Ethics in the Workplace: A Comparison between the Contract Management and General U.S. Business Workforces

Breakout Session #: G15

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Date: Wednesday, July 27
Time: 9:45am–11:00am
Ethics in the Workplace

• Introduction
• Background of ERC and the Survey
• Survey Findings
• Implications of Findings and Recommendations
• Areas for Further Inquiry
Background of the Ethics Resource Center and the National Business Ethics Survey® of the Contracting Workforce
About the Ethics and Compliance Initiative (ECI)

ECI is a nonprofit organization that empowers individuals and organizations to operate with the highest integrity, worldwide.

- New ideas grounded in research
- Best practice community, over 1,400 members
- Education and certification
About the Ethics Research Center

Ethics Research Center
• Research and benchmarking segment of ECI
  • Advance high ethical standards and practices
  • Produce industry research and insights
  • Provide business leaders and E&C practitioners information to encourage ethical conduct
About the Survey

NCMA partnered with ERC

- Survey Instrument
  - Tailored version of ERC’s National Business Ethics Survey® (NBES®)
    - A representative sample of employees in for-profit, U.S. businesses

- Data Collection
  - Fielded between March 30 and April 17, 2015
  - 897 usable responses
  - Response rate: 4.9%
  - Margin of Error: +/- 3.2% at a 95% confidence level

- Purposes of the Survey
  - Benchmarking
  - Identification of successes and challenges
  - Spark dialogue about procurement issues
ERC Model for the Reduction of Ethics Risk

- Program awareness & effectiveness
- Ethics culture
- Outcomes (“ethics risk”)
  - Pressure to compromise standards
  - Observed misconduct
  - (Non-)Reporting
  - Retaliation

Strong Ethical Culture
Well-Implemented Program

Driver #1
Driver #2

Outcomes
- Reduced Pressure for Misconduct
- Decrease in Observed Misconduct
- Increased Reporting of Misconduct
- Reduced Retaliation for Reporting

Goal
- Reduced Ethics Risk

ERC Model of an Ethically Healthy Organization
Read the Full Report

The report is available to NCMA members at:

www.ncmahq.org
www.ethics.org

Contact ECI to learn more about Membership, Benchmarking Services, and Education Opportunities

www.ethics.org
703-647-2185 (Arlington, Va.)
Ethics@ethics.org
Survey Findings
Survey Findings

The survey items focused on four measurable outcomes:

1. Pressure to Violate Standards or the Law
2. Observed Misconduct
3. Reporting of Observed Misconduct
4. Retaliation for Reporting Misconduct
Survey Findings

Pressure to Violate the Law

• 23% of the CM workforce respondents experienced pressure to compromise ethical standards or violate the law compared to 9% in the NBES

• Greatest sources of pressure are:
  • Meeting deadlines
  • Satisfying performance goals
  • Interpreting requirements loosely
  • Allowing vaguely worded contracts
Survey Findings

Pressure to Violate the Law

- Sources of pressure reported by more than 40% of the CM workforce respondents
- 30% of buyers felt pressure to violate the law compared to 19% of sellers
Survey Findings

Observed Misconduct

- 45% of CM workforce respondents observed misconduct compared to 37% in the NBES
- The five most-observed procurement-related types of misconduct:
  1. Improper contract awards (28%)
  2. Improper use of single source awards (13%)
  3. Misuse of contract change orders (12%)
  4. Contract violations (11%)
  5. Improper provision of personal services (11%)
- 55% of buyers observed misconduct compared to 40% of sellers
Survey Findings

Reporting of Observed Misconduct

- 77% of CM workforce respondents reported the misconduct that they observed compared to 63% in the NBES
- 84% of the survey respondents feel prepared to handle potential misconduct compared to 80% in the NBES
- 74% of buyers reported the observed misconduct compared to 82% of sellers
Survey Findings

Retaliation for Reporting Misconduct

• 14% of the CM workforce respondents experienced retaliation compared to 21% in the NBES

• 75% reported that retaliatory behavior to their organization’s attention

• No data available for reported retaliation for the NBES

• 18% of buyers experienced retaliation for reporting the observed misconduct compared to 11% of sellers
Ethics Outcome Comparison between the CM and US Business Workforces (ECI, 2016, p. 5)
Ethics Outcome Comparison between Buyers and Sellers (ECI, 2016, p. 9)

- Felt Pressure: 30% (Buyer), 19% (Seller)
- Observed Misconduct*: 55% (Buyer), 40% (Seller)
- Reported Misconduct: 74% (Buyer), 82% (Seller)
- Experienced Retaliation: 18% (Buyer), 11% (Seller)

*Includes observed unethical behavior or misconduct in the workplace.
Survey Findings

The survey items also focused on:

1. Top management ethics culture
2. Supervisor ethics culture
3. Co-workers ethics culture
4. Strength of organization’s culture
5. Organizational independence
Survey Findings

Top Management Ethics Culture

- 53% of CM workforce respondents feel that the ethics culture among their top managers is strong/strong-leaning compared to 69% in the NBES

- 71% of the CM workforce respondents agree that top managers are held accountable compared to 81% in the NBES

- 63% of the CM workforce respondents agree that senior leaders can be trusted compared to 78% in the NBES
Survey Findings

Top Management Ethics Culture

• Less than 65% of the CM workforce respondents indicate that their top managers provide adequate information about what is going on in their organizations—compared to almost 80% in the NBES

• 71% of the CM workforce respondents indicate that top management sets a good example compared to 81% in the NBES
Survey Findings

Top Management Ethics Culture

• 38% of CM workforce respondents indicate that their organization recognizes workers for doing the right thing compared to 60% in the NBES

• 58% of the sellers feel that top management ethics culture is strong/strong-leaning compared to 46% of the buyers
Survey Findings

Supervisors Ethics Culture

- 63% of CM workforce survey respondents feel that the ethics culture among their supervisors is strong/strong-leaning compared to 68% in the NBES
- 78% of the CM workforce respondents agree that supervisors are held accountable compared to 83% in the NBES
Survey Findings

Supervisors Ethics Culture

• 76% of the CM workforce respondents agree that supervisors can be trusted compared to 80% in the NBES

• 66% of sellers feel that the supervisor ethics culture is strong/strong-leaning compared to 60% of buyers
Co-worker Ethics Culture

- 72% of the CM workforce respondents feel that the ethics culture among their co-workers is strong or strong-leaning compared to 65% in the NBES
- 88% of both the CM workforce and NBES respondents agree that non-management employees are held accountable
Survey Findings

Co-worker Ethics Culture

- 80% of the CM workforce respondents agree that co-workers can be trusted compared to 77% in the NBES

- 75% of sellers feel that the co-worker ethics culture is strong/strong-leaning compared to 72% of the buyers
Ethics Culture Comparison between the CM and US Business Workforces (ECI, 2016, pg. 11)

- Overall Culture: 56% (CM), 60% (US)
- Top Management Culture: 53% (CM), 69% (US)
- Supervisor Culture: 63% (CM), 68% (US)
- Coworker/Non-management Culture: 72% (CM), 65% (US)
Ethics Culture Comparison between Buyers and Sellers (ECI, 2016, p. 14)

Overall Culture: 49% (Buyer), 61% (Seller)
Top Management Culture: 46% (Buyer), 58% (Seller)
Supervisor Culture: 60% (Buyer), 66% (Seller)
Coworker Culture: 72% (Buyer), 75% (Seller)
Survey Findings

Strength of Organization’s Culture

• CM workforce respondents who agreed that their organization had a strong/strong-leaning ethics culture were:
  • Less likely to feel pressure to compromise standards (11% vs 38%)
  • Less likely to observe misconduct (28% vs 68%)
  • Less likely to experience retaliation for reporting misconduct (4% vs 22%)
  • More likely to report misconduct (86% vs 73%)
Survey Findings

Organizational Independence

- CM workforce survey respondents who agreed that their organization was sufficiently independent were:
  - Less likely to feel pressure to compromise standards (11% vs 39%)
  - Less likely to observe misconduct (31% vs 66%)
  - Less likely to experience retaliation for reporting misconduct (8% vs 19%)
- However, reporting of misconduct is high regardless of sense of independence (79% and 77%)
Ethics Outcomes Comparison between Strong and Weak Ethics Cultures (ECI, 2016, p. 15)

**Effect of Culture on Ethics Outcomes**

- **Pressure**
  - Weak + Weak-leaning Ethics Culture: 38%
  - Strong + Strong-leaning Ethics Culture: 11%

- **Observed Misconduct**
  - Weak + Weak-leaning Ethics Culture: 68%
  - Strong + Strong-leaning Ethics Culture: 28%

- **Reported Misconduct**
  - Weak + Weak-leaning Ethics Culture: 73%
  - Strong + Strong-leaning Ethics Culture: 86%

- **Experienced Retaliation**
  - Weak + Weak-leaning Ethics Culture: 22%
  - Strong + Strong-leaning Ethics Culture: 4%
Ethics Outcomes Comparison When Organization Is Considered Independent
(ECI, 2016, p. 18)

*Types of misconduct comparable to NBES
Implications of Findings and Recommendations
Finding/Recommendations 1

• CM workforce felt pressure to violate the law, observed ethical misconduct, and reported the observed misconduct at a higher rate than US workforce.

• Implications:
  – Unique vantage point
  – Extensive training on ethics
  – Stronger commitment to procurement integrity

• Recommendations:
  – Consider function specific components for E&C programs
  – Develop means to share best practices with others
Finding/Recommendation 2

• The percentages of buyers “feeling pressure” and “experiencing retaliation” were higher compared to the sellers. “Observed ethical misconduct” was higher for sellers.

• Implications:
  – Difference in ethical culture in government and industry
  – Further investigation is required

• Recommendation:
  – Create working group to compare experiences and share best practices
Finding/Recommendations 3

• A lower percentage of the CM workforce perceives the ethical culture of top mgt and supervisors are strong/strong-leaning.

• Implications:
  – CM workforce perceive themselves as having a stronger commitment to procurement integrity and having a higher level of credibility among their CM peers.

• Recommendations:
  – Consider ways to help managers more visibly demonstrate their commitment to ethics
  – Consider tying ethics to managers’ annual performance evaluations
Finding/Recommendation 4

- The strength of the top mgt, supervisor, and co-worker cultures are consistently higher among sellers than among buyers.

- Recommendations:
  - Additional research is required to determine percentage of buyers in government and industry
  - Explore the differences between the two groups to help identify root causes of differing experiences. E.g., look at demographic characteristics and regulatory environments in which each operates.
Finding/Recommendations 5

• Results were very clear in showing a relationship between the strength of an organization’s ethics culture and the organization’s degree of independence on its effect on ethics outcomes.

• Implications:
  – Ethics and compliance programs are important in both industry and government organizations.

• Recommendations:
  – Consider additional research to ascertain employees’ definitions of “independence”
  – Consider adopting policies or practices to foster sense of, or actual, independence
Areas of Further Inquiry
Area of Further Inquiry 1

- Definitions. Though most contract management professionals understand what unethical behavior is, this survey gives the same weight to splitting requirements as it does to bribes and kickbacks.

  - Discussion: Define tiers of unethical behavior. (e.g., Tier 1 (splitting requirements); Tier 2 (unsupported sole source awards); and Tier 3 (requesting/offering/accepting kickbacks and bribes))
Area of Further Inquiry 2

• Retaliation. This needs to be defined. Did the whistleblower receive additional training, were they fired, or was it somewhere in between?

  —Discussion: Ask the whistleblower to identify the type of retaliation.
Area of Further Inquiry 3

• Whistleblowing. Is it unethical behavior to not report unethical behavior? Why would someone not report unethical behavior? This could help shape whistleblower policies.

- Discussion: Policies that discourage or prevent whistleblowing should be investigated. In addition, what, if anything, is being done to people who are frivolous whistleblowers?
Area of Further Inquiry 4

- Compliance. Though the survey results clearly show that unethical behavior exists, how far out of compliance are the survey results from established business practices?
  - Discussion: Consider using established sources of acceptable ethical behavior in future surveys (e.g., FAR Part 3, “Improper Business Practices and Personal Conflicts of Interest”).
Area of Further Inquiry 5

• Trend Analysis. The current survey results present a strong benchmark for today’s ethical behavior, but there is no indication as to which way the behavior is trending.
  – Discussion: Periodic ethics surveys should be conducted over time to determine positive and negative trends.
Questions?
Comments?
Thank you!
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