Procurement Ethics and Performance of State-owned enterprises in the United States

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Abstract

Procumebnt ethics is critical in enhancing the performance of organizations. The study's objective was to look at state-owned enterprises' procurement ethics and performance in the United States. The study adopted the explanatory research design. The target population included six federal-owned enterprises in the United States. These enterprises included Commodity Credit Corporation, Federal Crop Insurance Corporation, Millennium Challenge Corporation, Pension Benefit Guaranty Corporation, Tennessee Valley Authority, and Federal Crop Insurance Corporation. The key respondents in the study included managers and support staff. Questionnaires were used to collect the data. The study found that procurement ethics is positively and significantly related to performance. The ethic procurement ethics include demonstrating high levels of integrity, transparency and accountability in the procurement process. The study concluded that integrity in leaders includes being honest, trustworthy and reliable in an organization. Leaders with integrity act per their words and accept their mistakes instead of hiding them, blaming their team, or making excuses. A leader has to set a good example and be honest with the other members who contribute significantly to achieving organizational goals. Understanding the way to improve accountability in the public sector is essential to ensure sound management. Transparency creates trust and encourages information sharing, which is critical in the organization. Leaders demonstrate accountability by taking responsibility for the outcomes of their actions and decisions regardless of the consequences. The leaders with integrity act per their words and accept their mistakes instead of hiding them, blaming their team, or making excuses. The study recommended the leaders of the enterprises need to set a good example and be honest with the other employees who contribute significantly to achieving organizational goals. Leaders in the government of the USA
are supposed to carry the torch as noble servants of society and must never exploit their obligation to serve the public and also the fatal distractions of pride and vanity should be highly avoided. It is also recommended that the federal state enterprises be regularly checked by the agencies responsible for oversight.

Keyword: Procurement Ethics, Performance, State-owned enterprises, United States

1.0 Background of the study

Procumbent ethics is critical in enhancing the performance of organizations. The public interest will be difficult to be protected without ethics in government institutions (Aivazian, Ge & Qiu, 2020). There is a growing interest in public service ethics on both national and international levels to ensure good governance. Some foreign bodies like the United Nations (UN), the World Bank, the Organization for Economic Cooperation and Development (OECD) and Transparency International (TI) have emphasized the importance of ethical practice among government officials and have linked ethical practices with good governance. Thus, they have taken the initiative to encourage member states to establish projects to combat and eliminate corruption and promote ethical practices in their public. Ethics in procurement is critical and for instance, in the US, government leaders must always have the best interests of those they have sworn to serve as their priority (Bove, 2017). The government leaders must avoid the pitfall of an attitude of superiority. This attitude is malignance that will further distance them from those they have sworn to serve while in the office. Moreover, government officials are called to uphold a high standard of ethical behavior (Shapiro & Stefkovich, 2016). Leaders in the government of the USA are supposed to carry the torch as noble servants of society and must never exploit their obligation to serve the public and also, the fatal distractions of pride and vanity should be highly avoided (Wright, Hassan & Park, 2016).

The procurement practices are inclusive of the integrity of the leaders. Integrity in leaders refers to being honest, trustworthy and reliable in an organization (Boardman & Vining, 2017). Those leaders with integrity act per their words and accept their mistakes instead of hiding them, blaming their team, or making excuses. A leader should set a good example and be honest with the other members who contribute significantly to achieving organizational goals (Bruton, Ahlstrom & Li, 2020). Integrity is one of the top attributes of a great leader. It is a concept of consistency of actions, values, methods, measures, principles, expectations and outcomes (Khakali, 2017). It connotes a deep commitment to doing the right thing for the right reason, regardless of the circumstances (Liddle, 2018). Leaders who live with integrity are incorruptible and incapable of breaking the trust of those who have confided in them. Every human is born with a conscience and, therefore, the ability to know right from wrong. Therefore, leaders choosing the right thing, regardless of the consequence, are the hallmark of integrity.

Another aspect of procurement ethics is being transparent. Transparency in leadership keeps employees in the loop, shares the good and the bad, and welcomes honest feedback from your team (Schnackenberg & Tomlinson, 2016). Transparency creates trust and encourages information sharing, which is critical (Bolatito, 2018). To achieve transparency, an organization needs to provide information about its activities and governance to stakeholders that are accurate, complete and made available in a timely way (Brown & Mitchell, 2010). Transparency of the leaders is significant in building trust and making employees feel that they are working for a higher ethical
standard. Transparency, as one of the basic principles of good governance, implies the public insight into the work of Public Administration Bodies (Chintraruck & Walsh, 2016). Transparency increases mutual understanding among different groups of people (Felix, 2016). One of the government parastatals’ ways to enhance the performance is been transparent in their internal operations (Chintraruck & Walsh, 2016).

Accountability is essential in the leadership of an organization. It occurs when leaders reliably deliver on their commitments, showing others they can be trusted to do what they are obliged to do (Liddle, 2018). Leaders demonstrate accountability by taking responsibility for the outcomes of their actions and decisions regardless of the consequences. Accountability eliminates the time and effort spends on distracting activities and other unproductive behavior within an organization (Schnackenberg & Tomlinson, 2016). Leaders of the organization are supposed to make people accountable for their actions by teaching them to value their work. In situations where leaders are accountable for their actions, the team increases (Schillemans, 2021). To create a culture of accountability, leadership must demonstrate it and demand it from others (Zeckhauser, Horn, Murphy & Peltzman, 2020). The responsibility of those in the leadership position minimizes the chances of the embezzlement of funds, especially in government institutions such as parastatals and corporations (Suddaby, 2015). The study's objective was to look at the procurement ethics and performance of state-owned enterprises in the United States.

2.0 Literature Review

Bowen, Moon and Kim (2017) conducted a study to analyze ethics in financial communication and investor relations in the USA. The study adopted the descriptive research design and the data was analyzed using descriptive and inferential statistics. The study established that refining the way we view and analyze ethics is essential in public relations, financial communication, and investor relations. Moreover, the study showed that the stakeholders mostly question ethical management in supporting the financial disclosure and responsibilities results which are consistency, knowability, decreased uncertainty, and more trusting relationships between organizations and stakeholders increase the performance of the companies. Therefore, the study concluded that unethical decisions and immoral management might hurt the performance because the investors monitor the organization's ethics. Thus, companies have to manage the investors' trust to earn, build and sustain the trust persistently.

Alam, Johari and Said (2018) examined the effect of employee integrity in the public sector of Malaysia. Primary data was collected using a questionnaire survey approach with 194 heads of the Malaysian federal ministries. Factor analysis and descriptive statistics were used for data analysis. The findings showed that 92.6 percent of the participants reported that they practiced integrity within their departments. Nevertheless, the priority for these integrity factors varied according to the service schemes. In general, the finance, audits and administration departments had an above-average integrity practice level; however, the practice of the accounting scheme is below the general average level. The study recommended that policymakers take the necessary steps to improve the practices of integrity in the public sector to create a more dependable and efficient public sector in Malaysia.

Abidin, Hashim and Ariff, (2017) conducted a study to investigate the influence of ethical commitments and financial performance to listed companies in Jordan. The findings of the study posited that management commitment towards ethics is positively associated with financial...
performance. Financial performance is represented by return on assets (ROA) and return on equity (ROE). The results also showed a positive relationship between commitment towards ethics and financial performance. More specifically, the findings indicated that commitment towards ethical aspects of been honest, social responsibility and relationships in business operations are needed to maintain corporate financial sustainability. The results implied the importance of promoting a higher standard of business ethics among publicly listed companies in Jordan. Hence, aside from a legislative framework, regulators may incorporate the prevention of unethical conduct by emphasizing corporate commitments towards ethical behavior in their business.

Khudhair, Norwani, Khalid and Aljajawy (2019) examined the relationship between transparency and financial performance in Iraqi corporations. This study was based on a sample of 25 corporations listed on the Iraq stock exchange (ISX). Information related to research variables was collected in a 4 year period between 2014 and 2017. To investigate the association between variables of this research, the transparency, financial, non-financial information and board of directors as the independent variable and corporate financial performance based on accounting data, return on assets (ROA), return on equity (ROE) and return on investment (ROI) as the dependent variable. The Ordinary Least Square (OLS) regression test was used. The study results revealed that the association between transparency, financial, non-financial information board of directors and corporate financial performance was positive. The study concluded that transparency was the most variable that influenced the performance to a large extent. The study recommended that Iraqi corporations need to emphasize much on transparency to increase their performance.

Abd Aziz, Rahman, Alam and Said (2015) conducted a study to examine the enhancement of the accountability of public sectors through the integrity system, internal control system and leadership practices in Malaysia. The study used primary data obtained from the management in the government institutions. The study results revealed that governance in public sectors enhances efficiency when those in charge are held responsible for their actions. Public sectors are under pressure to justify the sources and utilization of public resources and improve the performance in their services delivery. The study concluded that understanding how to improve accountability in the public sector is essential to ensure good governance. Therefore, to enhance accountability in the public sector, the government in Malaysia needs to enhance the integrity system, internal controls system and leadership qualities. The study recommended the government to establish more accountability among different departments and agencies of government.

3.0 Research Methodology

The study adopted the explanatory research design. The target population included six federal-owned enterprises in the United States. These enterprises included Commodity Credit Corporation, Federal Crop Insurance Corporation, Millennium Challenge Corporation, Pension Benefit Guaranty Corporation, Tennessee Valley Authority, and Federal Crop Insurance Corporation. The key respondents in the study included managers and support staff. Questionnaires were used to collect the data.

4.0 Research Findings and Discussion

The study findings presented the correlation and regression results. The justification of the correlation results was to show the association between variables, while regression results demonstrated the relationship between the variables. The study finding of correlation analysis is presented in Table 1.
Based on the results depicted in Table 1, it can be noted that procurement ethics is positively associated with performance. This indicates that procurement ethics determine the performance of the federal-owned enterprises in the USA. The results are in agreement with the findings of Bowen, Moon and Kim (2017), who indicated unethical decisions and immoral management hurt the performance because the investors monitor the ethics of the organization and thus, companies have to manage the trust of the investors so to earn build and sustain the trust persistently. Likewise, Alam, Johari and Said (2018) reported integrity in procurement is vital and improves performance positively. Integrity in leaders refers to being honest, trustworthy and reliable in an organization. Those leaders with integrity act per their words and accept their mistakes instead of hiding them, blaming their team, or making excuses. A leader should set a good example and be honest with the other members who contribute significantly to achieving organizational goals. In addition, Abidin, Hashim and Ariff, (2017) showed a positive relationship between commitment towards ethics and financial performance. The commitment towards ethical aspects of been moral, social responsibility and relationships in business operations are needed to maintain corporate economic sustainability. The importance of promoting a higher standard of ethics is that it increases the commitment of other employees.

### 4.2 Regression Analysis

The findings on the regression analysis is presented in Table 2.

#### Table 2: Regressions of Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>---</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-0.081</td>
<td>0.103</td>
<td>-.7864</td>
</tr>
<tr>
<td></td>
<td>Procurement Ethics</td>
<td>0.037</td>
<td>0.012</td>
<td>0.024</td>
</tr>
</tbody>
</table>

Dependent Variable: Performance

The study findings presented in Table 2 indicate that procurement ethics is positively and significantly related to performance ($\beta=0.037 \ p=0.012$). The study results suggest that a unit improvement in procurement ethics would increase the performance of the state-owned enterprises by 0.037 units when other factors are held unchanged. The study findings are supported by the calculated t-statistic of 3.083, larger than the critical t-statistic of 1.96. The study findings concur with Abidin, Hashim and Ariff’s findings (2017), which showed a positive relationship between
commitment towards ethics and financial performance. Khudhair, Norwani, Khalid and Alajawy (2019) revealed the association between transparency and corporate financial performance is positive. Alam, Johari and Said (2018) reported integrity in procurement is vital and improves performance positively. Integrity in leaders refers to being honest, trustworthy and reliable in an organization. Those leaders with integrity act per their words and accept their mistakes instead of hiding them, blaming their team, or making excuses. A leader should set a good example and be honest with the other members who contribute significantly to achieving organizational goals. In addition, Abidin, Hashim and Ariff, (2017) showed a positive relationship between commitment towards ethics and financial performance. The commitment towards ethical aspects of being moral, social responsibility and relationships in business operations are needed to maintain corporate economic sustainability. Abd Aziz, Rahman, Alam and Said (2015) revealed that public sector governance enhances efficiency when those in charge are held responsible for their actions. Understanding the way to improve accountability in the public sector is essential to ensure sound management. Transparency creates trust and encourages information sharing, which is critical in the organization. Leaders demonstrate accountability by taking responsibility for the outcomes of their actions and decisions regardless of the consequences. Accountability eliminates the time and effort spends on distracting activities and other unproductive behavior within an organization.

5.0 Conclusion

The study concluded that procurement ethics is positively and significantly related to performance. The ethic procurement ethics include demonstrating high levels of integrity and transparency in the procurement process. The commitment to ethical aspects of being honest, social responsibility, and relationships in business operations is needed to maintain corporate economic sustainability. Integrity in leaders includes being honest, trustworthy and reliable in an organization. Leaders with integrity act per their words and accept their mistakes instead of hiding them, blaming their team, or making excuses. A leader has to set a good example and be honest with the other members who contribute significantly to achieving organizational goals. The public sector governance enhances efficiency when those in charge are held responsible for their actions. Understanding the way to improve accountability in the public sector is essential to ensure sound management. Transparency creates trust and encourages information sharing, which is critical in the organization. Leaders demonstrate accountability by taking responsibility for the outcomes of their actions and decisions regardless of the consequences. Accountability eliminates the time and effort spends on distracting activities and other unproductive behavior within an organization. Procurement ethics are fundamental behind the success of various government state-owned enterprises in the country. Leadership is critical and US government leaders must always have the best interests of those they have sworn to serve as their priority. The government officials are called to uphold a high standard of ethics. Leaders in the government of the USA are supposed to carry the torch as noble servants of society and must never exploit their obligation to serve the public and also the fatal distractions of pride and vanity should be highly avoided. Every human is born with a conscience and, therefore, the ability to know right from wrong. Therefore, leaders choosing the right thing, regardless of the consequence, are the hallmark of procurement ethics.
6.0 Recommendations

Based on the study findings, it is recommended that procurement ethics be practiced in all federal enterprises in the United States. The employees within the enterprises need to portray a high level of integrity, transparency and accountability. The leaders of the enterprises need to be ready to accept their faults without blaming others. The leaders are required to serve the priorities of the public and the aspect of the self-interest of the leaders needs to be discouraged. The significance of procurement ethics is that it increases the sustainability of the federal state-owned enterprises. Integrity in leaders, which includes being honest, trustworthy, and reliable, is critical in enhancing service delivery. The leaders with integrity act per their words and accept their mistakes instead of hiding them, blaming their team, or making excuses. The leaders of the enterprises need to set a good example and be honest with the other employees who contribute significantly to achieving organizational goals. The public sector governance enhances efficiency when those in charge are held responsible for their actions. Leadership is critical and US government leaders must always have the best interests of those they have sworn to serve as their priority. Leaders in the government of the USA are supposed to carry the torch as noble servants of society and must never exploit their obligation to serve the public and also the fatal distractions of pride and vanity should be highly avoided. It is also recommended that the federal state enterprises be regularly checked by the agencies responsible for oversight.
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