Governance and Goodness in the Public Arena

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ABSTRACT

We discuss the association of governance with notions of goodness and virtue in the public arena. In line with moves away from universal notions of best practice and toward recognition of local initiatives, we suggest that public management research give more explicit attention to the ethical frameworks that underlie and complicate definitional and values-based debates. We suggest that greater consideration of the ethics of public management may assist researchers to move beyond definitional dilemmas and will inform analysis of hybrid or 'reformed' bureaucracies where competing logics may be in play.

Key words: Governance, Ethics, New Public Management, Public Sector Reform

In recent times the notion of good governance has been heralded as something to be emulated in both general and public management arenas. In this paper, we unpack the association of governance with goodness and virtue and suggest that the universalism of such notions is at odds with current emphases on governance practice that take into account local knowledge, local context and the 'stickiness' of past practices (see Duit & Galaz 2008; Ezzamel & Reed 2008). First, we examine the enthusiasm with which the discourse of good governance has been adopted and extended, arguing that recent efforts to distinguish the nature of governance specific to public management may divert attention from its basis in virtue ethics. Then we discuss several sources of complications to this ethical position including debates over the existence and nature of New Public Management ('NPM'); emphasis on opportunism and corruption; challenges to agency theory; the logic of complexity theory; and, as noted above, the recognition of localization. Extending such efforts, we suggest that more specific attention to the ethics of public management may assist researchers to move beyond definitional dilemmas and to think further about analysis of hybrid or 'reformed' bureaucracies as sites where competing ethical logics may be in play.

GOVERNANCE AND GOODNESS

Governance is about the steering and running of organizations; about setting up structures to enable an organization to be run. Having ‘emerged from virtual obscurity to take a central place in contemporary debates in the social sciences’ (Pierre & Peters 2000: 1), governance has now been
applied at levels ranging from government and public sector management to the allocation of responsibility for leadership and decision making across an organization and even to the management of a project team. It is particularly important in contemporary public management where managers are responsible for achieving results and take personal responsibility for doing so (Hughes 2003).

As Frederickson has noted, 'because governance is a power word, a dominant descriptor, and the current preference of academic tastemakers, there has been a rush to affix to it all of the other fashions of the day' (2005: 285). In broader terms, governance has even been 'generally recognized as an important determinant of a country’s long-term economic growth and development' (Kulshreshtha 2008: 557) and is so pervasive, according to Ezzamel and Reed (2008: 612), that ‘21\textsuperscript{st}-century societies, institutions, organizations and practices now have the means and modes available to regulate and control our lives in ways that were barely imaginable to previous generations’ (cf. Kjaer 2004).

However, despite such ubiquity, there is little agreement on the meaning of the term governance and the variety among its definitions and usages has become controversial and so debated that the word has lost much of its utility. Ezzamel and Reed (2008: 597) argued that the term governance has become an umbrella term or perhaps an ‘empty signifier’ (Žižek 1989) that holds little specific meaning (see also Minogue, Polidano & Hulme 1998; Pierre & Peters 2000; Pillay 2004) and whose ‘definition, usage and development are necessarily and unavoidably tied to contested value assumptions over the core of its theoretical specification and the range of its empirical application’ (Ezzamel & Reed 2008: 599; see also Bevir & Rhodes 2003). Similarly, and within the global arena, Weiss (2000: 808) has quoted a quip that the notion of global governance could be, ‘like the grinning but bodyless Cheshire cat in Alice in Wonderland, an agreeable notion because it is without substance’.

In addition to its being everywhere or nowhere (depending on one’s view of the subject), a common theme is that the discourse of governance is associated with goodness, a theme that is reminiscent of the notion that organizing ‘drives chaos away’ (Kaulingfreks & ten Bos 2008: 107). For example, Ezzamel and Reed (2008: 601) cited Williamson’s (1996: 11) argument that governance is associated with the effecting of ‘good order’ and that ‘[a] good governance structure is thus usefully
thought of as an institutional framework in which the integrity of a transaction, or related set of
transactions, is decided' (see also Pillay 2004; Stoker 1998; Weiss 2000).

Such is the value placed on good governance that in a recent review Camerer (2006: 153)
elevated it to a place alongside democracy in suggesting that:

[Good governance has now become a major, publicly embraced concern of ... many leaders,
donors, international organizations, and governments, including the 191 member states of the
United Nations, who at the 2005 UN World Summit reaffirmed their commitment to the
Millennium Declaration and its eight bold Millennium Goals regarding the promotion of
democracy, human rights, good governance, and improved global security (emphasis in
original).

Perhaps this association is not surprising, for there has been a growing acceptability of
discussions about the comparative quality of countries' political and economic governance system
since the 1990s. According to Weiss (2000), this was due to the glaring illegitimacy of some regimes,
widespread democratization in the third world and Eastern Europe, the proliferation of non-state actors
such as non-governmental organizations, and to the need to recognize that humanitarian interventions
by other countries may be necessary despite the UN Charter’s statement advocating non-interference
in the domestic affairs of member countries. Reviewing the growth of good governance in the global
context, Weiss (2000) argued that its focus, therefore, was on attenuating

the unrepresentative character of governments and the inefficiency of non-market
systems...As Båås has written, ‘the World Bank operationalised “bad governance” as
personalisation of power, lack of human rights, endemic corruption and un-elected and
unaccountable governments’. And so, ‘good governance must be the natural
opposite’...Good governance has become a political and economic conditionality that is
inseparable from debates about appropriate bilateral and multilateral financing for developing
and formerly socialist bloc countries (Weiss 2000: 801).

Weiss (2000) argued that such debate has more recently moved toward the United Nations’ emphasis
on ‘deepening democracy’, capacity building for sustainable human development, and ‘humane
governance’ that includes good political, economic and civic governance and in which principles of
ownership, decency and accountability are ‘inextricable linked’ (Weiss 2000: 805; see also Moncrieffe
1998; Pillay 2004).
This international context further highlights that governance is all too readily associated with the good and is easily conflated with (or perhaps boosted by) its associations with transparency and accountability (see Kulshreshtha 2008: 557). By 1997, the World Bank linked improved governance not only to successful development but also to poverty reduction (World Bank 1997), Kulshreshtha (2008: 559) commenting that ‘good governance matters to poverty-reduction as it improves the overall quality of basic social and infrastructural services while making them more accessible to the poor’.

**Governance and Government: Derivations and Distinctions**

Given this agenda, we suggest that the notion of *good governance* can be regarded as a contemporary manifestation both of virtue ethics, for it is associated with normative ways of being that are highly valued and seen as having intrinsic worth for a community, and of the deontological principle of just distribution (Hursthouse 1999; Legge 1998). Perhaps the broad appeal of this association is why the discourse of governance has been so enthusiastically and widely adopted, leading public management scholars to feel a need to defend their disciplinary boundaries and to remind us that *government* and *governance* have different meanings. Indeed, articulation of this difference has drawn much discussion within the public management literature, where ‘current use does not treat governance as a synonym for government’ (Rhodes 1996: 652). Similarly, Pierre and Peters argued that *government* and *governance* may have the same derivation but that ‘they need not, and indeed, should not, be taken to mean the same thing’ (Pierre & Peters 2000: 29).

For example, while Kennett commented that ‘with the change from government to governance the governing administration is now only one player amongst many others in the policy arena’ (Kennett 2008: 4; see also Osborne & Gaebler 1992), there remains a clear meaning attached to the word *government*: Government is generally considered to be the formal apparatus of society, backed by the force of the police and the army, an apparatus that can impose its will on the society. As there can be governance without government (Rhodes 1996), defining governance as being only about the public or about public administration can be viewed as inadequate, for governance needs to be looked at in its wider, and original sense of steering (see Rosenau 1997).
Despite this, some in public management still take a narrow perspective on governance. For example, one recent OECD paper defined governance as 'the formal and informal arrangements that determine how public decisions are made and how public actions are carried out, from the perspective of maintaining a country's constitutional values in the face of changing problems, actors and environments' (2005: 16). The same paper also confused governance with government. It argued:

The 30 member countries of the OECD share core governance elements. These have emerged with the evolution of the modern state and include: democracy and citizenship; representation; a constitution; the rule of law; competitive party and electoral systems; a permanent civil service; separation of powers between the executive, the legislature and the judiciary; and secularity (OECD 2005: 15).

While we argue against confining governance to the public, we are aware that the term offers legitimacy due to its association with the good and the virtuous. Thus, even though the greatest current usage is in terms of corporate governance rather than public governance, definitions of governance in the public arena often pay insufficient attention to its usage and meaning in the private sector. This is unfortunate as it also ignores the position that governance is not just about government but also about the quasi-governmental links that are more prevalent now than when government involvement always meant government delivery (cf. Kamarck 2002; Kettl 2005). While governance on behalf of the government can exist and without authority or control by government, this is not needed as a definition of governance as such activities can co-exist within the normal meaning of governance as setting up a set of rules to run organizations. Again, governance needs to be able to include the rules for a tennis club or how the board of a company or private school is to operate.

Thus, no discussion of the term 'governance' can proceed without consideration of governance in the private sector. Indeed, it could be argued that there has been more serious theorising in corporate governance in the private sector than in public sector governance in recent years. From principal-agent theory to transaction cost theory to Enron and Sarbanes/Oxley, questions of corporate governance have dominated management in the private sector. Of course, there is a tangential government involvement here in that the corporation's legal environment as set out by government is a
key consideration in issues of corporate governance. However, it is not the only consideration and neither is it necessarily the most important.

The more recent concerns about corporate governance have been mainly about designing structures of accountability that lead to good managerial performance. The motivation is mainly to maintain and enhance shareholder and investor confidence rather than to satisfy any direct requirements from government and the ethical framework on which such design is based is one of consequentialism and focus on outcomes rather than the possession of inherent virtue or the deontological following of rules and principles known as ‘duty ethics’ (see Cunningham 2003). In public management, this thinking has been manifested most clearly in discussions of ‘entrepreneurial government’, which stresses ‘competition, markets, customers and measuring outcomes’ (Bevir & Rhodes 2003: 46) and from the internal emphasis on performance measurement and accountability under NPM (Hughes 2003). For example, a review of corporate governance in Australia stated that ‘a robust governance framework should, through transparency and accountability mechanisms, link power and responsibility to performance and review’ (Australia 2003: 2-3). Perhaps one reason why debate over NPM and whether or not it exists (Christensen, Lie & Lægried 1997; Hood & Peters 2004) has raged so fiercely stems from its very basis in shifting the ethics of governance from a virtue to consequentialist position (see Bishop & Connors 2003).

From Goodness to Preventing and Countering Opportunism

Thus, we suggest that over-concern with definitional deliberations on the term governance in public management has the effect of diverting or delaying attention to its ethics, including the more critical discussion of governance and particularly of good governance that is occurring in other disciplines (e.g., Ezzamel & Reed 2008). Ironically, it is this very goodness that limits the ways in which the term governance is conceived, for good governance has been all too readily contrasted with its obverse, with corruption, leaving very little space for addressing the greyness in-between (e.g., Kulshreshtha 2008; Camerer 2006; Pillay 2004).

While the study of corruption has received much recent attention (e.g. Academy of Management Review, 2008), the ready link between governance and corruption is particularly evident
within what Ezzamel and Reed (2008) have termed the 'rationalistic' perspective on governance, which emphasises efficiency maximization and takes the view that objective, quantifiable indicators of the extent to which such efficiency is achieved can be developed and verified (see also Brennan & Solomon, 2008). Under this view, Ezzamel and Reed (2008: 600) argued that humans are seen as 'essentially opportunistic' (see also Kulshreshtha 2008 for public management; Jensen 2000 and Keasey, Short & Wright 2005 for corporate applications) and that it is necessary to increase transparency as this will 'make it more difficult for anyone to act unfairly or corruptly, to reduce the grounds for reasonable suspicion, and thus to increase trust. Increased transparency brings a radical change of work culture, from a "default setting" of secrecy to one of openness' (Osborne 2004: 292). Such a view is clearly based on the assumptions of distrust and opportunism, its ethics more in line with Machiavellian republicanism than with Aristotle’s virtue ethics and view of the polis as an enabling site that assists growth and development (Pocock 1975).

One consequence is that weaknesses in corporate governance have been identified as contributing to corporate failures and corporate frauds (see Brennan & Solomon 2008 for several examples). However, accompanying the analysis of such cases in the private sector has come the growing recognition of the creation of value beyond narrow notions of financial value and of governance beyond the guaranteeing of shareholder wealth, including recognition of firm-specific human assets, social and environmental resources (Bhasa 2004). Accordingly, agency theory has at least to some extent given way to the recognition that the moral basis of stakeholders’ interests is greater than the interests of shareholders (see Collier & Roberts 2001 for comparisons; Martin 2003), and to a ‘raging debate’ on the relative advantages of stakeholder versus shareholder theory (Bhasa 2004; see also Agatiello 2008): on whose good matters most and on whether or not there is a place for reciprocity (Legge, 1998).

Further Complications and Challenges for Governance Research

In addition, several further factors have complicated simple consequentialist and virtue logics. These, which we now discuss, include the relevance of unintended consequences; the more formal recognition of the difficulties of consequentialism that is evident in complex systems theory; the
conflation of governance with and the recognition of localization as a challenge to best practice and (at least universalist forms of) virtue ethics.

**Beyond good (and bad) governance.** Reviewing a range of perspectives on governance, Ezzamel and Reed (2008: 612) noted a common and ‘sustained analytical focus on the detailed regulative practices and forms through which power and control are, at least temporarily, stabilized with sufficient force to permit the emergence of domination structures that make economic, political and cultural governance possible’. In addition, unintended consequences can emerge due to power dependencies, particularly if one takes the view that the focus of governance is on ‘governing mechanisms which do not rest on recourse to the authority and sanctions of government’ (Stoker 1998: 17).

This sort of thinking also informs Duit and Galaz’s (2008) article on governance and complexity, where they examine the potential for non-linear change and how governance systems can both buffer and weaken the capacity to govern complex adaptive systems: ‘how different governance models handle processes of multilevel, uncertain, and nonlinear change’ (Duit & Galaz 2008: 312). In complex adaptive systems, small changes can trigger irreversible system transformations and interactions can result in ‘surprises’ where there are poorly understood interaction effects and cascading effects, particularly in tightly coupled systems where disturbances may become amplified and consequences are neither easily anticipated or easily assessed. We suggest that such systems are worthy of examination and that public management scholars should focus more on unintended consequences, organizational surprises and amplifications in efforts to extend the ethical vocabulary of research into governance beyond simple notions of good and bad governance.

**Beyond best practice.** In addition, the subjects of governance research are becoming more varied, both in the public and private domains. For example, Brennan and Solomon (2008) discussed how corporate governance research, even in the accounting and finance area, has moved from its traditional focus on Anglo-Saxon stock markets to a greater recognition of variety; of divergent practices and of the importance of insider control by founding families and large institutions such as banks or institutions of the state rather than singular notions of ‘best practice’ which, we argue, are often (ironically) ‘benchmarked’ in terms of comparative (consequentialist) outcomes (see Wolfram
Cox, Mann & Samson 1997). This shift has also been noted by Kushreshta (2008: 562), who commented on how the World Bank's initiatives have shifted from those based on models of 'best practice' until the 1990s to notions of 'good fit' preceded by '[a]n in-depth understanding of the institutional or ground realities of a country' (see also Moncrieffe 1998). While some may see this as a compromise to the universalism of virtue ethics, others place virtues within a specific ethos, recognising the need to locate ethics within a particular social setting (see Macintyre 1984).

The recognition of local context is having an important impact on the proliferation of models of corporate governance. For example, Bhasa (2004) reviewed the degree of convergence and divergence among such models and also distinguished differences in ownership structures between the diffusion seen in the US and the (traditional) concentration seen in most continental and Asian countries in his discussion of the globalization of best practices and the growth of comparative corporate governance (see also Weiss 2000). Bhasa commented on the challenges that such globalization provides and how the East Asian economic crisis triggered the need for many countries to adopt better governance practices (2004: 6), leading to a push for convergence in governance practices that may not be achievable given the realities of differing ownership concentrations and differing regulatory mechanisms in different countries, even with the growth of market-based economic systems and the transition efforts underway in eastern Europe and some Asian countries.

Kulshreshta (2008) also commented on this development, noting that the World Bank has encouraged local community participation in decision making; for example, in Pakistan, water users' associations have been created and have been delegated authority to operate and maintain irrigation canals, the maintenance of which has been contracted out to the private sector. Such efforts illustrate what Bevir and Rhodes (2003) have identified as the 'marriage' of NPM with liberal democracy (and perhaps the need to negotiate both consequentialist and virtue ethics), for the World Bank and other international institutions have become more interested in how countries, particularly countries receiving aid, organize and run themselves. Indeed, Bevir and Rhodes have an additional definition of governance as the new political economy which re-examines both the government of the economy and the boundaries between civil society, state and the market economy as they become increasingly
blurred (2003: 48-49; also see Fountain, 2001 for a discussion of the greater use of markets and
market-based systems under NPM).

As Bhasa (2004) has argued, contemporary approaches to governance examine a wide range
of issues including the roles of politics, of culture, of the origins of individual countries’ political
structures and legal systems in justifying divergent corporate governance and of the possibilities for
facilitating international codes of conduct as emphasis has moved from internal control via incentive
alignment and improvements in contracting practices to outside-in strategies or control mechanisms
from outside the corporation to protect investor or shareholder wealth from expropriation by insiders
(Bhasa 2004: 9, see also Agatiello 2008; Kulshreshtha 2008; Osborne 2004).

For example, Kulshreshtha (2008:560) has reviewed the World Bank’s emphasis on aid
disbursement to assist countries in the building of budgeting and expenditure management systems,
commenting that development initiatives may end up focusing more on short-term projects than on
longer term long term efforts to develop competitive and well-governed institutions. Bhasa (2004)
argued that the emphasis toward outsider-oriented models of corporate governance marked by the
existence of a widely diffused ownership structure, liquid stock markets and a low level of inter-
corporate crossholdings is a fad and that integration of domestic corporate practices with international
standards will only occur where there is the political will to support such integration. As he stated,
‘[c]orporate governance problems do not end by imitating best practices of some other country’ and
that it would be preferable for there to be ‘concerted efforts by countries to understand their internal
strengths’ (Bhasa 2004: 16) and for new approaches to corporate governance to emerge ‘in the
experimental economies with the right balance of market-oriented, relationship-based and ...native
models of governance’ (2004: 17). Similarly, Kulshreshtha (2008: 562) has commented on how
development projects need to be sensitive to the ‘institutional realities’ of a developing country.

As Pillay (2004: 588) has argued with respect to South Africa, ‘[a]ny focus on corruption must
be coupled with an equivalent focus on the positive aspects of good governance’, recognising that a
secure and stable environment is necessary for good governance to be sustained; and, thus, for
researchers to investigate case examples where good governance is not only a possibility but a reality,
even if that reality must always be understood within local contexts.
NEW DIRECTIONS:
CHALLENGES AND OPPORTUNITIES FOR GOVERNANCE RESEARCH

While such thinking may well offer us much to assist us in understanding the current crisis in our financial markets, Duit and Galaz (2008) suggest that in the governance arena it highlights the need to consider effects across nested governance systems (and not just within organizations) and to examine effects across time. It may also be quite encouraging. For example, Duit and Galaz (2008) discuss how local changes can make a difference, drawing on Tsai’s (2006) example of how ‘coping strategies involving (formally illegal) local-level markets and firms eventually contributed to comprehensive reforms of China’s economic policy, ruling party, and state’ (Duit & Galaz 2008: 327). Duit and Galaz argue that only a robust type of governance – one that combines an ability for early detection of change with flexibility in decision making, dense patterns of cooperative action and the ability to reorganise- is likely to perform well regardless of the degree of certainty and the rate of change it experiences as it is ‘well-equipped for handling steady-state governance, long-term transformation processes, and sudden changes alike’ (Duit & Galaz 2008: 321; see also Stoker 1998). They use the examples of air-traffic control systems, military organizations, large-scale power systems, preindustrial English agrarian communities and medieval communities in Japan and it is important that ‘reformed’ public organizations that are purportedly moving away from traditional bureaucracy toward enterprise management or NPM (or both) be studied in terms of how well they are achieving this combination of flexibility and stability and managing what are potentially competing logics.

However, ‘[d]esigning governance systems that simultaneously produce high levels of collective action and learning often means overriding basic institutional features such as path dependency and stickiness – a feat that is not likely to be accomplished easily ‘ (Duit & Galaz 2008: 329; see also Bhasa 2004) and is also worthy of further research. We can observe examples of both traditional and new bureaucracies that deliberately select, repress, discard or restore elements of bureaucratic norms and values (Bolin & Harenstam 2009) and some bureaucracies have been described as more ‘enabling’ (Adler & Borys 1996), as more ‘collegial’, as more ‘democratic’ (Clegg, Courpasson, & Phillips 2006) and more or less ‘trustworthy’ (Uhr, 2005) than others. Thus, we
further suggest that the public organizations most worthy of examination are those that purport to achieve, at least to some degree, these characteristics.

One current emphasis (and source of such stickiness) is the importance of organizational culture. For example, Osborne (2004: 293) points to the culture changes that should be associated with organizational efforts to increase transparency. He argues that ‘[i]ncreased transparency is a necessary response to a more educated and more informed public and a less secure world’ but also notes how difficult it may be to overcome ‘a preoccupation with confidentiality’ and then to deal with effects such as the costs of compliance, the possibility of reduced documentation and increased risk aversion. Osborne (2004: 294) also argues that accountability, which ‘requires accounts to be given, [and] actions to be reported’ to line management and other stakeholders, demands a culture change ‘that goes beyond compliance with the rules’. He suggests that this can also have negative effects, for cultures focused on outputs can often impose targets and that imposition can lead to problems where figures are manufactured or categories blurred (e.g., Loveday 2006). Thus accountability can create corruption, which is a rather disconcerting thought and one that also deserves further research attention (note Uhr’s caution 1990). Accordingly, if the organizations selected for study are also those that exhibit strong traditional cultures but are also held to public account (e.g., police services, health providers, courts), the particular negotiation of tensions between progression and tradition is likely to be quite revealing and may inform analysis of less extreme cases in the public domain.

In conclusion, it is now time to develop a more research-informed agenda into governance discourses and their effects; into how the specific associations among governance, transparent processes and accountability of outcomes play out to serve particular interests; and into the changing nature of control in the public arena where the particular mix of public and private enterprises and practices may have very different effects. Depending on whether the setting is one of urban development, education, healthcare or policing, there is a need to negotiate tensions among virtue, deontological and consequentialist ethics as they are played out in the enactment of particular policies rather than in the overly general notion of good governance. We suggest that such an agenda will provide a new basis for comparison among the plethora of opinions on governance and allow a way forward for discussion of both hybrid organisations and hybrid ethics.
REFERENCES


