

## **Distributed Governance and 360 Degree Accountability**

**Presentation to the *Symposium on Ethical Leadership in Organizations*, McGill University, Montreal, May 27, 1999**

On behalf of my colleague Gilles Paquet, I would like to express his regrets for having to bail out of this event in such an unseemly manner. I know that he was very interested in the discussions of this forum but due to circumstances beyond his control, he was not able to attend. He asked if I would present his ideas on his behalf. To our host Professor Kanungo I wish to express my thanks for accepting me in his stead, although I will make no pretense at imitating my colleague's wry wit or probing intellect.

Gilles and I, along with several others at the Centre on Governance, have for a number of years now been exploring the new models of distributed governance that have been popping up here and there in the private sector, in government, and in society -- throughout Canada and around the world. Much of my own work has involved researching organizations where distributed governance is being applied, so it was not altogether a stretch for me to be here today to discuss the ethical demands on leaders in these new organizations.

My major challenge this afternoon, for those of you who may have already glanced at Gilles' paper, is to condense a series of rather weighty and complex ideas into a few short minutes.

Distributed governance is increasingly the norm of organizations in a global, network economy that is increasingly knowledge-based. For those in business, witness the growth of alliances, joint ventures, and partnerships that span globally and utilize international production networks (witness Cisco Systems and its tens of thousands of partner firms and organizations). In such a situation, organizations simply can no longer impose their views on clients or customers. There is constant negotiation and bargaining with partners.

Similarly, in the public sector, health care for example, with its complex layers of stakeholders ranging from patients, to doctors, hospitals, nurses, professional associations, corporate providers, regional health authorities, researchers, provincial authorities, national associations, alternative care providers, federal authorities, the voting public, and international authorities like the WHO. Before a health service is provided, who decides the options for treatment? *Answer* -- all of the above. But unfortunately for the patients, not necessarily in any coherent way.

In today's multistakeholder environment, the strategic organization has been forced to become a broker, an *animateur*, among collections of individuals, firms, states, and communities in an interconnected and interdependent ecology.

All of this has increased the importance of social learning as an on-going process in any organization (to improve innovativeness) and has reduced the monopoly of leaders on the governing of the organization. This refers not just to the dispersion of power downwards to local decision-makers but also to a wide variety of actors and groups. In 1994 de la Mothe & Paquet showed that motivated, flexible teams linked through informal, moral contracts accomplish the most effective learning. Probably one of the most dramatic and well used examples of this is the open source development of the Linux operating system – a story well documented in Eric Raymond's *The Cathedral & the Bazaar*.

Michael Best's assertion that "organizations can no longer go it alone" which looks at the motivation to cooperate, must now be updated to read "to innovate, is to learn quickly, and for that, everyone must take part in the conversation" as a means of going forward into collective action. Consequently, we see a variety of new relationships developing -- firms working with other firms, firms working with government and firms working with their communities and the third sector as well. The result is a growing network of horizontal links across all sectors of society.

Under the ideal circumstances of trust, plentiful social capital, openness, reasonableness, and mutual understanding, social learning flourishes and generates an ethic likely to produce win-win-win synergies across society. Unfortunately, this is not an ideal world. However, the underlying potential for self-organization among a multitude of players remains. The question is how do you animate it?

The first requirement of a multi-stakeholder environment of partners is the need to address the coordination challenge but elements of the governance of coordination have become distributed. In a distributed governance world power is shared, each person assumes some degree of duties and obligations and therefore carries some burden of office. Therefore the first challenge of a distributed governance regime concerns the *burden of office*. Unfortunately, those duties are often ill-defined and while each person can act both as governed and governor, depending on a socially-based set of expectations and justifications, the nature of his or her burden of office can become rather fuzzy.

The complexity and fuzziness of the *burden of office* tends to infect the notions of accountability and ethics with similar uncertainty. *Accountability* refers to the requirement to “answer for the discharge of a duty, or for conduct” -- presuming acceptable performance is defined and that there exists an acceptable language of justification to defend one’s conduct.

A good clarification of this notion of ‘acceptable language’ is offered by comparing the situations of Canada’s Chief of Defence Staff, General Boyle, and his defense to charges that he failed in his duty as leader of Canada’s defense forces in overseeing his troops in Somalia. His accounting to Canadians essentially consisted of saying that he wasn’t informed properly by his subordinates. In contrast, Canada’s UN commander in Rwanda during the period of genocide in 1994, General Dallaire, had to defend himself against charges of war crimes and dereliction of duty in the deaths of several Belgian troops under his command. His accounting was that he continuously informed his superiors of worsening situation in Rwanda, that he asked continuously for reinforcements and that because he had few resources and limited intelligence he made a decision to sacrifice 12 Belgian troops to save a much larger group of 10,000 innocent and otherwise unprotected Tutsi civilians that had collected in a stadium. Boyle was forced out and Dallaire was exonerated.

Since there are many claims to authority, and many different kinds of accounting that may be required to be made (to shareholders, to stakeholders, to public authorities, to professional associations, etc. as in our previous health care example), -- in addition to the complexity of events for which one may be accountable -- accountability has also become fuzzy. In an arena where multiple accountabilities exist, one can not choose a single accountability over others. To do so would be to minimize the importance of the others. Such a route is extremely dangerous as it would thoroughly destroy the trust and social capital that so enables cooperative undertakings to exist. Accountability therefore must be 360 degrees, and be inclusive of all stakeholders.

Moving on to ethics, Paquet describes it as a form of goodness-of-fit between the burden of office and the moral issues inherent in the circumstances. In a distributed governance world, the choices are among incommensurables. For example, we may have a designer who must choose between a design not yet made and a context he has not yet fully determined. The very fact that one is being forced to choose between conflicting values, implies an absence of universally accepted ethical rules. Therefore it seems obvious that one can not rely on a single ethical measuring stick.

This may seem like forgoing a “silver bullet” approach, but it is not a nihilistic position where “anything goes” or “nothing matters”. Just the opposite – in ethics everything matters. Just as in the previous case of “360 degree accountability”, the pursuit of one form of ethical code diminishes the value of another set of rules. The key to resolving a conflict between competing ethical values is their common acceptance and that requires the inclusion of them both. There is no easy way out. To achieve this there must be dialogue, social learning, exchange, negotiation – as imperfect as the results from these may be.

When the most intractable ethical issues prove to be non-rational, the application of standard theories (Utilitarianism, Rights-based, and Social Contract approach) prove futile because of these theories deny of the potential existence of unresolvable conflicts and their recourse to universalism. These standard approaches lack balance because they are completely disconnected with the full appreciation of their context. Paquet speaks about trying to strike a balance between the moral push of living up to one’s own values and the moral pull of respecting the values of others.

Those standard theories can be generalized into three groups.

1. Utilitarianism - the good of the many outweigh the good of the few, eg. The collateral damage in Kosovo is acceptable or a host of other atrocities during and after WWII or conversely why the Enterprise crew is forced to mutiny in the most recent *Star Trek Insurrection*.
2. Rights-based - eg. human rights, the absolute nature of which can justify almost any action. “Bombing for peace” one of the great absurdities of our time being conducted in the name of establishing human rights in Yugoslavia. At some point in the future, someone will sue the US in international court for damages and it will be upheld because the NATO had no legal right to intervene in the affairs of a sovereign nation.
3. Social contract approach - redistribution to those who are poorly off

Paquet reminds us that learning occurs in conditions of meaningfulness and openness but that learning need not always take some formalized conclusion. It is most often tacit knowledge, predicated on experience which when learned, as Polyani describes, allows us to “know more than we can tell”. That tacit knowledge may be as simple as appreciating another’s point of view in a way that leads to a reduction of “us-them” divisions and more of a sense of “they are like us”.

Paquet uses what he calls the ND<sup>3</sup> framework to try and make sense of the tensions in situations with multiple ethics – Nozick, Dubnik, Donaldson & Dunfee. (Slide of Dubnick and slide of D&D) This three dimensional framework – the moral push and moral pull a la Nozick; the various organizational settings from Dubnik; and the different layers of moral contracts a la Donaldson and Dunfee – reveals a great complexity of moral standards. In today's network organizations this complexity increases because of the need to regard all of the relationships as significant and essential although in different circumstances. How is this to be handled?

First, we have to find a way to talk about it, presuming we can establish a reason for getting together. Drawing from Wittgenstein, Paquet suggests that mutual understanding comes from dialogue. It comes from talking about numerous cases, describing examples, drawing analogies, and drawing attention to the in-between cases to move understanding from the familiar to the unfamiliar. In essence, moral contracts are arrived at by case by case negotiations which foster an accumulation of tacit knowledge.

As this tacit knowledge is assimilated, and experiences are related and compared a type of *connoisseurship* of ethical suitability develops. In much the same way as we learn to swim or ride a bicycle or develop the skill of a wine taster, *connoisseurship* emerges from the jointness of some basic capability with extensive exposure to a large number of intermediate cases. *Connoisseurship* does not follow explicit rational rules. It is an instinctive response culled from long experience, like the carrier landings by fighter pilots. To balance competing ethics appropriately agency, accountability and obligation in a world of distributed governance, fuzzy accountabilities and obscure burdens of office, an ethical connoisseurship is required that enables leaders to act instinctively.

Learning values is like learning how to swim: it is done by eliminating mistakes, by a continuous re-alignment to ensure a goodness of fit between standards and circumstances. To walk this road, however, is also to recognize and embrace errors as a fundamental building block of learning. A good example of this we found in a local Ottawa production plant for KAO Information Systems where all employees were required at one point to take and pass a course in statistical control as a requirement of their continued employment. No one was let go in this regard because the firm was willing to allow everyone to take as much time as they needed in order to establish this criterion for themselves. They recognized that everyone learns at their own rate. Similarly, people aren't going to always get ethical questions right the first time and so there has to be a willingness to learn

from mistakes and go back to the drawing board. To facilitate learning, organizations must:

- Acknowledge uncertainty
- Explicitly accept and embrace error as a precondition for learning
- Be willing to search wherever

In the context of distributed governance, ethical leadership can not be top-down. It must be part and parcel of a process for discovering new goals, new strategies and new relationships. There are three capacities necessary for today's leaders:

- Meaning-making - Leaders are required to make sense of people's experience by helping them put it in a larger context, by providing a sense of purpose, building a shared vision among its stakeholders
- Ability to inspire trust and confidence -- this is done by not taking ownership and influencing the community to face its own problems. In a recent book by James O'Toole called *Leading Change*, the cover has a painting entitled Jesus Christ enters Brussels in 1989. He's a small figure in this great multitude. How does he get the attention of the people? He listens. It's amazing what you can do when you listen to others.
- Community building – this is about developing and nourishing relationships between organizations, about skillfully recognizing and resolving conflicts, contradictions, and paradoxes. This requires the capacity to suspend judgement, to stand in the other person's shoes and to question one's own assumptions.

Ethical leadership is built on the ethical *connoisseurship* of the leader. These leaders lead from the bottom up, reflecting the values of their stakeholders but gently moving them beyond their limits. Through their own actions they instill key values in others. If the conversation is carried on truthfully, the leaders earns trust by serving the needs and aspirations of the followers.

While an absence of single ethical approach may be disconcerting for some, especially those committed to ethical universalism, adherence to a silver bullet is far more problematic. Paquet proposes a relativist approach where matters are debated case by case and solutions may differ from place to place and time to time. Ethical leadership listens, encourages dialogue and seeks to help others resolve conflicts.

In conclusion, I would like to read from a piece by John Womack from his 1969 piece on Gildaro Magana (who took over the Mexican Revolution after the assassination of Zapata).

He says of Magana “*What he learned was to mediate: not to compromise, to surrender principle and to trade concessions, but to detect reason in all claims in conflict, to recognize the particular legitimacy of each, to sense where the grounds of concord were, and to bring contestants into harmony there. Instinctively he thrived on arguments, which he entered not to win but to conciliate.*”

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*Gilles Paquet is the Director of the Centre on Governance at the University of Ottawa and Christopher Wilson is a Senior Research Fellow at the Centre on Governance*