The integrity development in corruption tolerant context in the post-truth world – a case study[1]

written for the Permanent Study Group VII: Quality and integrity of Governance of EGPA

by Dr Katalin Pallai, associate professor, director of the post-graduate program for integrity advisors, National University for Public Service, Hungary

e-mail: pallai.katalin@uni-nke.hu

Abstratct

Quality and morality of public administration are interdependent. This link is especially visible in corruption tolerant environments where besides the institutional and regulatory weaknesses assumptions of stakeholders and organizational and social narratives are equally important contributing factors to widespread and normalized activities that breach public integrity and effectiveness of governance. In the post-truth world corrupt political forces stabilize their extractive activities not only through structures that allow them to extract public resources but also by creating legitimizing narratives. In such contexts, it is an important question how can honest civil servants remain honest. How can they maintain the democratic values of public service and defend their own personal integrity according to these values, and the integrity of their organization against political intervention.

The proposition of the paper is that in corruption tolerant contexts where complex patterns of corruption and legitimizing narratives have evolved and even honest stakeholders often become confused and paralyzed, traditional positivist public policy instruments are not sufficient to curb corruption and turn around destructive processes. Public integrity development need to be a complex transformative

process supported by positivist technical instruments, collective processes and post-positivist narrative instruments. For guarding integrity, beside positivist intervention strategies, substantive and reflective dialogue and through it, mutual trust and mutual accountability relations need to be established among staff members.

In its second part, the paper presents a new organizational practice experimented during the last years in some Hungarian public organizations. The practice is a collaborative and integrated risk management process that merges the technical internal control and other corruption prevention activities with a complex, structured and substantive internal dialogue process. Its positivist technical component is focused on the strengthening of the 2nd line of defence in the internal control system by an interdepartmental risk management working group who task is to integrate the activities related to the internal control system and the integrity management system of the organization. The post-positivist component is a complex and structured dialogue process established among risk owners and other stakeholders within the organization that is more substantive than the standard interaction of stakeholders in better functioning internal control and assurance systems. The dialogue, implemented by specifically trained anticorruption facilitators, connects officials who are responsible for different processes and experiencing different aspects of integrity breaching practices but alone would feel and be ineffective in face of complex problems. The process allows complex analysis and creating a shared map of the institutional reality that can support coordination in intervention. Its other merit is that it opens a space for reflective dialogue that can build mutual trust among stakeholders and reconstitute personal perceptions, and values. This collaborative dialogic practice allows the reframing of problems and organizational reality and has the potential to break paralysis of civil servants and create dynamics for positive change.

Key words

Integrity management, post-positivist anticorruption, dialogic approach, internal control system

CONTENT

The integrity development in corruption tolerant context in the post-truth world – a case study

by Katalin Pallai

Complexity and rapidly changing environments are part of our world. Complexity is mysterious because we cannot explore all interdependencies and so unexpected processes arise. Complexity is also alluring because it is full of opportunities. Faced with complexity, we cannot capture the whole, we create our own stories of reality based on what we can and wish to see. Others also create their stories. When our fellows' stories are close enough to our heart and mind we connect. This extends our horizon. Other stories may disturb or frustrate us. We tend to refuse them and exile them from our sense making. Through growing diversity in our environments, stories become more diverse. We need to remain open, reflect and safely navigate: learn to deal with this diversity. This is a competence.

Since the 1990s, growing attention has been given to narratives and discourse in political and policy theory, and to their constitutive role in creating our reality. The resulting consciousness and technical sophistication of discursive strategies is a new phenomenon. The struggle for creating alternative stories and truth reaches to our daily private talks and personal reality. The discursive struggle for power and influence, at the extreme, leads to fake news, conscious misinterpretations and even to factual lies. This process damage our trust in information sources and renders increasingly challenging to feel safe and to understand the world surrounding us, or

even our immediate environment. We long for relations and reference points we can trust.

My country, Hungary for decades had been the "happiest barracks of communism", then, during the 1990s made a jump start in post-communist transition and became a model for democratic restructuring. At the time when we remodelled the key institutions. The main political storyline was about reconnecting to the Western World and building open market and open society where we all have opportunities. Today the official political storyline is about building a specific model of 'illiberal democracy' with strong leadership and through the support of Hungarian entrepreneurs who are reliable allies of the political elite. [2]

Public administration changes slower than political narratives. The system and the carrier civil servants who have proper education and moral commitment produce inertia for political dynamism when it goes against earlier norms and systemic principles of democracy. At the same time, civil servants are not immune to political and social narratives. Their norms, sense making and judgements on certain questions may also change because their concepts and cognition are also socially constructed. It is a question how can democratic principles and the 'esprit de corps' be defended.

I propose that the ethical commitment and professionalism of civil servants is an asset in Hungary. At the same time, civil servants cannot effectively respond to the new challenges if they remain stuck in the traditional, positivist approach they learned to use and feel comfortable with. They must become aware of the processes impacting them and learn to reflect and defend themselves. Trust, beliefs, concepts and structures need to be reconstructed in order to find the path back to a more just and democratic public service.

---

[2] In 2015 one of the key ideologue of FIDESZ (the governing party in Hungary) and then director of the think tank heavily supported by the government told in an interview given to a pro government magazine that: „What the opposition calls corruption is the key policy of FIDESZ…creating a national entrepreneurs who become the pillars of strong Hungary." (Lánczi 2015)

In this paper, I write about public integrity management in the Hungarian public administration. My focus is on organizational integrity. Many Hungarians would say that this is a technical question that should be discussed separated from political and social processes. In their positivist world view politics and policy are distinct domains. This is a trap. It leaves important constitutive processes unobserved, and thus, stakeholders unprepared to react consciously. In the paper, I want to look at this trap and possible escapes from it.

My conviction is that in corruption tolerant environments, where integrity breaching practices are imbedded in daily routines and often happen without notice, an exclusively positivist approach is not sufficient for preventing corruption and establish integrity. The positivist models give important keys to understand certain aspects of structural arrangements and design some interventions but in themselves are not sufficient for effectively strengthening democratic institutions. It is not sufficient to change formal rules and structures. The corruption tolerant culture should also change: people's perceptions and concepts, how they define and legitimize corruption and integrity: the local reality. This is a post-positivist enterprise.

In the paper first, I discuss how the corruption tolerant political and social environment impact the operation of public administration. Then, I report about a new integrity development mechanism that I believe have the potential to help decent civil servants to collectively resist discourse processes that can push them to deviate from democratic public integrity.

My contribution, although linked to theory, is practical because my interest is focused on praxis. I am interested in how to teach integrity professionals and support integrity system development in public administration. In this paper, I first present the most important conceptual frames that underpin my work, and then, I present a part of my experience. The case describes the concept and the story of an integrity development mechanism we developed in Hungary. This may be a potential new path to build integrity in corruption tolerant environments. A mechanism that may make sense in similarly challenging other environments as well.

Conceptual underpinnings

In this first part of the paper, I discuss those concepts and ideas that underpin my thinking about organizational integrity management and can help understand the underlying logic of the integrity management approach that I present in the second part.

Public integrity and integrity management

I write about public integrity management in public sector organizations. The first step is to define what I mean by public integrity and integrity management because there are many competing definitions and demarcations of the concepts. (Huberts-Hoekstra 2016:13) In my definition public integrity means that the organization operates according to democratic principles and effectively uses the powers and resources entrusted to it for the implementation of the officially accepted and justified public interest.[3] This definition of public integrity is wider than either the OECD definition[4] or other definitions focused on ethics management. I use this wider definition because I work on integrity in Hungary, that is, in a corruption tolerant context. In a context where structural and personal incentives in organizations, and narratives and readings of stakeholders often deviate from basic democratic principles. This is why my integrity definition explicitly incorporates the expectation that the 'organization operates according to democratic principles'. The issue I work

---

[3] It is important to note that I consciously put 'democratic' into my definition and a more contextual definition, e.g. like Johnston (1996)

[4] "Public integrity" then refers to the application of generally accepted public values and norms in the daily practice of public sector organisations. (OECD 2009: 9)

on is how to develop public integrity according to the principles of western democracy.[5]

There is more unity in the literature in the definition of integrity management: Integrity management is the complex process of interventions that is undertaken to stimulate and enforce integrity and prevent corruption and other integrity violations. (OECD 2009: 10; Huberts-Hoekstra 2016: 15 referring to Van Tankeren-Montfort 2012) This is how I use the term as well.

Corruption is a stretched tangle - a metaphor to capture complexity

A large part of positivist models conceptualize corruption as a rational, conscious, rent seeking decision of individual(s) that breaches the norms and rules pertinent to the perpetrator(s). Other positivist theories focus on the structures, rules and ethical codes and systems that make corrupt activities probable. Both approaches, the one focusing on individuals and the one focused on the system, identify potential drivers and processes of corruption but offer no indication that in a specific case which model to apply or which driver may have decisive impact. That is, which theory to apply in a specific context. The other weakness of the positivist models is that they explore the rational drivers, while in a corruption tolerant environment, not only rational interests, rules and incentives but corruption legitimizing concepts and narratives are also present. The third weakness, from my point of view is that positivist models cannot deal with the complexity when individual and systemic drivers function in an interplay. In a corruption tolerant environment distorted structures, material and moral incentives and corruption legitimizing narratives are equally present and in most cases many concurrent derivers determine what

---

[5] Although I will argue for contextual analysis, I attempt to avoid cultural relativism. I want to understand the local context to understand what should be and how could be changed for implementing western democratic principles.

happens. This is why post-positivist scholars argued for the need for contextual analysis that can explore both formal structures and their contextual meanings and understand which of the potential drivers work in the local context and what kind of interplay among them evolves into corrupt practices. (de Graaf 2007; Graaf-Huberts 2008)

In my work I focus on teaching integrity and supporting civil servants in their fight against corruption. Busy professionals are my key target group. Although, they need to understand complex ideas if they want to do their job appropriately, they have limited time and interest for theories. Explaining all underpinning concepts, conclusions and limitations of a wide range of theories is mission impossible. In order to capture the complexity of corruption, I created a visual and metaphor: corruption is like a 'stretched tangle'. It is like the tangle on the picture below that shows an art work of Roza el Hassan. (Figure 1) The sculpture is a knot of iron cables and nets that are not only hopelessly tangled but also solidly anchored to some external fixtures.
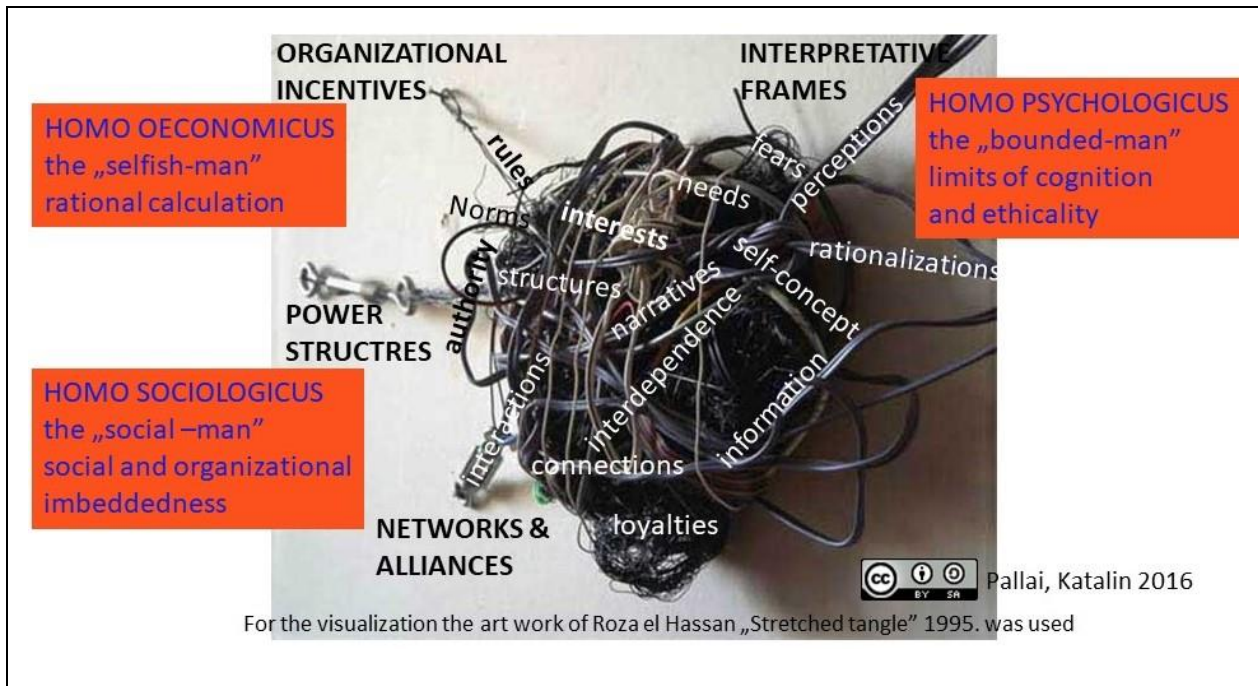
Figure 1 – The stretched tangle, sculpture of Roza el Hassan, 1995

Source: http://www.roza-el-hassan.hu/1995.htm
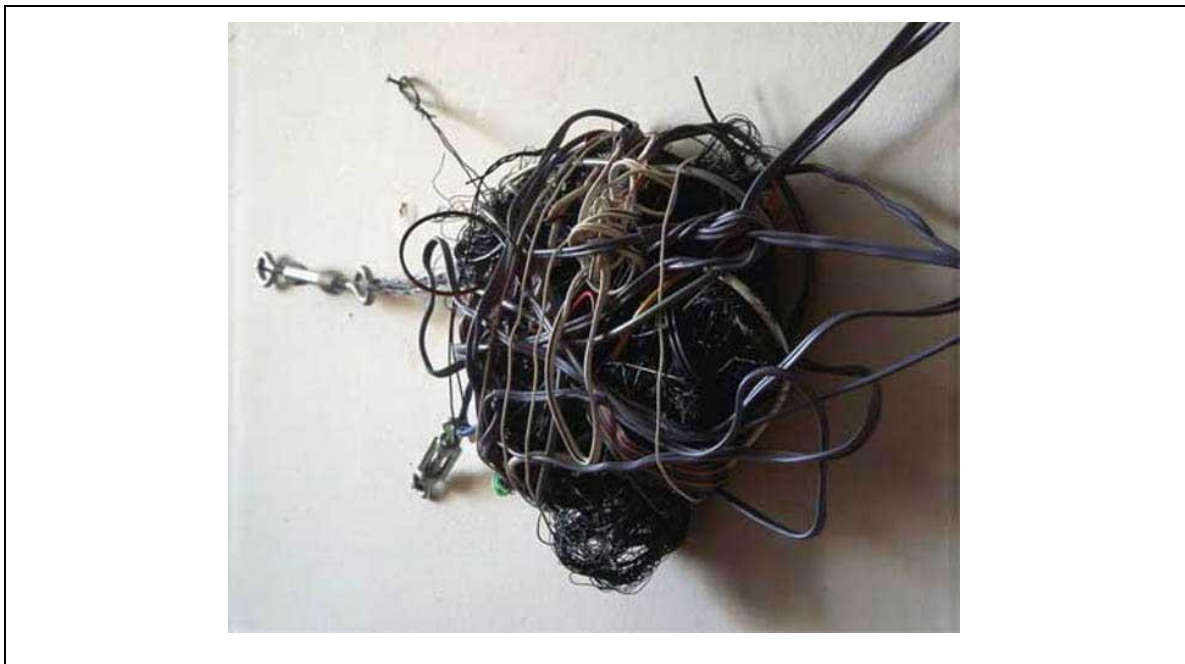
On Figure 2, I attached some concepts to the wires and anchors to explain why I chose the sculpture for my metaphor. I explain it starting from the upper left corner.

Figure 2 – The stretched tangle – a metaphor for corruption

Source: depiction of Rosa el Hassans' art work adapted by the author (Pallai 2016)

The purpose of organizational rules, norms and incentives is to align organizational and stakeholder interests. In principle, organizational structures secure safe operation. In a healthy organization, the consequence of a corruption incident is a sanction and some reflection on how to improve risk management. When integrity breaching or corrupt practices become regular, informal acceptance – i.e. corruption tolerance - may evolve. At this point, informal rules and rewards may stabilize the corrupt activity and may even protect perpetrators from formal sanctions. As a next step in the systemic evolution, stakeholders interested in extractive processes often introduce new rules or change the existing ones in order to decrease the risk, or legalize and secure their extractive activities. The formal authority relations and

power structures may also change, and alternative, informal structures, networks, alliances and personal trust and loyalties relations form.[6] The result is a dense web of formal and informal rules, relations, interactions, and interdependencies among stakeholders. This web is dense and ravelled, like the cables on my 'stretched tangle'. A system can evolve where informal (or even informal and external) power structures control part of the information and major decisions, and personal connections and loyalty have more impact on opportunities than merit. This description is based on the rational concepts, processes and drivers that various positivist models can explore and explain. (I depicted them on the left side of the picture.) Obviously, these drivers can already create a high level of complexity.

The right side of the picture adds a new dimension to complexity, one that is more important for the post-positivist inquiry: how corruption is imbedded in the local culture and environment. Perceptions, narratives and dependence connect the two sides. In the upper right corner, the human psychological components are depicted: perceptions, interpretative frames, self-concepts, needs, fears, desires and rationalizations. 'Narratives' and 'dependence' are in the centre, because in a corrupt system not only fears and dependence of stakeholders but social and private narratives also contribute to the system's acceptance. Narratives evolving in the system affect how stakeholders see, understand and judge what is around them, and how they construct their own concepts and reality. On the one hand, corruption legitimizing social and organizational narratives can lure honest people to slide into dishonest practices and join the corrupt network. They also help re-categorizing events and rationalize when sliding into inappropriate practices. (Mazar 2008) Stakeholders, who live in a corruption tolerant context, may react differently, to some degrees, but most feel stressed, confused and paralyzed. Few can escape 'bounded ethicality'[7] (Cugh et al 2005): the ego-protecting mechanism of not seeing any more

---

[6] The dominant role of Ulsaner… personal loyalty

[7] 'Bounded ethicality' is a term introduced by Bazerman it means when it can be expected that some stakeholders act systematically corrupt without realizing is. It can be a result of ego-protection in situations when the actor cannot act accordance to his/her values. Not seeing the problematic nature of his/her deeds, is the most effective way to decrease stress resulting from the situation.

what is corrupt in the environment. On the other hand, narratives also build or contribute to the feeling of 'learned helplessness'[8] (Haney-Banks-Zimbardo 1973) that takes the option of voice or resistance away from the cognitive horizon of the stakeholders.

I use the stretched tangle because I think it captures the complex, interrelated nature of the drivers and components of corruption in a corruption-tolerant environment. It incorporates some positivist and post-positivist concepts in a trans-disciplinary way. The metaphor also captures the stability of the system. The knot is stable. It would not fall apart if one wire were cut. When an intervention removes one component by a new rule, for example, stability can be recreated either by hollowing out the rule during implementation or by another intervention that rebalances the system. This is practically how the expert driven 'anticorruption industry' (Samson 20010) fails to bring major improvements. I use the metaphor to keep in the mind and heart of the professionals I work with the most important things and do this in a way that they can connect to their own experiences.

Weaknesses of positivist corruption theory from the angle of the anticorruption praxis

In order to move towards solutions, a couple of more thoughts on corruption theories, Practitioners often feel that theories fail to capture or offer solutions for the complex nature of the problems they work on. The neglect of complexity is a logical consequence of how positivist theory and technical anticorruption practice operates. The positivist theory and practice, underpinned by the belief that policy analysis and advice can be a rational, value free, transcultural technical project, aims to create

---

[8] 'Learned helplessness' is when the individual is trained or socialized to percieve a certain situation so that he/she has no control of it. Among many other, Zimbardo's famous Prison experiment studies this process: it showed that as the environment became more unpredictable, the prisoners gave up control, that is, their behaviour showed signs of learned helplessness**.**

universal models to explain phenomena. Each theory is built on a distinct scientific paradigm and captures processes according to the underpinning assumptions, concepts and rules of the given paradigm. There are multiple weaknesses of this approach. One is that that "the theoretical model chosen to research corruption largely determines the direction of the proposed solution" (de Graaf et al 2010a: 16) Consequently, policy responds to the aspect of the complex phenomenon that is visible from the specific angle of the selected theory, thus, solutions remain partial and fragmented. There were attempts during the last decade to push scholars towards 'inter-conceptual' (de Graaf at al 2010a) or 'trans-disciplinary' analysis (Graeff-Gieger: 2012) but finally the projects could not integrate ideas, they could only render diverse corruption discourses more intelligible to scholars and experts from other domains. (de Graaf at al 2010a: 16)

The second weakness of positivist anticorruption, already mentioned above, is that theories create universal models but offer no guidance when to apply a certain model in practice. In practice, each scholar, expert or unit of an organization, driven by their own professional paradigms, focus on different parts of the stretched tangle and develop different explanations for the problems. Then, they compete in policy debates instead of attempting to integrate diverse concepts. Unfortunately, it can happen that at the end the 'winner takes all': one explanation is accepted. This process logically leads to a specific kind of problem awareness and to specific instruments and solutions to curb corruption. That is, instruments that target one component of a complex problem.

The third problem is that policy debates among experts and decision makers produce top down decisions. Even when positivist experts do their best, their technical analysis "do not reach the 'bottom' where corrupt behaviour and its legitimation prosper". (Tänzler 2007:6) A seemingly adequate policy response is developed for the analyzed problem but when it is implemented it fails to bring the desired outcome because the other neglected processes work against it. Thus policies become 'empty shells' (Dimitrova, 2010) and the 'anticorruption industry' (Sampson, 2010) flourishes along with corruption.

Post-positivist theories and the contextual approach

The starting point of post-positivist scholars is that policy analysis can no longer afford to limit itself to simplified academic models of explanation because "they fail to address the nonlinear nature of today's messy problems" (Fischer-Gottweis 2013: 6)

Post-positivist anticorruption experts argue for the need for contextual analysis that explore stakeholders' perceptions. How stakeholders perceive and make sense of their environment. (de Graaf 2007) They focus on the social construction of concepts, i.e. "the logic and grammar we use to perceive and conceptualize world phenomena" (Tänzler 2007:8) They study how problems and solutions evolve in the specific milieu and how processes really work. Their aim is to reveal multiple perspectives from the narratives of stakeholders and a rich map of multiple, interlinked processes. They claim that "effective solutions to [such wicked] problems require ongoing, informed deliberation involving competing perspectives." (Fischer-Gottweis 2013: 6) The dialogue among stakeholders can "reconstruct the strategies people use to define, legitimize, apologize for or criticize or condemn corruption and reconstruct the anticorruption measures and to what extent they are appropriate." (Tänzer 2007: 10)

I propose that this this dialogic exploration and intervention strategy is fundamentally important when one is faced with the 'stretched tangle' of complexity in a corruption tolerant environment. In such cases, expert-driven, positivist top-down interventions alone are not effective, only an extended dialogic process can untangle the stretched tangle.

System and dialogic action theory - the "space and process for untangling"

As last, I include one more field, system thinking within organizational and strategy development, to the conceptual underpinnings. On the one hand I refer to ideas that have their roots in the work of SoL (Society for Organizational Learning) founded by Peter Senge, to the dialogic action theory and the concept of 'Presence' (Senge et al,

2004) and to Otto Scharmer's Theory U (2016). On the other hand, and on a more practical level, I refer to Kees van der Heijden's book 'The Art of Strategic Conversations' (2005) in which he describes the method he and his colleagues developed in the strategic Unit of Shell . According to these scholars and practitioners, in order to solve complex problems, exploration from multiple perspectives should reveal the underlying patterns and interdependencies that generate problems. The exploration needs to happen in a dialogue[9] in which all partners share and align insights. (Senge et al 2004) The dialogue can lead stakeholders to understand each other's perspectives, capture what is behind the events and to develop a structural understanding of the whole of the system that produces the problems. (Heijden, 2005: 104) From the conversations a 'shared mental map of the reality' (Senge, 1995) can emerge. This is the foundation for stakeholders to develop shared ideas about solutions and can be the safe basis for coordinated collective action during the implementation. (Heijden, 2005: 77) In the dialogic approach the focus is on the constitutive power of dialogue and narratives that changes how stakeholders see and make sense of the world around them, and are the most solid foundations for stakeholders' coalitions in action. (Senge at al 2004)

Conclusions from the conceptual underpinnings

Above I presented some concepts that are important to understand the case I present in the second part of the paper. I presented the stretched tangle metaphor to capture the complex and stable nature of corruption in a corruption tolerant context. I argued that, in such contexts, positivist models may help conceptualizing certain drivers of events but are not sufficient either for exploring the complex phenomenon

---

[9] The term dialogue by Senge and Scharmer has very similar meaning as the strategic conversation of Heijden.

or for designing effective anticorruption strategies. I also argued that, for effective change, beside the technical analysis of the environment, the starting point should be how people understand and make sense of their environment. This exploration happens through the analysis of stakeholders' narratives and in dialogue among stakeholders. The intervention needs to be a dialogic process as well. I dialogue that re-constructs not only formal structures but also the reality stakeholders perceive and want to live in.

In the second part of the paper, I present the evolution of the integrity development system in the Hungarian public administration. The actual method public organizations have to apply is a complex organizational work process that is based on a structured dialogue among risk owners in an organization. The process is a complex and integrated risk management process that integrates the technical and social process of analysis and design. The role of the social process created by the structured dialogue is to build mutual trust and relations among stakeholders, and thus, to create a space where reframing of problems and restructuring of the local reality can happen and a positive dynamic can effectively start.

The case study –a new method for organizational integrity development in the Hungarian public sector

The context

In Hungarian political life and public administration, complex patterns of systemic corruption and supporting narratives have evolved. Interdependent structural factors, material and moral incentives make corrupt practices resilient. In the corruption tolerant culture narratives also "help" citizens to accept the situation and honest civil servants to rationalize their contribution to the system. Substantive public and

organizational dialogue on public ethics or sustainable operation of a democratic system and public administration has practically ceased.

The Hungarian public administration is not only strongly hierarchic and legalistic. It is also increasingly 'panoptic'. (Anechiarico-Jacobs 1994: 468) Decision processes and activities are fragmented into vertical silos operated practically only with top-down communication. The expectation from civil servants is to think only within the limits of own desks (i.e. within the scope of task and authority) and to deliver the desired results with technical expertise. Within the organizations not only traditional leadership strategies, strongly hierarchic structures and norms, but also the self-concept and socialization of staff are also limiting. Most civil servants' role concept is close to a 'droid' trained to implement laws, rules and orders from above. This modus operandi builds solid walls in-between organizational units and stakeholders. Civil servants are like paralyzed prisoners, sitting in the isolated, unconnected 'cells' of 'Foucault's Panopticon'. (Foucault 1977) They are paralyzed not only by the structures around them but also by their learned helplessness: they do not believe in the possibility of change. However, this is only one obstacle. The other is the lack of system thinking, and the absence of the practice and competence for managing sustained collective processes that would be necessary for effective change. (Pallai 2016) This is obviously a short and provocatively pointed and generalized description of the situation. It does not imply that all organizations are in such a bad state or that there are no exceptions.

The evolution of the integrity management system in public organizations in Hungary

In this part, I describe those three components of the Hungarian organizational integrity system that were first introduced, (1) the corruption and integrity risk

assessment questionnaire, (2) the internal control system[10] and (3) the integrity system and integrity advisor. I will shortly highlighting the achievements and weaknesses of these instruments. Then, I explain the considerations behind the introduction of the new organizational integrity system, the Integrated Risk Management Process (IRMP), introduced in 2016.

Introduction of the corruption and integrity risk assessment questionnaire

The introduction of the integrity approach to Hungary started in 2009 in the frame of a EU funded project 'Mapping Corruption Risks – Promoting Integrity Building', implemented by the Dutch and Hungarian State Audit Offices. In the frame of the project, the Dutch party offered to the Hungarian experts a general introduction to the Dutch approach to integrity management and technical assistance to the adaptation of some components. Finally, from the sophisticated Dutch integrity approach, only a corruption and integrity risk assessment questionnaire was adapted. Since 2013, Hungarian public organizations are expected to fill out this questionnaire (a quantitative survey) every December and send the results to the State Audit Office (SAO). SAO calculates three figures: the Inherent Vulnerability Factor, Factors Enhancing Corruption and Factors of Risk Reducing Controls. The SAO sends back only these three figures to the organizations and, at the same time produces a macro analysis of average figures in various types of organizations. In colloquial expert language, this is called 'the Dutch-method'[11] in Hungary.

---

[10] It is often debated whether the control system is part of the integrity system or integrity is part of the control environment. It may be surprising that I included the internal control system as a pillar for the integrity system. Please note that my definition of integrity included all activities that assure democratic and effective operation. According to this approach, the internal control system considerably overlaps with the rule-based instruments of the integrity system. This is why I consider the development of the internal control system relevant.

[11] The „Dutch method" is the term that the experts who were involved in the adaptation started to use. At the same time, Dutch experts argue that their contribution to the development of integrity in

The yearly macro analysis that SAO publishes is practically the only set of detailed nationwide figures on the condition of public integrity management, and as such is an important source for researchers and policy makers. From the perspective of the organizations and organizational practitioners, I see two major weaknesses of this approach. The first weakness is related to the data collection process within the organizations. The questionnaire was originally designed for guiding a more substantive internal risk analysis process with the involvement of key stakeholders. In the Dutch integrity approach, the process has a key role: it produces organizational learning that supports the risk management process. Dutch public organizations have the culture and know how to implement the process. However, during the adaptation, due to the Hungarian legalistic tradition, and the competence of adapters, the strong value-based component of the Dutch approach somehow disappeared. The process has hollowed out. In most organizations, one person fills out the questionnaire in a mechanistic manner, collecting information from others only where needed. In this work process, the questionnaire has little impact on the organization. The second problem is that SAO sends back to the organizations only the three figures without any explanatory text. This is a 'judgement' without any further information that could support the organization's development. At the same time, when the macro figures are published, a benchmark is set. Organizations do not want to be under the benchmark. This gives incentive for organizations to strive for good results – sometimes even by "improving" the assessment in the questionnaire as much as possible. This produces a serious risk of misreporting.

Setting up internal control systems in public organizations

In Hungary the Act CXCV of 2011 on Public Finance legislated the obligation of all public budgetary organizations to implement public internal controls (PIC). In the

---

international activities is an approach and not a specific Dutch-method. (Hoekstra-Huber 2016) The fact that, at the time, instead of a complex approach, only a quantitative analytic tool got adapted in Hungary is a symptom of the competence of the adapters and the condition of local environment.

same year 370/2011. Government Ordinance (XII. 31.), the "PIC Ordinance", regulated the implementation process. Although the texts of the regulatory documents comply with international standards[12], implementation of the new instruments has lagged considerably behind. The systemic and process based approach of the (PIC) system clashed with a strictly hierarchic, task-based and fragmented (panoptic) operating system of organizations and with the extremely week communication and cooperation culture. The obligation to implement the PIC system and supporting training could lead only to formal, mechanistic compliance: knowledge and understanding of the system has remained limited. Most decision makers did not understand the importance of the PIC system, and gave the duty to implement it to internal audit or financial officers as an additional task. The implementation process has been formalistic but the obligatory documents are produced each year. According to the assessment of the key expert of the relevant ministry, who has lead the introduction, the obstacles within the public institutions were the following:

- "lack of process based thinking;
- lack of knowledge and practical experience in implementing internal control systems;
- lack of integrated risk management;
- lack of a coordinator inside the organizations who makes things happen" (Németh 2017: 2)

Obviously, state of the art regulatory texts failed to bring effective results because the implementation was 'hollowed out', similarly to the SAO questionnaire. Even the formally good regulatory text, "parachuted" by a top-down order, did not connect to the local environment. Without committed, trained, experienced coordinators within the organizations, the shift to systemic and process based thinking, and the active

---

[12] It is based on the INTOSAI (International Organization of Supreme Audit Institutions), the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and the COBIT (The Control Objectives for Information and related Technology) recommendations.

involvement of diverse units and diverse sources of knowledge could not be accomplished.

Integrity system development in public organizations

The legislation regarding organizational integrity systems dates back to 2013. The aim of the 50/2013. Government Ordinance (II.25), the "Integrity Ordinance", was to regulate integrity systems of central government organizations. It defined the aim, the key instruments of integrity management and created a new position, the integrity advisor. Integrity advisors are specifically trained integrity experts whose role is to advise and support the head of the organization in his duty of enhancing organizational integrity. Beside this advising function, the ordinance also stipulated a list of other tasks for integrity advisors: conducting a yearly risk analysis of the organizational operation, designing proposals for interventions and an intervention plan, monitor previous intervention plans; provide ethics training and ethics advice for the staff. The head of the organization can also order the integrity advisor to establish and operate a confidential reporting system, to take part in disciplinary processes and act as data protection and equal opportunity officer. It is also the duty of the integrity advisor to fill up the above-mentioned risk assessment questionnaire of SAO.

In 2013, the Integrity Ordinance was a leap towards effective integrity management in Hungarian public organizations. However, soon it became clear that it did not bring all the targeted results. The key components of an organizational integrity system were formally introduced but in most cases could not effectively function because the supporting conditions for effective integrity management were not created. The first obstacle was that one person, in the large central government organizations, was not sufficient to effectively implement all the tasks. The second obstacle was that no positional power was connected to the position. This is a limitation in the pronouncedly hierarchic structure. For meaningful results, integrity advisors would have needed to connect to other stakeholders in the organization and build horizontal connections and effective cross boundary links that are not common in the local culture. Without individual mandate, all activities of integrity advisors depended on

whether the heads of organizations expected or allowed the integrity advisor to do more than formally fulfil the obligatory tasks. The third obstacle was that the top-down dominance culture does not create adequate channels to connect new ideas and values to stakeholders, and integrity advisors, socialized in this culture, rarely new the necessary strategies or had the competences to break through these obstacles. In surveys conducted in 2014, before the redesign of the curriculum for the education of integrity advisors, most active integrity advisors felt isolated in their organizations and incapable to initiate any kind of changes. They accomplished the technical tasks: filled out the SAO questionnaire, prepared corruption risk analysis, intervention plans focused on regulatory interventions and monitoring reports, but worked mostly alone, and all impacts of their work depended on the personal relation to their bosses. If an advise was accepted, interventions were implemented through top-down orders. If we relate this activity to the OECD concept of integrity management (OECD 2009), they technically covered only some of the rule-based activities of an integrity system but they were extremely weak on value-based elements. At the same time, we need to see, that this was a modus operandi perfectly normal within the local public administration culture and context.

The evolution of the concept of the integrated risk management process

In 2014, the redesign of the curriculum for the training of integrity advisors created an opportunity to initiate a professional debate about the Hungarian organizational integrity management approach and practice. It was obvious that although the earlier mentioned three components (the SAO questionnaire, the internal control system, and the integrity ordinance) were all potentially important pillars for an integrity system, but, at the time, they were ineffective because they were not supported either by understanding, experience or acceptance in the local organizational environment. The underpinning, integrity system related, idea of the new curriculum design process was that more balance between the rule- and value-based elements should be achieved. The aim was to reflect on possible methods to find a balanced method and teach integrity advisers to become capable to create this balance in

various organizational contexts. A very diverse team of professionals was recruited: beside academics and technical anticorruption and integrity experts, professionals with expertise in argumentative approach and organizational processes. It was obvious that before the curriculum, the team should discuss the actual integrity management praxis. A long dialogue started among faculty team members who came from various academic and practical fields. The dialogue offered insights to each other's concepts and ideas how could the diverse kinds of expertise contribute to a more effective organizational integrity development process. (Pallai 2016: 20) It became soon obvious that the actual concept to employ one anticorruption/integrity expert in each organization to "do" the integrity management related work was a wrong concept. Firstly, because in a corruption tolerant organizational environment, integrity development is not only a technical challenge of rational analysis and design that one person can accomplish. It needs to be a collective process that involves stakeholders and should result in concurrent changes in organizational rules and in stakeholders' concepts and commitments. For this, a collective inquiry need to explore the specific context within the given organization (the specific "stretched tangle") and create the connections and trust among units and people, and the "space" where the tangle can be untangled. The consequence was that the perceived role of the integrity advisor has also changed. The expectation was, that integrity advisors, beside trained technical expert, had to also become process conveyors and facilitators.

The education of integrity professionals

Since 2015, the curriculum of the post-graduate education program of integrity advisers includes both the positivist and post-positivist approach, and applies transformative teaching method. (Fischer-Mandell 2012) We educate a specific kind of hybrid professionals. (Pallai 2016: 16) Students acquire the necessary technical competence for their specific tasks in their job description but at the same time, they go through a transformative process of a leadership-type personal competence building as well that builds competence to initiate and facilitate dialogic work

processes. This second component is new and challenging for two reasons. One is that students, often socialized in panoptic organizations, need to re-evaluate and reconstruct some of their routine behaviours and concepts and re-learn basic work processes. The second challenge is that we need to give students during the one-year of their education a strong model and reflected, transformative experience of the kind of ethos, language and operation that they need to establish in their own organizations later. (Pallai 2016)

The acquired technical expertise, the new concept of communication, the confidence and commitment gained through the education experience and the process management skills together prepare integrity advisors to initiate and facilitate constructive dialogue on corruption and integrity risk management. A dialogue that can explore complex problems and has a chance to initiate similarly complex positive change processes.

The new competences of integrity advisors give new potential for the earlier mentioned SAO survey as well. When the earlier mentioned SAO questionnaire is used as a set of potential guiding questions that are reflected and answered by organizational stakeholders within a collective process, it finally regains a similar role as it had in the original Dutch process.

Connecting the integrity and internal control processes

The last important step in the evolution of the actual Hungarian integrity system and process in public organization happened in 2016, when the integrity and internal control risk management processes were integrated and the task to implement the integrated process was allocated to the integrity advisers. Given the overlapping nature of the internal control and integrity systems in public organizations, it is partly artificial categorization to distinguish integrity and internal control experts, nevertheless, during the spring and summer of 2016, when collaboration started, experts sat at the table with pronouncedly different identities.

Nevertheless, from the collaboration "both parties" benefitted: the "party with integrity identity" gained partners with education and implementation experience in the techniques of risk management processes according to international PIC standards. The "party with control identity" gained a new implementation concept and the integrity advisors for the implementation process of the PIC system. Refferiing to the earlier quote from Németh, they gained the "coordinators …who could "make things happen"[13]: committed experts trained in system thinking, systemic approach and process management. This also means a direct connection to the ethics and integrity related activities that are key elements of the internal control environment.

The result of the collaboration between the "integrity and control experts" is a new organizational practice of collaborative and integrated risk analysis and management. (An approach that had been supported with some pilot experiments during the previously years in some Hungarian public organizations.)

The integrated risk management process (IRMP)

The IRMP method is an integrated risk management process that merges internal control and integrity management activities within a structured internal dialogue process. The method was introduced in all public budgetary organizations in 2016 by the 187/2016. (VII.13.) Government Ordinance. According to the new rules, public budgetary organizations are obliged to establish an integrated risk management Working Group (WG) to lead activities related to the PIC and integrity management system development of the organization. The convenor of the WG is the head of the administration and its coordinator is the integrity advisor, that is, a professional trained in risk management and in facilitation of substantive professional dialogue and effective work processes. Members of the WG are the risk owner units and heads of units of supporting functions. The task of the WG is to elaborate a comprehensive risk map for the organization and an integrated strategy to decrease

---

[13] Reference to the eariler quote from Németh (2017).

the risks and enhance integrity and monitor the results. The WG's work is cyclical: it goes through a yearly process similar to a PDCA cycle.

In logical consequence of the previous pages, I present the IRMP method from two aspects: from the aspect of the technical work of risk analysis and management, and from the aspect of the dialogic process.

For the presentations of technical components of the process the starting point is the PIC system. According to the international standard setting COSO concept, in organizations Three Lines of Defence (LoD) need to be established in order to assure that the organization can achieve its objectives. The 1st LoD is the responsibility of the front line operating management who owns and manages risk and controls. The 2nd LoD provides the overall supporting functions for first line operating units. In the PIC system this means that the 2nd LoD monitors risk and control in support of management. The 3rd LoD is the internal audit that provide independent assurance to the senior management concerning the effectiveness of the operation. (Anderson-Eubanks 2015:2)

In corruption intolerant cultures, .e.g. in the case of most Dutch public organizations, an important role that integrity professionals[14] play is to offer technical support to the 1st LoD units in the their risk management work. (Huberts-Hoekstra 2016) In environments with low level of corruption, it is a logical decision to allocate risk management to operating units as most integrity breaching events are incidental and localized within the organization. The Hungarian IRMP method was developed in the corruption tolerant environment that I described earlier using the stretched tangle metaphor. In this environment, we witness complex patterns of corrupt and integrity breaching practices and the resulting collective action problem. For effective risk management the potential complexity and interdependence of causes of integrity breaching practices should not be neglected. This is the reason why risk analysis and intervention planning is moved from the 1st to the 2nd LoD and organized as an interdepartmental work process. The WG allows members to gain insight into concurrent processes and integrate risk analysis and management interventions

---

[14] In the Dutch system they are called integrity coordinators

when necessary. The WG is a space for horizontal sharing and coordination: space for cross boundary work. As such it is a 2nd LoD function. Its task is to elaborate a comprehensive risk map for the organization and an integrated strategy to decrease the risks and enhance integrity.

The other important aspect of the WG is the dialogic work process. The WG is a space where horizontal connection, and information and knowledge sharing can evolve among organizational units and stakeholders, and a common work process allows mutual insights into and learning of other fields. From this aspect, the purpose of the working group is to open communication and to change the panopitic nature of organizations. The dialogue in the WG may restructure concepts of members and their perceptions of the organizational reality. One of our hopes is that from the dialogue such issues, strategies and commitments can emerge that could not be raised by individual stakeholders. The other hope is that through the dialogue, civil servants can strengthen their values and ethical standards, and where necessary can together reconstruct concepts that have been eroded by social or political narratives or collective or personal rationalization processes. This can be a process of mutual confidence building in the possibility for change.

Professor Samford (2005) have invented a beautiful metaphor, the 'bird's nest' for the Austrialian public integrity system. His claim was that the strength of the Australian integrity system is in the dense web of institutional interactions and the mutual accountability relations established by it. The bird's nest symbolizes that "the multitude of often weak institutions and relationships can combine to more effectively protect and promote the fragile goal of public integrity" (Sampford et al 2005: 97) In our best hope the WG can also evolve to a bird's nest.

Conclusions

The proposition of the paper was that in corruption tolerant contexts, where complex patterns of corruption and legitimizing narratives have evolved and even honest stakeholders often become confused and paralyzed, traditional positivist public policy

instruments are not sufficient to curb corruption and turn around destructive processes. Public integrity development need to be a complex transformative process supported by positivist technical instruments, collective processes and post-positivist narrative instruments.

In the second part of the paper, I presented a new organizational practice experimented during the last years in some Hungarian public organizations. The practice is the collaborative and integrated risk management process that merges the technical internal control and other corruption prevention activities with a complex, structured and substantive internal dialogue process. Its positivist technical component integrates the internal control and integrity risk management processes. The post-positivist component is a complex and structured dialogue process established among risk owners and other stakeholders within the organization that is more substantive than the standard interaction of stakeholders in better functioning internal control and assurance systems. The dialogue, implemented by specifically trained anticorruption facilitators, connects officials who are responsible for different processes and experiencing different aspects of integrity breaching practices but alone would feel and be ineffective in face of complex problems. The process allows not only complex technical analysis and intervention design but it also opens a space to build mutual trust among stakeholders and helps to reconstitute personal perceptions, and values. This collaborative dialogic practice allows the reframing of problems and organizational reality, may build mutual understanding and accountability among members and may protect the integrity of the participating persons and the whole organization. Thus, may also create dynamics for positive change.

References

Anderson, D.J:, Eubanks, G., (2015): *Leveraging COSO Across the Three Lines of Defense*. Lake Mary: Institute of Internal Auditors.

Anechiarico, F._Jacobs, B. J., (1194): Visions of Corruption Controll and the Evolution of Aamerican Public Administration. *Public Administration Review*. 54: 4. 465-473

Chugh, D., Bazerman, M. H., & Banjali, M. R. (2005): Bounded Ethicality as a Psychological Barrier to Recognizing Conflicts of Interest. Harvard University. (26.01.2016) Retrieved from
http://pages.stern.nyu.edu/~dchugh/articles/2005_CMU.pdf

de Graaf, G., von Maravic, P., Wagenaar, P. (2010b): Constructing Corruption. in: de Graaf, G., von Maravic, P., Wagenaar, P., eds. 2010: *The Good Case – Theoretical Perspectives on Corruption*. Leverkusen: Barbara Bundrich Publishers. 98-115.

de Graaf, G., von Maravic, P., Wagenaar, P. eds. (2010a): *The Good Case – Theoretical Perspectives on Corruption*. Leverkusen: Barbara Bundrich Publishers.

de Graaf, G. (2007): Causes of Corruption: Towards a Contextual Theory of Corruption. *Public Administration Quaterly*. 31.1: 39-86.

de Graaf, G., Huberts, L., (2008): Portraying the Nature of Corruption. Using an Explorative Case-Study Design. *Public Administration Review*, 68, 4: 640-653.

de Vries, M., Sobis, I. (2016). Increasing transparency is not always the panacea. International *Journal of Public Sector Management Intl Jnl Public Sec Management*, 29(3), 255-270. doi:10.1108/ijpsm-11-2015-0197

Dimitrova, A. L. (2010). The New Member States Of The Eu In The Aftermath Of Enlargement: Do New European Rules Remain Empty Shells? *Journal of European Public Policy*, 17(1), 137-148. doi:10.1080/13501760903464929

Fischer, F., Gottweis, H. eds.: *The Argumentative Turn Revisited: Public Policy as Communicative Practice*. Durham-London: H. Duke UP.

Fischer, F., Mandell, A. (2012): Transformative Learning in Planning and Policy Deliberation: Probing Social Meaning and Tacit Assumptions. in: Fischer, F. and Gottweis, H. (2012): *The Argumentative Turn Revisited: Public Policy as Communicative Practice*. Durham-London: Duke UP.

Graeff, P., Grieger, J., eds. (2012): *Was ist Korruption – Begriffe, Grundlagen und perspektiven gesellschaftswissenschaftlicher Korruptionsforschung*. Baden-Baden: Nomos.

Haney, C., Banks, W. C., Zimbardo, P. G. (1973).: A Study of Prisoners and Gruards in a Simulated Prison. Naval Research review, 30, 4-17.

Huberts, A. (2016): Dutch approach to integrity of governance incontext.in: Huberts, L. & Hoekstra, A. eds.: *Integrity and integrity management in the Netherlands Describing the scene, definitions, strategies and developments*. 202-214. The Hague: Dutch National Integrity Office (BIOS).

Huberts, L., Hoekstra, A. eds. (2016): *Integrity and integrity management in the Netherlands Describing the scene, definitions, strategies and developments*. The Hague: Dutch National Integrity Office (BIOS).

Lánczi, A. (2015): Viccpártok színvonalán áll az ellenzék. *Magyar Idők*. 21.12.2015. Accessed from: http://magyaridok.hu/belfold/lanczi-andras-viccpartok-szinvonalan-all-az-ellenzek-243952/ (last accessed on 22.07.2017)

Marquette, H., Peiffer, C. (2015): Corruption and Collective Action. Developmental Leadership Program, University of Birmingham, Retrieved form http://r4d.dfid.gov.uk/Output/200622/

Mazar, N., Amir, O., Ariely, D. (2008). The Dishonesty of Honest People: A Theory of Self-Concept Maintenance. *Journal of Marketing Research*, 45(6), 633-644. doi:10.1509/jmkr.45.6.633

Németh, E. (2017): New National Standards and Handbook for Internal Control in Hungary. *PEMPAL Internal Audit Community of Practice (IACOP) Newspaper*. 3: 1-3

Pallai, K., (2016): The Need for a New Expertise Profile in Anticorruption. Paper prepared for the Anticorruption Collective Action Conference, Basel, Switzerland. 21-22. October 2016.

Sampford, C., Smith, R., Brown, A.J., (2005): From Greek Temple to Bird's Nest: Towards A Theory of Coherence and Mutual Accountability for National Integrity Systems. *Australian Journal of Public Administratio*n. 64(2):96-10,

Sampson, S. (2010). The anti-corruption industry: From movement to institution. *Global Crime*, 11(2), 261-278. doi:10.1080/17440571003669258

Scharmer, C. O. (2016): *Theory U: Learning from the Future as it Emerges*. San Francisco, CA; Berrett-Koehler Publishers

Senge, P., Scharmer, C.O., Jarowski, J., Flowers, B.,S. (2004): *Presence: Human Purpose and the Field of the Futu*re. New York: Random House.

van der Heijden, K. (2005): *Scenarios: The Art of Strategic Conversations*. 2nd. ed. John Wiley&Sons.West Sussex.