

Ethics in Commercial & Contract Management

Results from an IACCM Member Survey

ACADEMIC SYMPOSIUM ON COMMERCIAL AND CONTRACT MANAGEMENT

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Survey Background

- Ethical misconduct in negotiating and managing contracts in projects can have significant reputational and financial impacts on people, organisations, and society.
- While there is a significant and growing body of writing on ethics in organizations, less is known about:
 - how ethical climate between partners in Business-to-Business contractual relationships is perceived, and
 - how this impacts relationship performance.

What We Know About Ethics in the Workplace

- While ethical misconduct in the workplace has been reported to decrease, the overall level of such instances is still very high
- Among the top five most observed types of misconduct are
 - Observed lying to employees and external stakeholders (26%)
 - Observed conflicts of interest (15%)
- Of those respondents who observed misconduct
 - 63% of employees reported someone in management or a direct report committed misconduct.
 - In about 2/3rd of the cases observed misconduct consisted of multiple incidents or an “ongoing pattern” of unethical behaviour



Source: Global Business Ethics Survey 2018

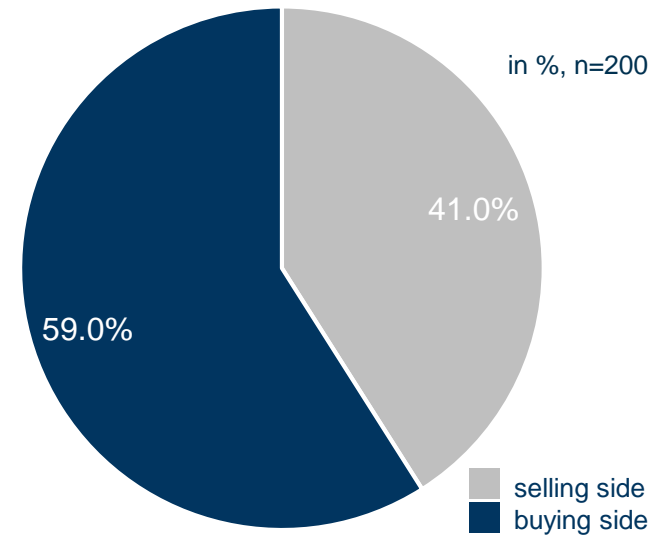
Guiding Questions

1. To what extent are ethical issues or dilemmas prevalent in contract management?
2. How do contracting partners assess their counterpart's ethical behaviours and practices?
3. How are ethical standards of one's home and partner organisations perceived?
4. Are respondents aware of any implicit or explicit forms of institutionalised ethics in their own organisations?

Study Design and Sample Characteristics

- Standardized online questionnaire, distributed to IACCM members (E-Mail containing link to survey)
- Final sample comprised 200 usable and fully completed responses
- Industries/Sectors in which respondents are mainly operating:
 - Engineering and Construction (13,5%)
 - Aerospace and Defence (13,0%)
 - Energy (13%)
 - Software & Information Services (7,0%)
 - Business Services and Consulting (6.5%)
 - Public Sector and Government (6.5%)

Question: Was your role on the selling side or the buying side?

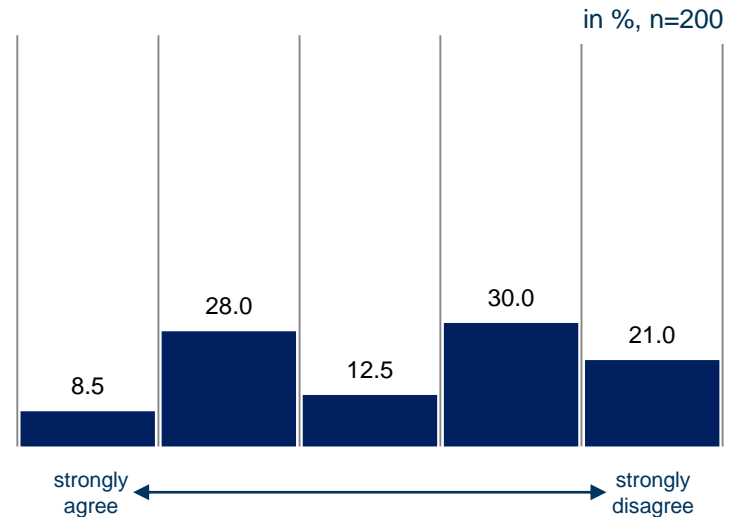
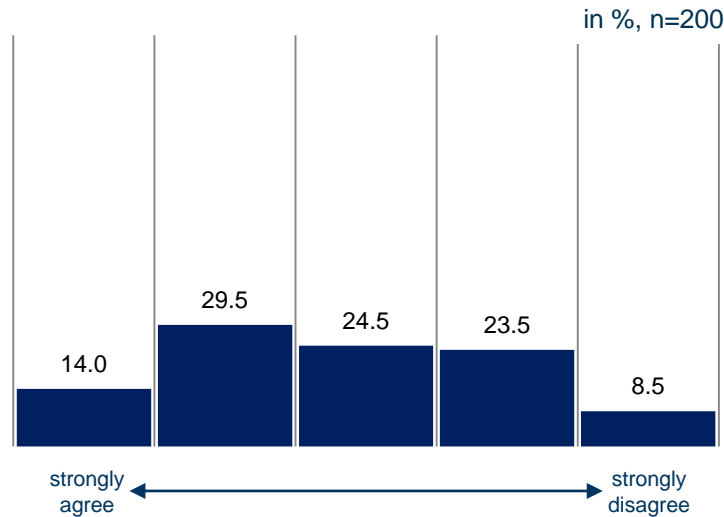


Broad range of contractual relationships in terms key characteristics

Q1: Prevalence of Ethical Issues in Contractual Relationships

Statement: Many of the decisions that I make throughout the contract lifecycle have ethical implications to them.

Statement: Being involved in the project, I face(d) several ethical dilemmas.

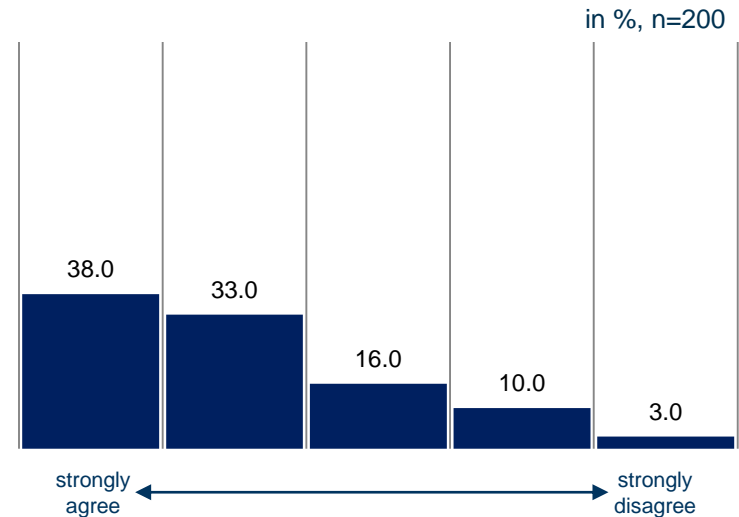
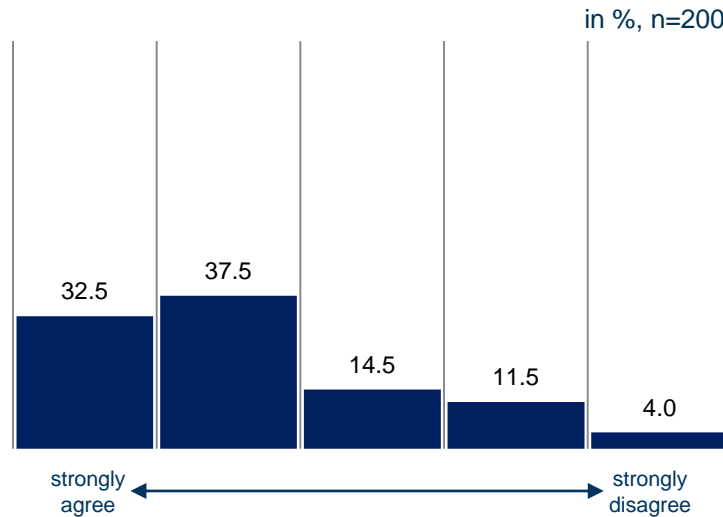


More than 40% of the respondents indicate that decision-making throughout the contract lifecycle implies ethical issues. More than 1/3 of the respondents faces or has faced several ethical dilemmas.

Q2.1: Ethical Climate in Contractual Relationships

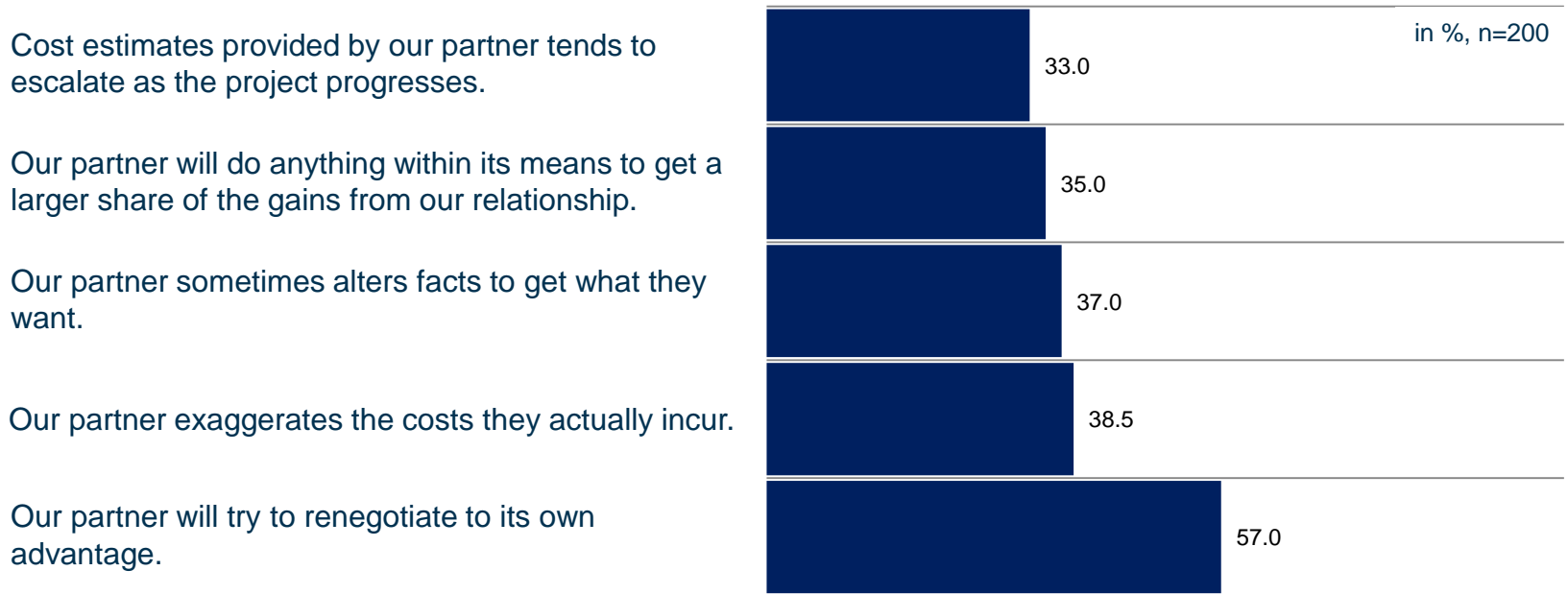
Statement: Our partner believes that ethical behavior, not just legal compliance, is paramount to contract performance.

Statement: Our partner has a sense of responsibility for maintaining an ethical reputation.



70% of respondents agree that their partners believe in ethical conduct as an essential precondition for contract performance.

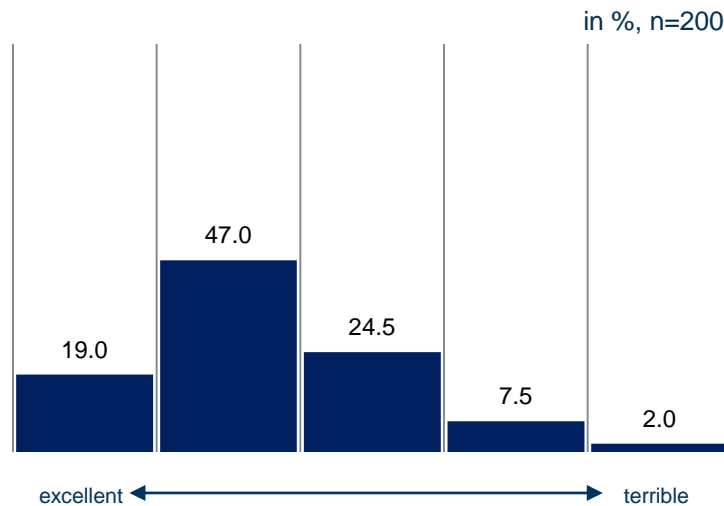
Q2: Ethical Behaviours in Contractual Relationships



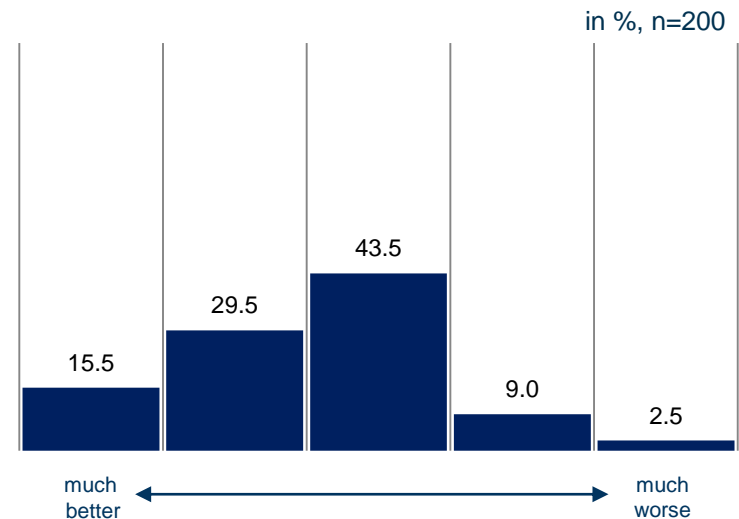
There is evidence for ethically „questionable“ behaviors of contract partners.

Q3: Ethical standards: The Partner Organisation

Question: Overall, how do you rate your partner organization with regard to ethical standards?



Question: Relative to your other suppliers or customers how do you rate your partner organization with regard to ethical standards?



The majority of the respondents rate their partner as at least „good“ with regard to ethical standards. However, about a third of answers indicates room for improvement in terms the partnering firm’s ethical standards.

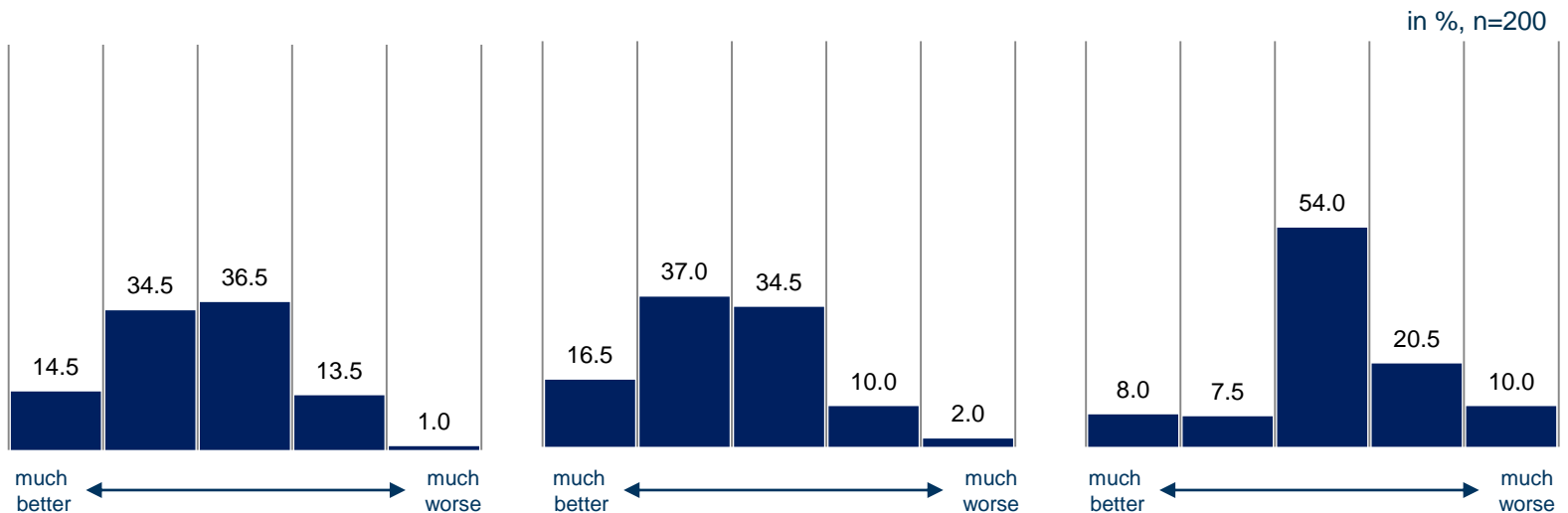
Q3: Ethical standards: The Home Organisation

Statement: How do you rate your own organization with regard to ethical standards relative to your...

...other suppliers or customers?

...industry?

...personal ethical standards?

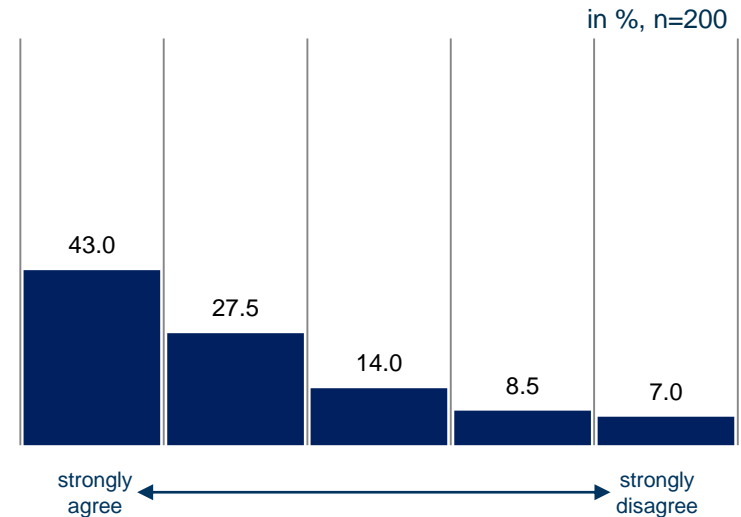
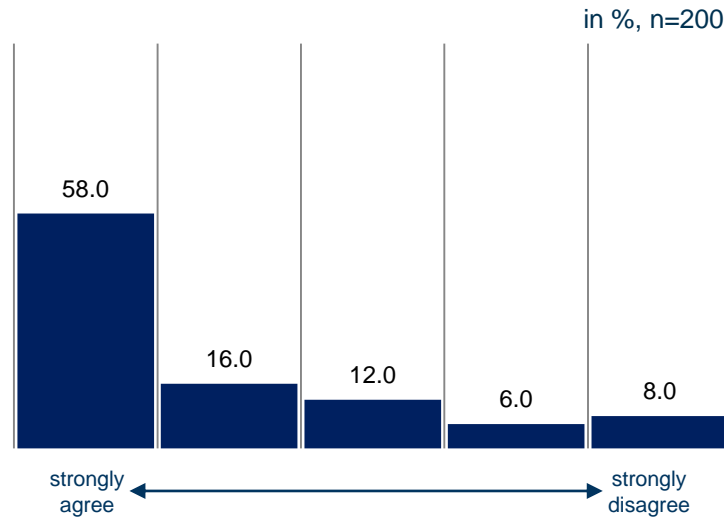


While less than 15% of respondents regard their organizations as having ethical standards that are below industry standard or their partner organization's level, about 30% believe that these standards are below their own personal ethical standards.

Q4: Institutionalization of Ethics: Perception of Explicit vs Implicit Approaches

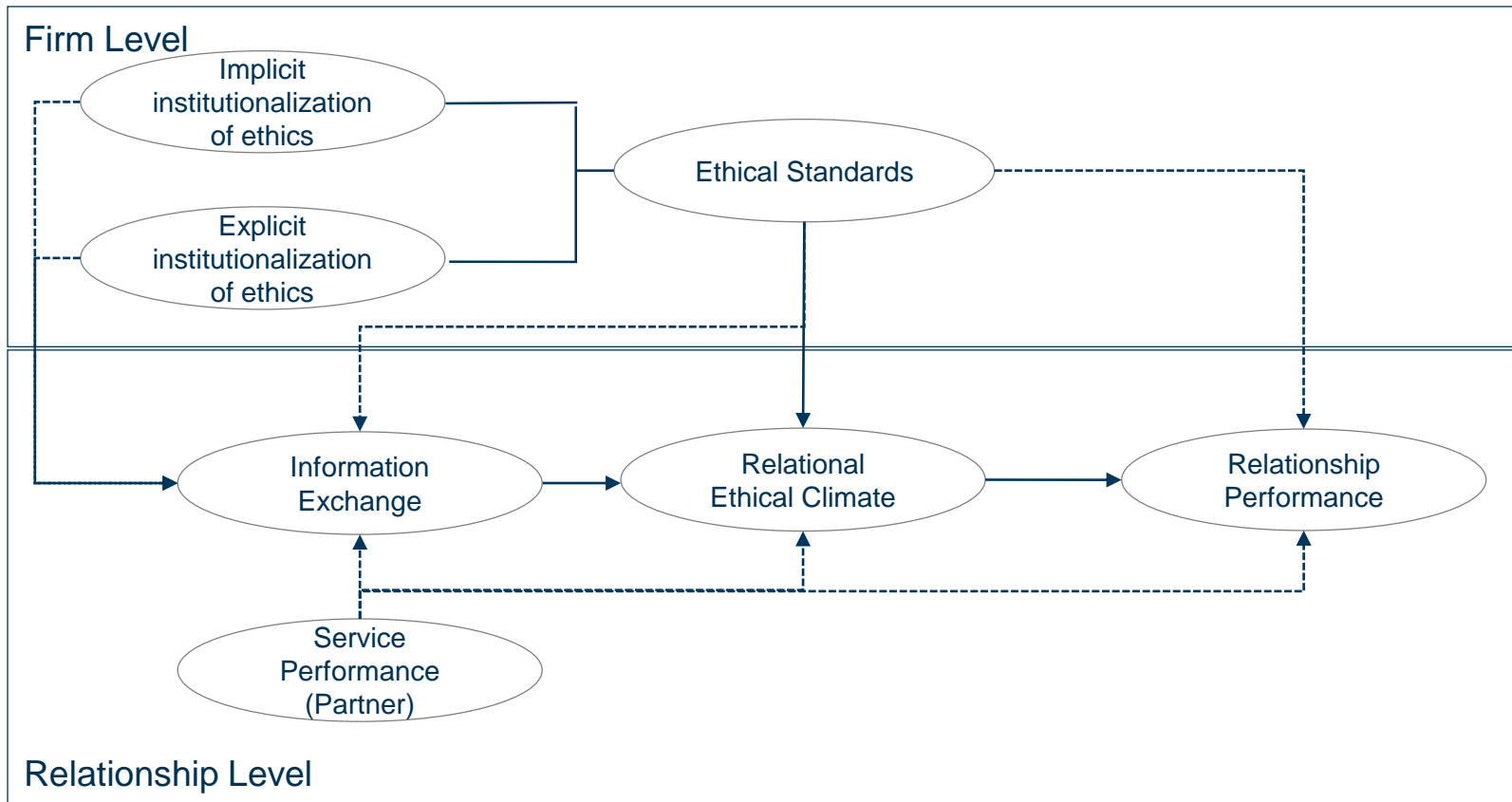
Statement: It is compulsory to participate in training programs communicating ethical standards and policies.

Statement: Top management accepts responsibility for unethical and illegal decision making on the part of employees.



The large majority of respondents conclude that their organisations have understood the relevance of ethics. Nevertheless, also here a substantial share of respondents remains who diagnose few ambitions within their firms.

Ethical Climate as a Driver of Relationship Performance



Summary and Implications

- From an overall perspective, surveyed respondents confirm that
 - their contractual partners regard ethical conduct as an essential precondition for contract performance
 - contractual partners mostly care about being perceived as ethical.
- Nevertheless, there is substantial evidence for ethically „questionable“ behaviors of contract partners.
- Relationship performance to a large extent depends on perceptions of a well-functioning ethical climate between contract partners
- Particularly informal/cultural aspects are effective in shaping ethical standards within an organisation

Thank you very much



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