

Managing Under a Microscope: *Doing the public's business with transparency and integrity*

California Association of County Treasurers
& Tax Collectors

June 12, 2007

Kirk O. Hanson (kohanson@scu.edu)
Markkula Center for Applied Ethics
Santa Clara University

Topics for Discussion

- National Trends in Managing Ethics in Local and County Government
- Conflict of Interest – a special concern
- Strategies for Creating a Culture of Integrity
- Behaviors you want to encourage

National Trends in Managing Ethics in Local Government and Special Districts

- Ethical failures getting more press and public attention
- Voters and citizens care more about integrity
- Focus equally on local as well as state and national government
- Substantial focus on public spending and contracting
- Much more focus on conflicts of interest
- Adoption of codes of ethics more common
- Moving from compliance to ethics and values
- Mandatory ethics training more common
- National movement for model ethics code and program

National Trends in Managing Ethics in Local Government and Special Districts

- **Example: City of San Jose**
 - Public reaction to building luxurious City Hall
 - Technology scandal
 - Garbage scandal
 - Mayor's personal life
 - ✓ Blue Ribbon Task Force on Ethics -lobbying, campaign reforms
 - ✓ Sunshine Reform Task Force - open meetings, publishing calendars, public records
 - ✓ "Reed Reforms" promise sunshine in government

National Trends in Managing Ethics in Local Government and Special Districts

Moving more toward ethics and values rather than compliance.

- ✓ Honesty
- ✓ Integrity
- ✓ Fairness
- ✓ Transparency
- ✓ Open communication

Changing Conflict of Interest Rules

- **Concern across all sectors of society**
 - Corporate boards of directors
 - Medical purchasing organization investing in suppliers
 - University board of directors
 - University official co-investing in real estate
 - College loan officers and lending companies
 - Scientists' relationships to companies
 - City officials doing business with city
 - City officials serving on board of nonprofit
 - City official seeking zoning variance

Changing Conflict of Interest Rules

- **Examples close to home**

- Foundation board – seek donations
- Staffer serve as ombudsman to a donor company
- Comment to press about a donor company; a competitor
- Write public critique of a donor company for their website

Emerging Themes of Conflict of Interest Rules

- Financial, relationship and ideological self interest
- Higher standards for public trust than for private or personal
- Lower tolerance for significance of conflict
- Higher standard for remedy for conflict of interest

Remedies for Conflict of Interest

- **ROLE ORIENTED SOLUTIONS**
 - Avoiding the role; resigning the role
 - Redesigning role of agent
 - Accepting conflict as inherent to role
- **INTEREST ORIENTED SOLUTIONS**
 - Divesting the interest if possible
 - Withdrawal of application participation if possible
 - Forfeiture of benefits
 - Blind trust
 - Permitting but limiting conflicts
 - Permitting conflicts

Remedies for Conflict of Interest

- **ACTION ORIENTED REMEDIES**
 - Recusal from decision, from voting
 - Assignment of specific decision to another official
 - Transparency on every vote and conflict involved
 - Watchdog review of decisions made under conflict

FOUR BROAD ETHICS STRATEGIES

1. RELIANCE ON CHARACTER OF EMPLOYEES
2. COMPLIANCE
3. ETHICS EXHORTATION/EDUCATION
4. MANAGING VALUES AND BEHAVIORS

1. RELIANCE ON CHARACTER OF EMPLOYEES

- Everyone here is ethical and honorable
- Expect ethical behavior and you will get it
- Any ethics effort demeans employees

1. RELIANCE ON CHARACTER OF EMPLOYEES

- Risks of relying on character of employees
 - Not everyone thinks of the same things as ethics
 - Not everyone is ethical or ethically strong
 - Not everyone shares the same ethical values
 - Not everyone is sophisticated enough to see and resolve ethical issues which arise

2. COMPLIANCE

- Establish standards of minimum behavior, usually based on the law
- Write detailed standards of conduct covering dozens of topics (i.e. don't steal from city)
- Establish severe penalties for violating these minimum standards

2. COMPLIANCE

- Risks of compliance approach
 - May give the signal that the law is all that matters
 - May give signal the organization wants only minimum behavior
 - May give some the impression that rules are window-dressing
 - Gives no guidance for most difficult value choices
 - May imply lower level employees are the target of the system
 - Enforcement can be perceived as selective and unfair

3. ETHICS EXHORTATION/EDUCATION

- Exhort employees to act ethically
- Remind employees of the trust citizens place in them
- Train employees to identify ethical dilemmas
- Train employees to ask good questions about ethical decisions

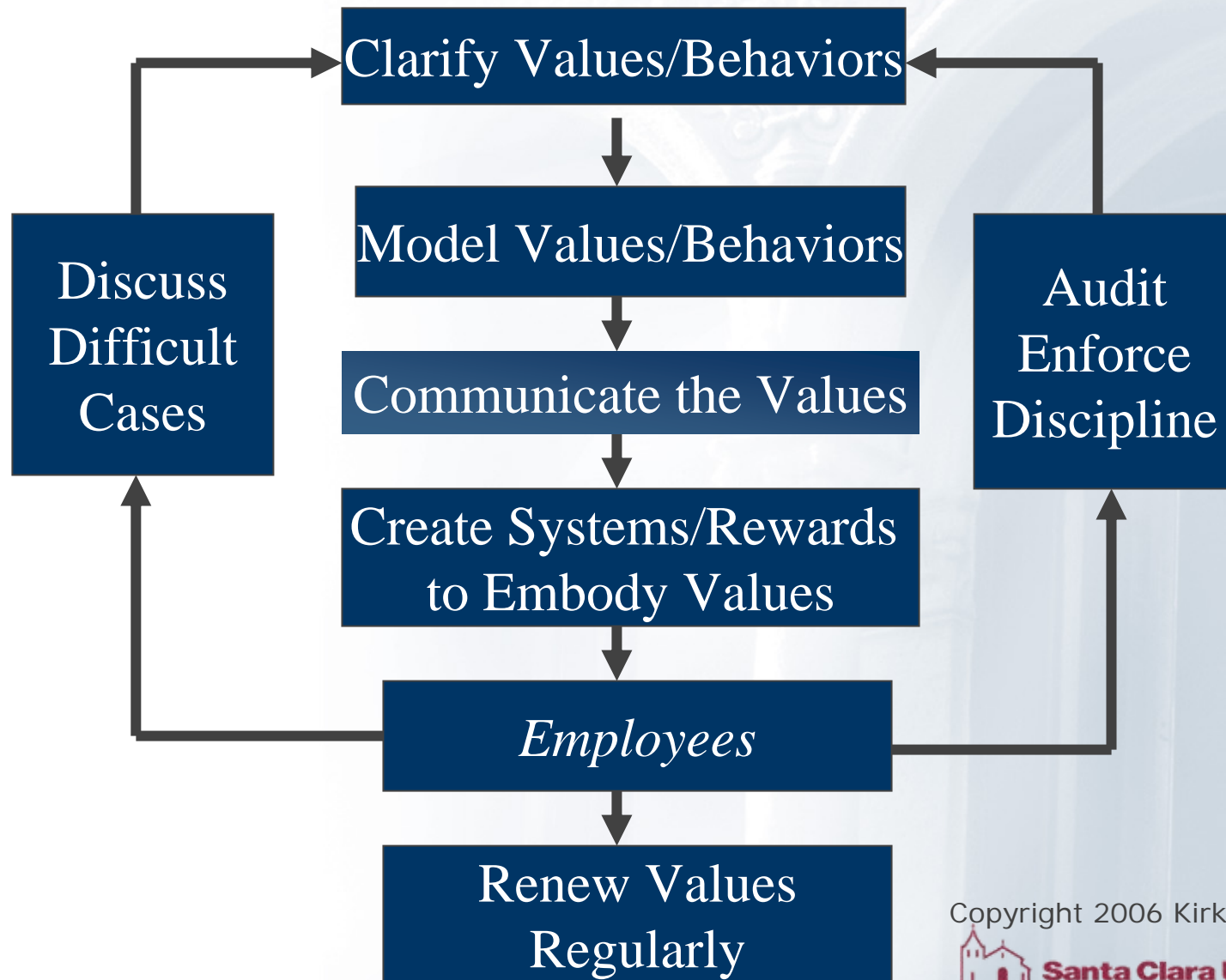
3. ETHICS EXHORTATION/EDUCATION

- Risks of ethics exhortation/education approach
 - What is “ethical” remains vague in employees’ minds
 - No help in identifying desired ethical behaviors
 - No guidance on complex ethical choices
 - May come across as creating deniability for senior managers (i.e. “we told you to be ethical”)

4. MANAGING VALUES AND BEHAVIORS

- Define organizational values (aspirations) as well as ethical standards (minimums)
- Define desired behaviors to implement the values
- Educate employees to values, standards and behaviors
- Communicate top management commitment to values
- Create systems that embody the values and standards
- Reward behavior consistent with the values and behaviors

Leadership Tasks to Manage Values & Behaviors



General Ethical Behaviors of Managers....

Talks about the importance of ethics

Considers ethics when making decisions

Sets a good example of ethical conduct

Provides information about what is going on in the org.

Keeps promises and commitments

Emphasizes ethical behavior even under pressure

Supports employees' adherence to ethics standards

Additional Ethical Behaviors of All Employees....

Anticipates ethical issues in their area of responsibility

Asks questions when ethical action is unclear

Reports concerns about unethical action of others

Ethical Behaviors in Specific Departments

- In dealing with the business of this department, we expect the following behaviors....

Conclusion: Ethics Efforts Must Be Targeted at Risks

- Where employees believe they have been tasked to stretch the rules
- Where employees have incentives to stretch the rules
- Where intense performance pressures exist
- Where conflicts of interest exist
- Where citizens are unreasonably demanding
- Where citizens are not paying attention
- Where oversight and accountability are lax

Conclusion: Ethics Management is Here to Stay

- Rising temptations to get an advantage
- Increasing complexity of organizational relationships
- Rising expectations of “managing in the public interest”
- Increasing scrutiny of public behavior by media, bloggers, interest groups