

Keep Austin Ethical



**John Steiner
Ethics (Meeting the requirements for
Professional Engineer License Renewal)**

John Steiner is the Integrity Officer for the City of Austin. He has been at the City since 1995, and before becoming the Integrity Officer he was the Division Chief for Opinions and Research in the Austin's City Attorney's Office. He is a graduate of the University of Texas and the University of Texas School of Law. Before coming to the City, he was the first Executive Director of the Texas Ethics Commission, the agency that administers campaign finance, lobby, and ethics laws in Texas.

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**Why spend our time on
ethics in government?**

**Texas On-site Wastewater
Treatment Research
Council.
Waco, TX.
March 6, 2007.**

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**What's the use you learning
to do right when it's
troublesome to do right
and ain't no trouble to do
wrong, and the wages is
just the same?**



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Ethics is

- **An economic development tool.**
- **A law enforcement tool.**
- **A management tool.**





Good Government Means

- **Businesses are willing to invest capital in the area**
- **Good public amenities**
- **A good standard of living**



Legitimacy is our most important law enforcement tool

- **A police state can be very efficient in gaining compliance, but**
 - It stifles a civil society
 - It stifles a vibrant economy
- **In a democracy we depend on people's buy-in to the legitimacy of regulations to gain voluntary compliance**





Legitimacy is our most important law enforcement tool

- **A regulator depends on a certain level of buy-in from the regulated community.**
- **Even if the regulated community doesn't like being regulated, they must trust in the fairness and honest of the regulator.**



Good ethics is good management

- **The ethical environment is an essential management control**



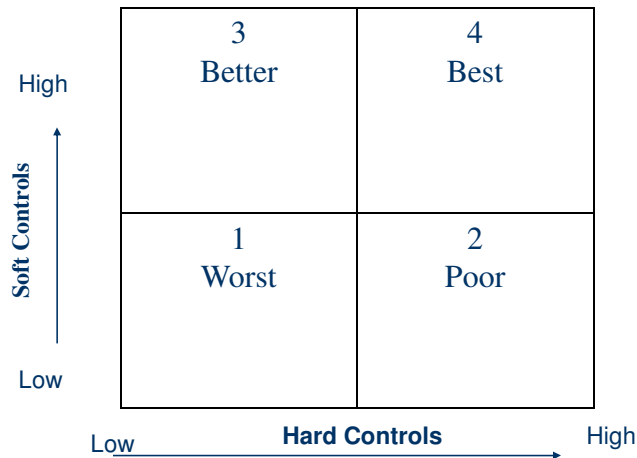


Management Controls

- **Hard Controls**
 - laws, ordinances, personnel policies, and other rules that directly govern the behavior of employees in the organization
 - backed up by the chance of a penalty or discipline
- **Soft Controls**
 - the organization’s people and the human environment in which they work
 - a context in which doing the right thing is valued, rewarded, expected, and protected



Hard Controls/Soft Controls





Hard Controls/Soft Controls

- Hard controls are necessary, but not sufficient.
- Soft controls are harder to quantify, but are the more important part of the equation.



Private Sector/Public Sector

Why is the public sector treated differently from the private sector?

or

We're good people, why do we need all these ethics rules?





Self Interest and The Four Kinds of Spending

	Your Money	Other People's Money
On Yourself	Quality And Economy	Quality Only
On Other People	Economy Only	No Control



The Core Values of Gov't "Ethics" Laws

- To ensure transparency and impartiality
- To ensure that our personal interests do not compromise our decision making
- To ensure that decisions about the public's lives and fortunes don't depend on who bought us the best presents most recently
- To insure that the public remains confident that the resources of the government are being used in a way that benefits the public good and not for the private benefit of those to whom those resources have been entrusted
- To ensure that the public has no reason to doubt the fairness of the administration of their government





The Core Values of Gov't “Ethics” Laws

- **Even if an arrangement benefits the public good, the purpose of the law has not been served**
 - if a reasonable observer has reason to doubt
 - that decisions regarding the use of public resources are being made objectively, and
 - without the conflict of a possibility of private gain.



Seven causes of breakdown in the ethical environment

- “Only Bad People Do Bad Things”
- Group Pressure/Pressure to Get the Job Done
- Conflict Avoidance
- Inconsistency
- Failure at the Top to “Walk the Walk”
- Looking for Loopholes
- The Worst Case Becomes the Legend





“Only bad people do bad things.”

- **Fundamental attitude for a poor ethical climate.**
- **When we say “You’re either ethical or you’re not,” we are giving up on the most important control managers have in creating and maintaining an ethical organization.**



The Fundamental Attribution Error

- **Sometimes referred to as the actor-observer bias**
- **The tendency for people to over-emphasize personality as an explanation for behavior, and to under-emphasize the power of environmental and situational influences on the same behavior.**
- **When we say that ethics cannot be (or need not be) taught, we are falling into the fundamental attribution error.**





Group Pressure

- **Managers create the social context in which their subordinates live.**
- **If you create a context in which doing the right thing is**
 - expected
 - valued
 - rewarded
 - protected
 - you will get results.
- **If employees get the message that doing the right thing is for suckers, they'll respond to that as well.**



Group Pressure/ Pressure to Get the Job Done

- **Employees are under constant pressure to subordinate their own judgment to the collective judgment of the organization, even if the pressure is low key.**
- **The most cited cause for in ethical lapses on the organizational level is the pressure to get it done, no matter what.**





The Enron Case

- A few of the people in the organizations were rotten, but many more broke the law and acted unethically because they were convinced, and many of them remain convinced, by the culture around them that it was the right thing to do.
- One Enron employee, serving a five year sentence in federal prison he saw Enron as a place where “aggressiveness fostered pride,” and that one of the “joys” of working there was “masking the company’s economic issues.”



The Enron Case

- Sometimes individuals in a corporate culture adopt as their own an ethic associated with their role in the organization that is distinct from their individual ethics. One Enron employee, fined \$12M for fraud, testified in regard to defrauding shareholders: “I’m not sure those were my values, but those were my actions.”



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A poor ethical culture is a double whammy

- It gives “bad” people license to be bad
- “Good” people are induced to act wrongly
- *Deviance becomes the norm*



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The Multiplier Effect

- As a manager everything you do and say is teaching your subordinates about the culture of your organization.
- Your subordinates will do their best to conform to that culture, and live up (or down) to your expectations.
- In every contact your employees have with each other, they are teaching each other about the culture of the organization.
- In every contact government employees have with citizens, they are teaching the public what the government is all about.





Conflict Avoidance

- A desire to be courageous or honest may be contradicted by a desire to avoid the inconvenience or pain that courage or honesty often requires.



Inconsistency

- We look the other way because people will be put out or exasperated if we insist on following the rule
- An ethical dilemma comes up in a minor situation and we are busy with more important things.
 - We say “Just this once, go ahead.”
 - The group learns that the way around the rule
 - The core value behind the rule is undermined
 - Following the rule becomes a “sucker-deal”





Failure at the Top

- **Organizational ethics is not a grass-roots movement, it's a top-down initiative.**
- **It's not enough to talk the talk.**
- **Top management has to walk the walk.**



Failure at the Top

- **If middle and front line managers, and employees who do the right thing, are not supported, they will become cynical and give up.**
- ***Justice must not only be done, justice must be seen to be done.***





Looking for Loopholes

Over-legalizing

- Corporate governance relies on the state of mind and personal relationships of managers, not a list of empty procedures or principles.
- In the Enron case, the rules were in place, but were willfully and skillfully ignored, and we see the result of a growing and pervasive winking at the letter of the law. This winking didn't come out of nowhere.



Looking for Loopholes

If you are reading the rules and find yourself looking for loopholes or exceptions:

Stop.

Think about the purpose of the rule, and you will probably decide that what you are trying to justify is not such a good idea after all.





The worst case becomes the legend

- When somebody does a spectacularly bad thing and gets away with it, it has a lot of story-telling punch
- You will be reminded of it endlessly
- It will be used to excuse every transgression
- One really bad legend discounts years of enforcement and compliance



Understand the value behind the law

- Avoid any arrangement that is contrary to that value
 - or that may be seen by an outside observer as contrary to that value
- Even where the letter of the law permits the arrangement



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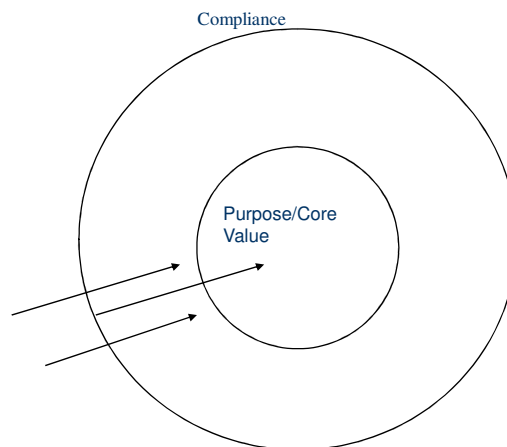
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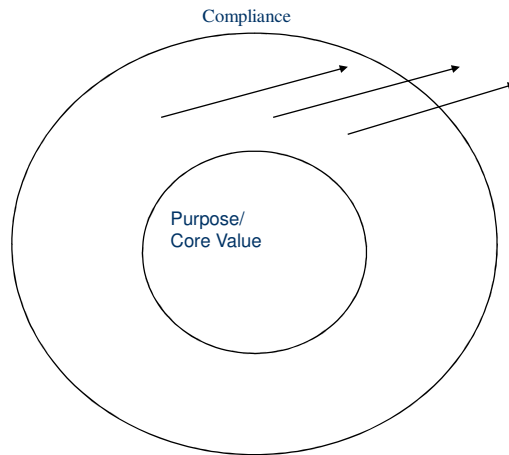
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The Core Values of Gov't "Ethics" Laws





The Core Values of Gov't "Ethics" Laws



Integrity

- **Integrity is adhering to the highest standards**
 - in your decision making,
 - in the exercise of the powers entrusted to you as a public servant, and
 - in the stewardship of public property under your control.





Integrity

- A public servant has not achieved integrity by merely not breaking the rules
- The rules are not the high standard to which we aspire; they are the minimum standard below which we are not allowed to fall



Thanks for Listening

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