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# Analysis of Procurement Ethics in the Workplace

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# Analysis of Procurement Ethics in the Workplace

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# Introduction

- Contracting officers play a critical role in the acquisition process
  - Serve as the primary focal point for contractual issues, managing horizontal interfaces with external organizations as well as vertical interfaces within the internal organization
- This role places contracting officers in a challenging position from the perspective of ensuring contracts comply with ethics codes and statutory requirements

# Introduction

- The focus of this research: Ethics and compliance challenges facing the contracting workforce
- The purpose of this research:
  - Assess the current ethics environment of the contracting workforce
  - Identify possible ethics risks and challenges
  - Establish a benchmark for the contracting workforce and compare to existing benchmarks

# Research Questions

1. What are the ethics challenges facing the contracting workforce?
2. How do these challenges compare with the general workforce?
3. How do these challenges compare between buyers and sellers?

# Research Approach

- Collaboration between Ethics & Compliance Initiative (ECI) and National Contract Management Association (NCMA).
- ECI
  - Nonprofit organization empowering individuals and organizations to operate with the highest integrity
  - Ethics Research Center
    - ECI's research and benchmarking segment
    - Produces industry research and insights

# Research Approach

- NCMA
  - World's leading professional resource for those in the field of contract management
  - Dedicated to the professional growth and educational advancement of procurement and acquisition personnel worldwide
  - ANSI accredited standards developer
    - Contract Management Standard (CMS)
    - Contract Management Body of Knowledge (CMBOK)

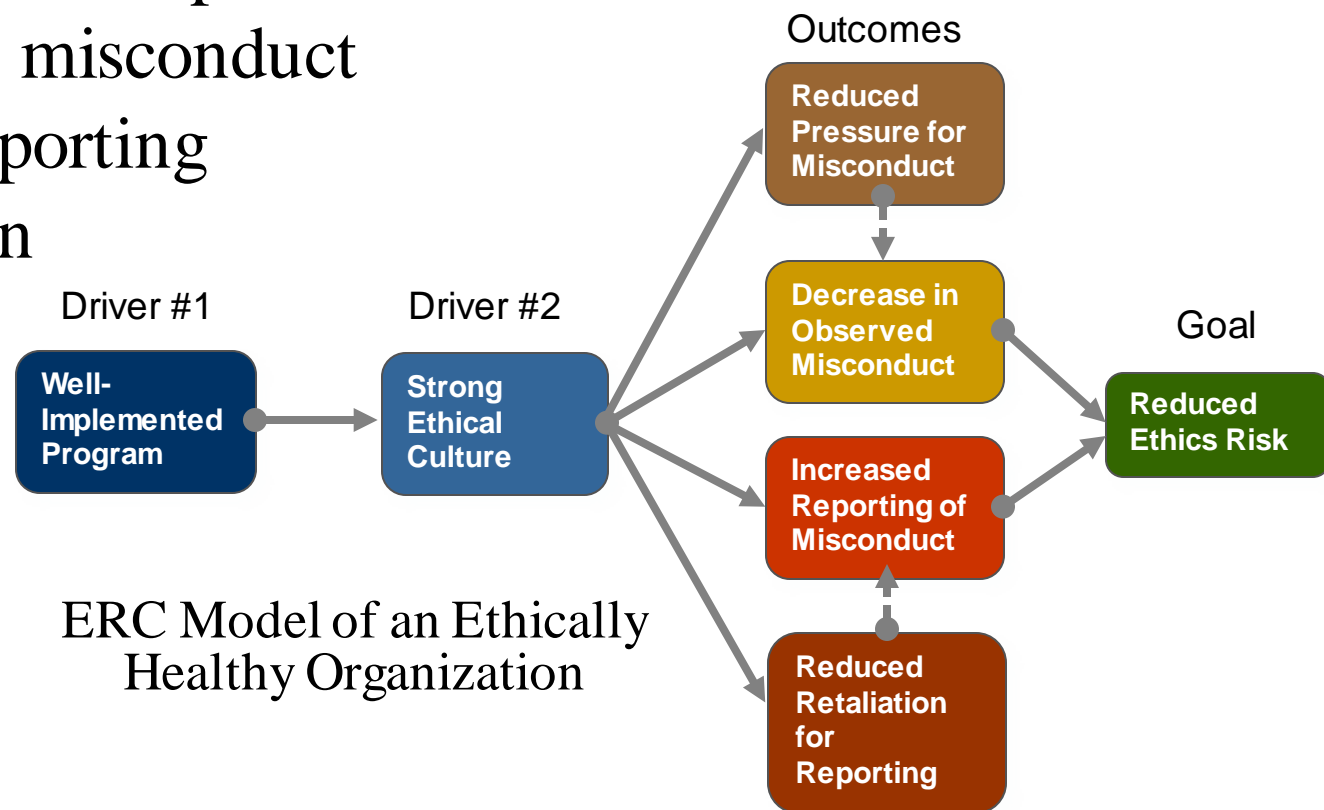
# Research Approach

- Survey Instrument
  - Tailored version of ERC's National Business Ethics Survey<sup>®</sup> (NBES<sup>®</sup>)
    - 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



# Conceptual Model

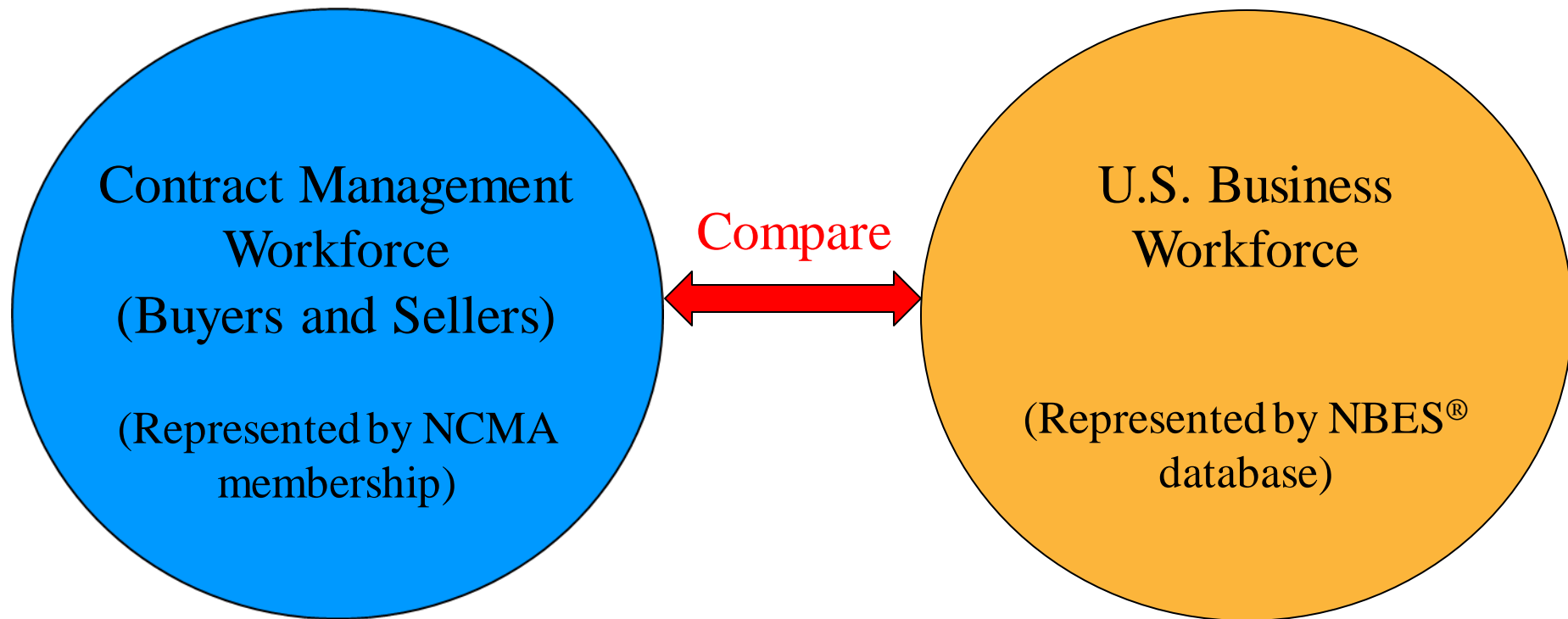
- Program awareness and effectiveness
- Ethics culture
- Outcomes (“ethics risk”)
  - Pressure to compromise standards
  - Observed misconduct
  - (Non-)Reporting
  - Retaliation



# Survey Items

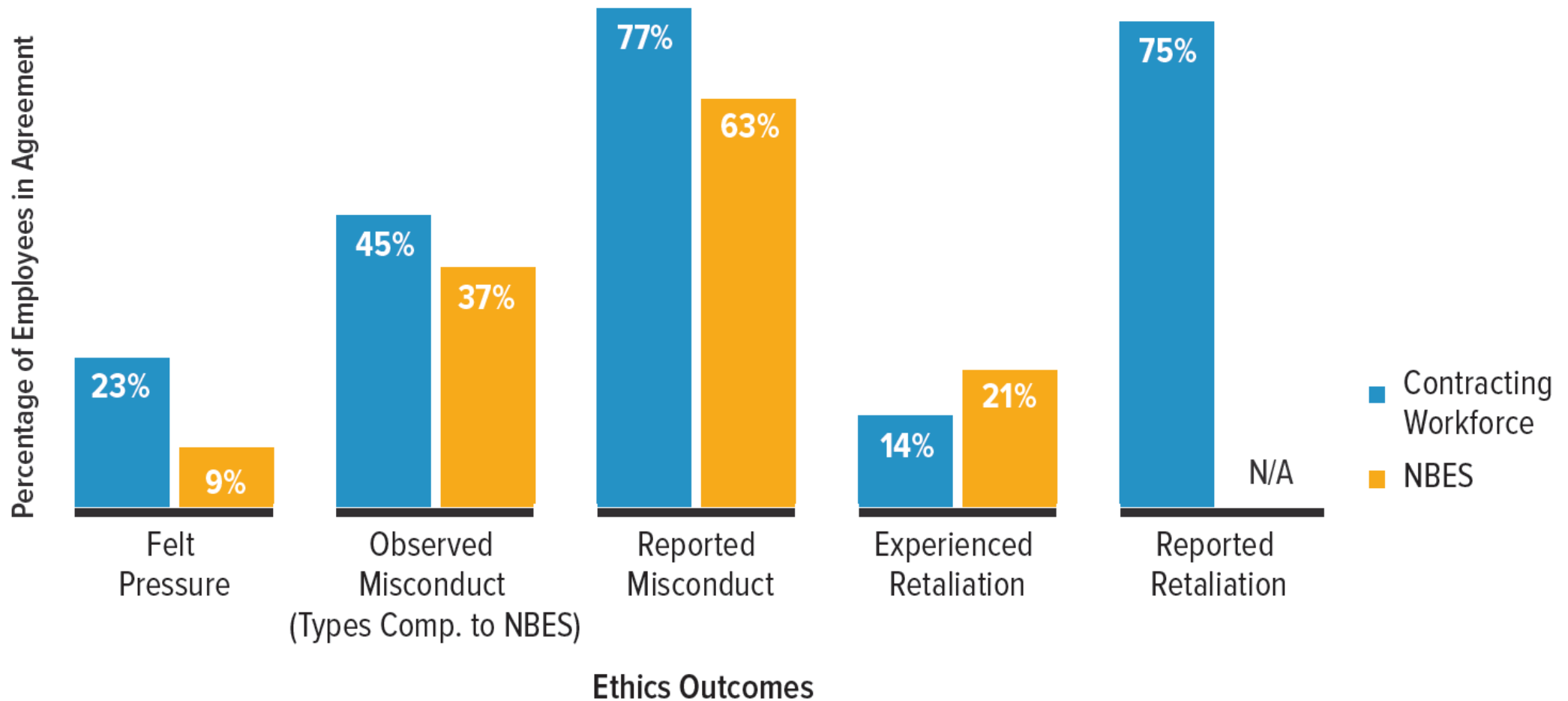
- Survey items focused on four measurable outcomes:
  - Pressure to violate standards or laws
  - Observed misconduct
  - Reporting of observed misconduct
  - Retaliation for reporting misconduct
- Survey items also focused on:
  - Ethics culture
  - Organizational independence

# Survey Populations



# Ethics Outcome Comparison

between the CM and U.S. Business Workforce (ECI, 2016, p. 5)

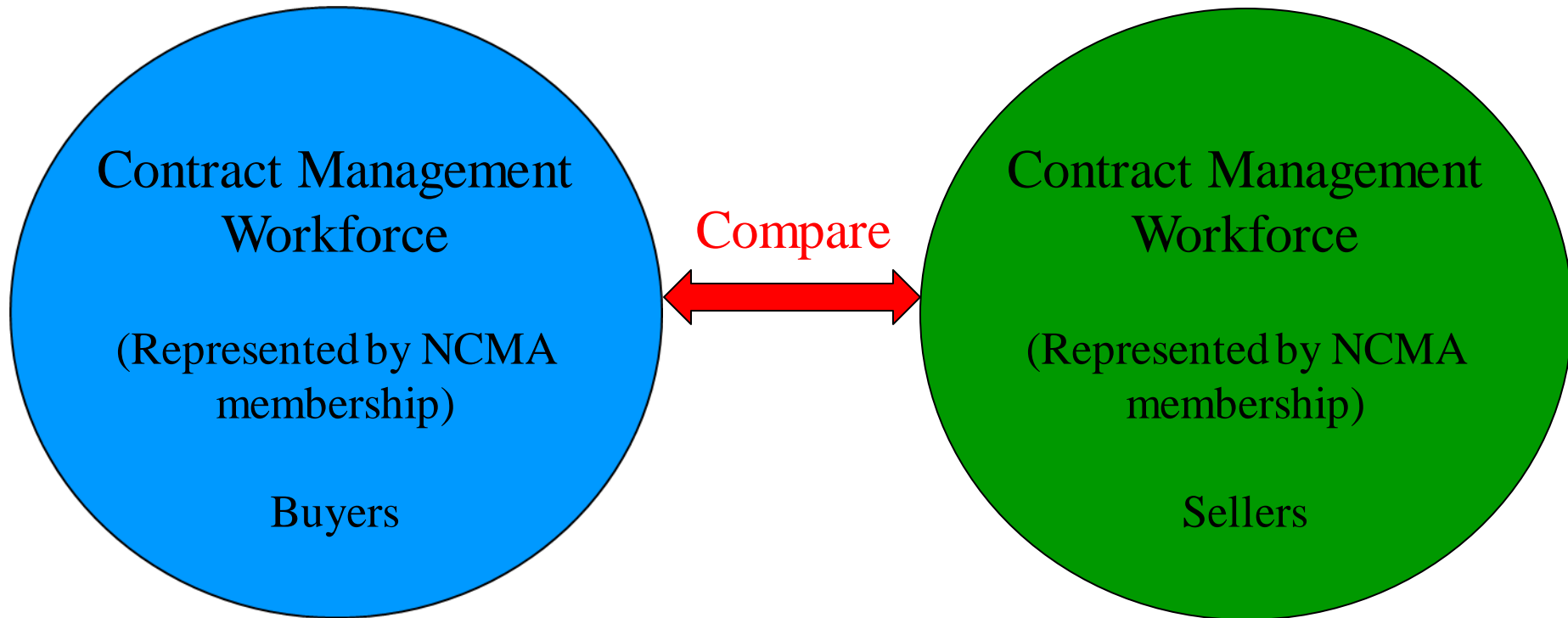


# Ethics Culture Comparison

between the CM and U.S. Business Workforce (ECI, 2016, pg. 11)

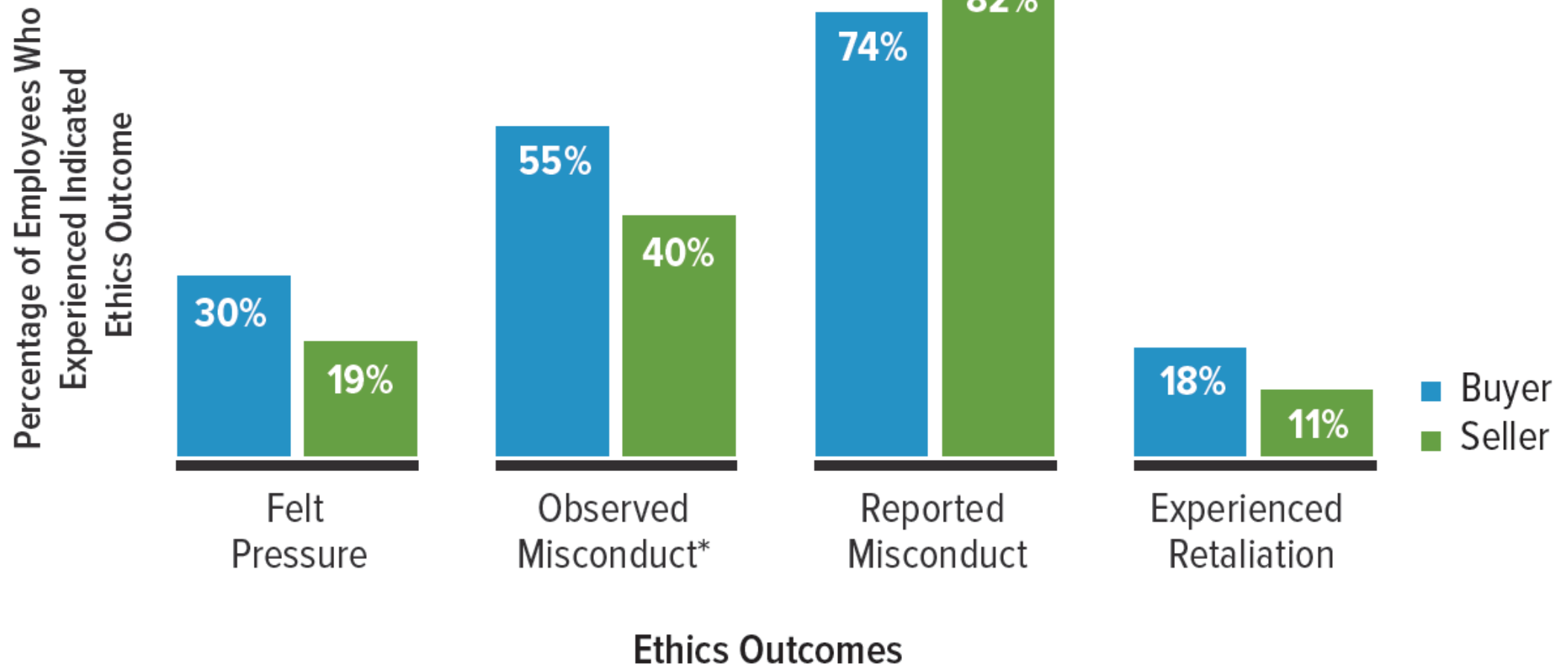


# Survey Populations

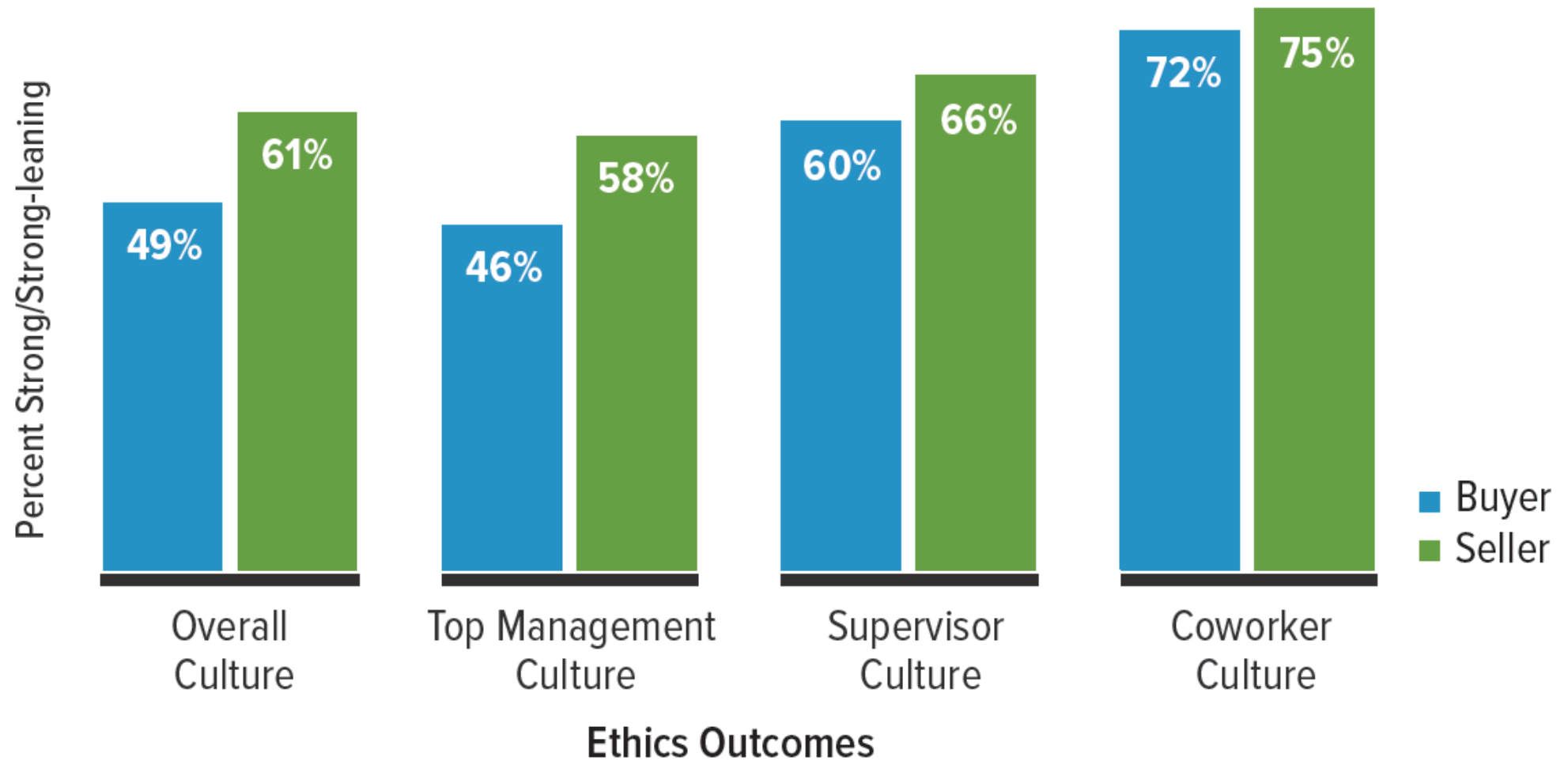


# Ethics Outcome Comparison between Buyers and Sellers

(ECI, 2016, p. 9)



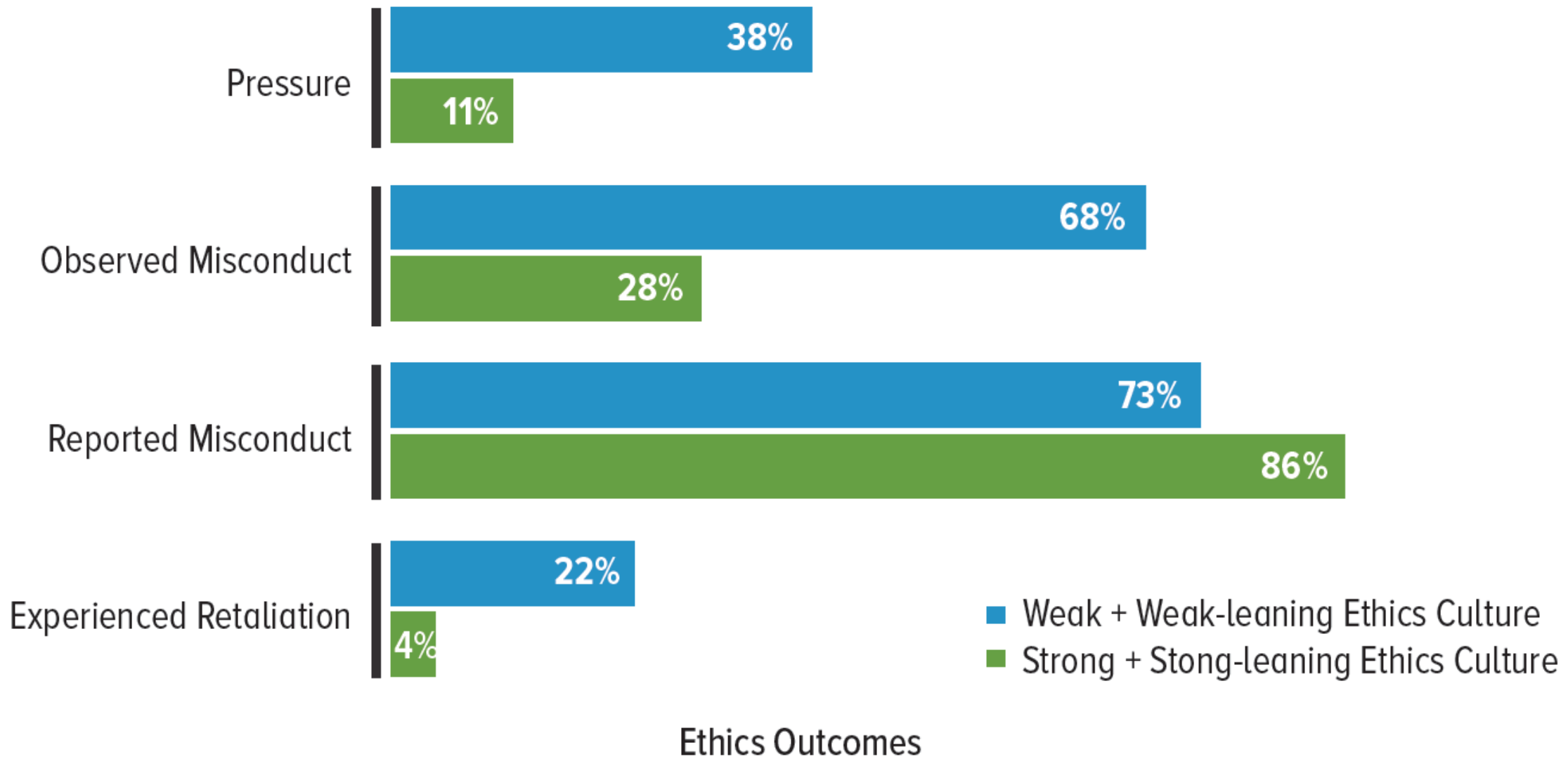
# Ethics Culture Comparison between Buyers and Sellers (ECI, 2016, p. 14)





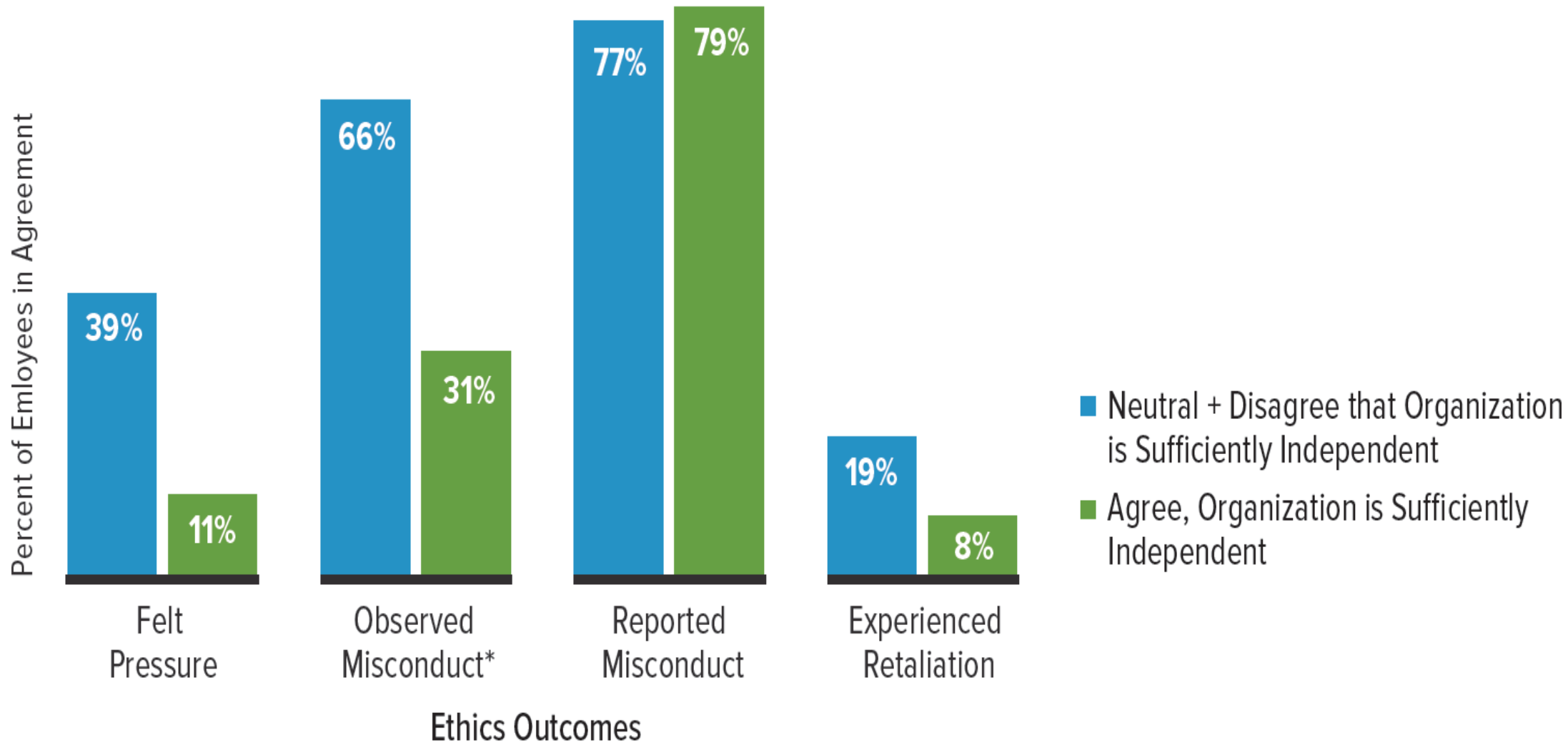
# Ethics Outcomes Comparison

between Strong and Weak Ethics Cultures (ECI, 2016, p.15)



# Ethics Outcomes Comparison when Organization is Considered Independent

(ECI, 2016, p. 18)



*\*Types of misconduct comparable to NBES.*

# Summary of Findings

- CM workforce felt pressure to violate the law, observed ethical misconduct, and reported the observed misconduct at a higher rate than U.S. workforce
- The percentages of buyers “feeling pressure” and “experiencing retaliation” were higher compared to the sellers
- “Observed ethical misconduct” was higher for buyers compared to sellers

## Summary of Findings

- CM workforce perceives the ethical culture of top management and supervisors as strong/strong-leaning at a lower rate than U.S. workforce
- CM workforce perceives the ethical culture of their co-workers as strong/strong leaning at a higher rate than U.S. workforce
- The strength of the top management, supervisor, and co-worker ethics cultures are consistently higher among sellers than among buyers

# Implications of Findings

- The findings suggest a positive impact of:
  - Effective ethics and compliance program
  - Strong ethics culture
  - Organizational independence (freedom from undue external influence)

# Implications of Findings

- The contracting workforce is committed to ethical performance
  - Higher reporting rates
  - Lower levels of retaliation
- However, there are some risks:
  - Higher observations of misconduct
  - Higher level of pressure to compromise standards creates the risk that violations will become more prevalent in the future
  - Notable doubts about management's commitment to ethical conduct

# Conclusion

- CM workforce faces additional ethical risks and challenges than other employees in organizations
- Importance of ethics and compliance program, ethical culture, and organizational independence in mitigating ethical risks

# References

- Ethics & Compliance Initiative (2016). *National Business Ethics Survey of the Contracting Workforce* . Ethics Research Center, Arlington, VA.
- Rendon, R. G. & Wilkinson, J. W. (2016). *Ethics in the Workplace: A Comparison between the Contract Management and General Business Workforces*. *Contract Management*, 56(7), 49-58.
- Lowney, S. & Rendon, R.G. (2016). *Ethics in the Workplace: A Comparison between the Contract Management and General U.S. Business Workforces*. Presentation at the NCMA World Congress, Orlando, Florida, July 27, 2016.





# Questions/Comments

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