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Why Ethical Leadership is Essential for Achieving Economic Inclusion

Our economy and society have been shaken by the events over the last few weeks that saw the combination of an attempted insurrection, criminality and extreme desperation due to systemic poverty, result in massive destruction to economic infrastructure, loss of life and livelihoods. This dire combination, exacerbated by the third wave of the COVID-19 pandemic, has left many feeling extremely fearful and vulnerable. It has also highlighted that as we #RebuildSA, we need to address the systemic issues of inequality and exclusion urgently and fundamentally. Part of this includes strengthening ethical leadership and addressing corruption, to build trust and accountability, through social cohesion and economic inclusion.

Unethical leadership and corruption are the combined results of bad behaviour, poor governance and inadequate controls in companies, organisations or institutions. Together, these act to perpetuate the organisational narratives that lead to corruption in the first place. Corruption inhibits economic growth and has multiple effects on business operations and investments. It also reduces tax revenue and the effectiveness of various financial assistance programs. At a macro level, corruption channels fiscal spending away from where it is needed most, thereby amplifying social inequality and economic exclusion. The compounded result of systemic corruption over multiple decades is the hampering of employment, infrastructure development, health care systems, social support and service delivery. Over time, these processes work to further marginalise and exclude young people, women and the poor.

The implications of corruption are equally devastating in their impact on eroding trust and cohesion at a time when the challenges of inequality, poverty and unemployment require collective systemic change to grow our economy equitably. A strong and inclusive economy means that we need to rebuild and restore public confidence in South Africa in these areas, through catalysing development opportunities and removing structural impediments to equality, opportunity and freedom.

The exacerbated levels of inequality and poverty amplified by the COVID-19 pandemic have highlighted the need for responsive and accountable mechanisms to “fix” the economical divide. Building trust and cohesion requires good governance at the state level. In turn, this requires political interventions that are driven by ethical leadership

combined with a value-driven private sector. Combined, these factors work to expand access for economic inclusion by addressing the exclusionary structures within our economy. This is done by shifting the barriers of entry through innovation and multi-stakeholder approaches.

Given that corruption occurs in both the public and private sectors, the **National Business Initiative (NBI)** advocates for a value-driven private sector through ethical leadership to drive bold transformation. In particular, we focus on the role of business in society, encouraging business to play a responsible, trusted and progressive role in society, while working with our members to address corruption in the private sector. We have seen a growing focus within corporates to strengthen ethical leadership and address corruption, given the understanding of the devastating effects of corruption on, for example, economic inclusion.

Many corporates are examining how their own internal structures either enable, or prevent, corruption. At an organisational level, this requires addressing organisational cultures to clamp down on corruption. The NBI's [Ethical Leadership and Anti-Corruption \(ELAC\) Programme](#) dealt with this subject matter at length in the benchmarking report: [Understanding the Private Sectors Approach to Anti-Corruption](#). Organisations need to monitor the triggers that contribute to and shape their values framework. Furthermore, organisations need to understand what is explicit versus implicit, in other words, what is said versus the reality of the organisation.

One way to embark on this internal examination is to interrogate workplace culture. Organisational culture is shaped one way or other by basic assumptions, including unconscious values and beliefs, as well as values, whether explicit ideologies or goals. Examining how these elements interact and evolve in different institutions is important. This means interrogating the difference between stakeholder satisfaction versus quantitative results, employee satisfaction versus employee performance, conformity versus individualism, and flexibility versus rules.

Many South African corporates have taken to heart a number of these issues and are focussing on drilling down to understand the systemic symptoms that allow for bad governance and a lack of formal controls. The result of this examination is that we see current affairs headlines tackling these issues on a large scale and questioning major industry giants on both protocol and procedure. An example of one such heading is: "Tender Turmoil: EOH slaps former chief executive with R1.7bn damages lawsuit" featured in the [Daily Maverick](#). Leading ICT company, EOH has filed an R1.7bn lawsuit against their former CEO, Asher Bohbot, in the spirit of promoting transparency, responsibility and being an accountable leader.

Strengthening the relationship between business and broader society is done by building trust and accountability, which in turn requires an ethical and responsible private sector.

So how is the NBI's ELAC Programme addressing the organisational and behavioural aspects of building trust and accountability? The program was established as a direct response to the 2018 Presidential Jobs Summit Agreement Framework and a recognition of the need to address corrupt and unethical practices and behaviours in the private sector. The programme aims to build an anti-corruption initiative in the private sector through the development of a set of training materials that are relevant and appropriate to the challenging issues facing South Africa as a country. These training materials are combined with the development of a transparency framework, with a strong advocacy component, that brings to the fore the need to address corruption at all levels in the South African private sector. New ways of thinking and questioning are also being catalysed through this programme.

Therefore, at the core of our ELAC work, we believe that citizens (both young and older leaders) play a critical role in advocating and helping to ensure public and private institutions are transparent, accountable and effective.

We believe that by activating leadership and empowering ordinary South African employees to make the right choices, the negative effects of corruption can begin to be addressed and an economically inclusive and transformed society can be achieved, otherwise it will remain an elusive dream.

For more information about the NBI's Ethical Leadership and Anti-Corruption Programme, please contact Thuthula Ndunge (ThuthulaN@nbi.org.za)



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The National Business Initiative (NBI) is an independent and voluntary coalition of South African and multinational businesses launched in 1995 by the then President, Nelson Mandela.

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