethics approach. Clearly, it is impossible for formal rules to stop all possible avenues for those who want to take advantage of government (Lawton et al., 2013: 103-104, 116-118).

This distinction between rules (external control) and values-based strategies (internal control) have been a dominant feature in the literature, and still is, in analysing how organisations try to uphold ethical conduct and build organisations of integrity. Over time, the two approaches have come to be seen as complementary; instruments from them are mixed in public organisations and by doing so more ethics is covered. Menzel (2007) for example argues in favour of the integrity approach or to combine the two approaches into a fusion model, which he thinks is a more realistic alternative in practice. He refers to Truelson ((1991) cited in Menzel, 2007: 55) who argues for the organisational culture and ethics training to affect each other; letting ethics training affect the culture and the culture affect the ethics training in order to foster a real culture of organisational integrity.
So, with an analysis based on this dichotomy the key question is how to find a balance between rules-based and values-based approaches. How can they best reinforce each other and how is responsible behaviour effectively encouraged as much as possible? Having enough external control to avoid self-interest and enough internal control to encourage socially constructive and public interest is the key balancing act (Cooper, 2012: 158). Many scholars and organisations have discussed and looked for this balance. Finding the right mix of approaches is not easy, and also depends on factors outside the organisation such as the surrounding ethical framework and its strength, including national culture, statues, laws, and tolerance of ethical failure (Tremblay et al., 2017: 219).

The balance in public administration has tipped toward values-based corruption controls in reaction to the ethical shortcomings of NPM. Several international organisations have moved in this direction (Andersson & Anechiarico, 2019, forthcoming). Transparency International’s National Integrity Systems Assessment (NIS), is a well-known example (see figure 1). OECD is another example of an organisation that has developed mixed strategies. Its Ethical Infrastructure strategy focused on three elements (control, guidance, and management) and their constituent parts, and the commitment of the political leadership.

This was later developed into the Integrity Management Framework (Maesschalck & Bertok, 2009) that became very influential and widely used. This framework aims to promote integrity and counter corruption in public sector organisations at the organisational level, where implementation of measures take place. It should assist managers and integrity actors that want to review and improve an integrity management framework in their organisations. Its main concern is public servants and less so politicians. It combines aspects from rules-based and values-based strategies trying to balance flexibly external and internal controls. It is a systemic approach, viewing all aspects of the framework as interdependent and the Integrity management framework itself dependent on its context. The integrity
management framework together with its context make up the overall Integrity framework (Table 1). This then includes “all instruments, process, structures and factors, both within and outside public sector organisations that influence the integrity of the members of an organisation.” (Maesschalck & Bertok, 2009: 8)

Table 1. The relation between The Integrity Management Framework and the overall Integrity Framework

<table>
<thead>
<tr>
<th>Integrity Framework</th>
<th>Integrity Management Framework</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Core</td>
<td>Complementary</td>
</tr>
<tr>
<td>Instruments</td>
<td>Processes</td>
<td>Structures</td>
</tr>
<tr>
<td>Instruments</td>
<td>Processes</td>
<td>Structures</td>
</tr>
<tr>
<td>Core</td>
<td>Complementary</td>
<td>Inner context</td>
</tr>
</tbody>
</table>

Source: Maesschalck and Bertok (2009)

The basic structure of this approach is as follows. The integrity management framework consists of three pillars. The first pillar is the instruments to stimulate and enforce integrity and prevent violations. These instruments are arranged into four main functions of integrity management: determining and defining integrity, guiding towards integrity, monitoring integrity, and enforcing integrity. The second pillar is identifying the development processes through which the organisation institutionalises the first pillar instruments. Processes should be continuous cycles of planning, implementation, evaluation and adaptation both at the level of IMF and individual integrity management instruments. At times one-off projects are also initiated, for example to introduce or update a specific instrument.”

Structures are the third pillar and concerns the organisational aspect of integrity management, and issues such as who is responsible for what and how to coordinate actions of various actors that influence organisational member’s integrity (Maesschalck & Bertok, 2009: 7, 21)

The three pillars are divided into two layers. The first layer consists of the core integrity instruments, core development processes, and core actors. The second layer consists of the complementary integrity instruments, processes and actors of integrity management. Usually the complementary instruments
belong to neighbouring management fields such as HR, procurement, and contract management (Maesschalck & Bertok, 2009: 7, 8). Table 2 shows the Integrity management framework illustrating core measures and complementary measures for each of the three pillars.

Table 2. The Integrity Management Framework: Three Pillars and two layers

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Processes</th>
<th>Structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core measures</td>
<td>Codes, rules, guidance, integrity training and advice, disclosure of conflict of interest, etc</td>
<td>Overall continuous integrity development process, continuous development processes for individual instruments, one-off projects to introduce or change instruments, etc.</td>
</tr>
</tbody>
</table>

Complementary measures

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Processes</th>
<th>Structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity as criterion in personnel selection and promotion, integrity aspects of procurement procedures and contract management, including integrity in the quality assessment tool, etc</td>
<td>Processes in personnel management, procurement and contract management, financial management, etc.</td>
<td>Personnel management, contract management, financial management, etc</td>
</tr>
</tbody>
</table>

Source: Maesschalck and Bertok (2009)

Maesschalck and Bertok (2009) argues for a holistic approach where importance is given to both the inner and outer context of the organisation. The inner context is about those factors and actors in the organisation that may affect integrity of organisational members but who are not part of integrity management as such. Outer context concerns factors and actors in the public sector widely and the governance context of the organisation, which are not in the control of the organisation itself but may still influence its integrity management and integrity of personnel.

Given that this research project will focus on public sector organisations both at the state level (state agencies) and local governments it will use this Integrity framework as starting point. It also makes a useful distinction.
between the overall Integrity framework and the Integrity management framework. This enables us to observe the differences in the outer and inner context of state and local government agencies. Huberts & Six’s (2012) local integrity system framework further helps to lay out this difference, for example in terms of regulatory context and external integrity guardians.

Let us now as an ending of this section turn to some of the critique that have been directed at the integrity management framework and other similar approaches. In doing so I will also simultaneously look at other models that can complement this approach summarised in four points.

First, in practice it is difficult for organisations to implement the mix of rules-based and values-based approaches; there are no established methods for evaluating the right balance between the two approaches, so in fact, organisations have to implement the mix with effects and costs unknown (Hoekstra, 2016; L. Huberts et al., 2014: 179). This difficulty is related to that whether controls are external or not is strongly connected to the degree to which they are internalised by individuals. Controls of an external origin can be internalised by an individual and serve as an intrinsic motivation rather than extrinsic motivation. Take the example of ethics codes that are an external control form. However, they can also have an impact on the intrinsic motivation and sense of subjective responsibility of officers and staff of public organisations if internalised for example by taking part in the formulation process. This exacerbates the difficulty of finding the right balance (Tremblay et al., 2017: 224-227). Also, approaches used in practice have often been improvised responses to scandal rather than an outcome of careful thinking and comprehensive development (Anechiarico & Jacobs, 1996; Heywood, 2012: 478)

Second, trying to deal with the very complex and multidimensional issue of ethics management in a dual way is a rather blunt approach, which will mean that all approaches and instruments that are used in practice in ethics management are not covered and included. Implicitly, such a continuum leads us to think in terms of if less of one approach means more of the other,
and vice versa, while in fact both may reduce at the same time (Maesschalck, 2004: 27). This point applies well to the Swedish case where it may be difficult to place changes in ethics management strategies in the rules-based – values-based continuum. For example, the absence of values-based ethics instruments in an organisation may not mean that we can expect instead to find more of codes and rules-based instruments, it may be low on both. Here we might be assisted by two other typologies:

- Given that I expect many instances of informal ethics management (role models, leadership) in Swedish public sector, the distinction between formal and informal ethics management is informative. Informal ethics management are behaviourally based and relies on role models and positive reinforcement. Leadership-based strategies is one such example where top management serves as role models by showing moral leadership. Formal ethics management strategies concern obligatory ethics training, ethics as criteria in promotion and hiring decisions, and the use of rules such as compelling staff to disclose outside interests in order to promote an ethical climate. One example is to adopt a code-based strategy with guidelines for standards of conduct, another is a regulatory-based strategy which uses ethics as a standard in decisions about hiring and promotion or demanding approval for second jobs. A mix of informal and formal strategies, a third category, would concern employee-based strategies that include ethics training, protect whistle blowers for valid disclosures, or solicit employees’ opinions about ethics constitute (Menzel, 2007: 14-15).

- Maesschalck (2004:21–41) uses grid-group theory to expand the rules-based – values-based continuum into a fourfold typology of ethics management approaches (Table 3). Grid concerns the extent to which individuals are checked by laws, rules and procedures, while group concerns the degree to which individuals are part of social units. The benefit of this is to allow a way out of automatically thinking that less of a values-based approach means more of a rules-based and vice versa, and similarly it can cover other ways of ethics
management (as both values-based and rules-based approaches are high group).

Table 3. Four ethics management approaches

<table>
<thead>
<tr>
<th>Group</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grid - High</td>
<td>Management by contrived randomness</td>
<td>Management by oversight and review (compliance approach)</td>
</tr>
<tr>
<td></td>
<td>Ensure considerable randomness and unpredictability in interactions so as to reduce scope for unethical collusion.</td>
<td>Provide rules, regulations, and clear task divisions; enforce them strictly.</td>
</tr>
<tr>
<td></td>
<td>Typical instruments: Random posting of employees, unannounced random inspections.</td>
<td>Typical instruments: Strict codes of conduct, ethics legislation, extensive control infrastructure.</td>
</tr>
<tr>
<td>Grid - Low</td>
<td>Management by competition</td>
<td>Management by mutuality (integrity approach)</td>
</tr>
<tr>
<td></td>
<td>Ensure as much competition as possible so as to avoid unethical monopoly rents or nepotism.</td>
<td>Allow public servants considerable discretion and support them in dealing with it.</td>
</tr>
<tr>
<td></td>
<td>Typical instruments: Competitive recruitment exams, competitive tendering.</td>
<td>Typical instruments: Ambitious value codes, interactive ethics training, network of ethics advisers.</td>
</tr>
</tbody>
</table>

Source: Maesschalck (2004:21–41)

Third, and related to the second point, external and internal controls in ethics management frameworks have been criticised for focusing on individual behaviour, the individual level of organisational ethics, but overlooking organisational and strategic levels. This then overlooks social, cultural, and informal variables that may influence ethical behaviour and can be as negative for the organisation as unethical individual behaviours. This is demonstrated by the pluralist contingency approach developed by Tremblay et al. (2017:219-233). As the grid-goup framework above, they extend the mixing of rules-based and values-based approaches. They do this in relation to critique of the Integrity management framework illustrated earlier (in Table 1 and 2). The pluralist framework thus includes the organisational and system levels and not just behaviour in understanding ethics. It is a bottom-up approach that first evaluates individual ethical need and preferences. It emphasises that there are other factors than internal and external controls,
independent of the members of an organisation, that influence the behaviour of individuals and may affect the success of ethics programmes (Tremblay et al., 2017: 228-229).

The focus in the framework is on ethics practices instead of controls (in comparison to the IMF). Ethics practices are defined as “any rule, method, procedure, process, management tool, structure or institution that presents an essential teleological character aiming at increasing consciousness, reflection and ethical behavior in an organisation, at the individual, collective and strategic levels.” (Martineau, Johnson, & Pauchant, 2017: 793)

There are six orientations in the pluralistic framework for ethics practices and programmes (Tremblay et al., 2017: 228):

- Normative practices (policies and standard procedures)
- Detection practices (whistleblowing systems and information verification)
- Structural practices (offices and personnel)
- Social and environmental responsibility practices (community involvement, environmental responsibility)
- Consultation and participation practices (employee involvement in ethical initiatives, dialogue)
- Experiential ethical development practices (artistic training, mind-body approaches, spiritual practices).

In many ways this pluralist approach is symptomatic of the move towards values-based strategies in public administration and how cultural values and informal expectations are seen as equally important for integrity as formal rules (Mulgan & Wanna, 2011: 416-417).

Fourth, and related to the third point, Andersson and Anechiarico (2019, forthcoming) discuss the potential for cooperative approaches to ethics management where organisational ethics is formulated with involvement of all individuals at the various levels of an agency, and where citizens are also engaged. This is a possibility seen in relation to the move towards more
inclusion of values-based instruments, which has been a response to ethical failures of NPM. This discussion is based on positive examples in labour management relations, participatory administration in public agencies and non-profit organisations. It is a bottom-up approach where public integrity needs rebuilding trust in public agencies. A good example is the cooperative approach some organisations have used to write codes of conduct. If the formulation of codes involves individuals at all levels of the organisation it can contribute to employee’s internalization of organisational ethics and agreement around it. In Sweden the use of ethics codes has increased both in public organisations and business organisations, where anticorruption measures and securing due diligence is ever more important given the large penalties that may face companies that are caught for corruption offences. Also, in voluntary sector organisations, where a large chunk of the population is involved, codes have become important. Given this, it is interesting to explore the potential for cooperative ethics in this respect, and to what extent it is already happening. This could also be extended to include recurring discussions of ethics with a role for employees to safeguard the integrity of their activities. Such mechanisms could strengthen value internalization and reduce the necessity of external controls.

References


