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The Impact of Cognitive Biases on Ethical Decision-Making in Government Procurement

December 2025

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Prepared for the Naval Postgraduate School, Monterey, CA 93943.

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ABSTRACT

This report examines how cognitive biases, emotional influences, and systemic corruption undermine ethical decision-making in defense contract management. Through a qualitative analysis of the Fat Leonard scandal and The Pentagon Wars, the study shows how biases such as conformity bias, sunk cost fallacy, and overconfidence interact with permissive organizational cultures to distort judgment and weaken accountability. Although frameworks such as the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and Joint Ethics Regulation provide necessary safeguards, findings indicate that regulations alone cannot prevent unethical outcomes when leadership norms discourage dissent or normalize incremental misconduct. Drawing on Government Accountability Office reports, behavioral-ethics research, and documentary evidence, the study proposes an ethical risk-management approach emphasizing independent reviews, structured decision processes, and enhanced ethical training to mitigate bias-driven errors. The results highlight the need for cultural reform and improved behavioral awareness to strengthen procurement integrity, safeguard taxpayer resources, and support more effective and ethical acquisition outcomes.



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To my family, who instilled in me the importance of integrity; to the educators who demonstrated the value of diligence and hard work; and to the leaders who embody both qualities and continue to inspire me.



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LIST OF ACRONYMS AND ABBREVIATIONS

AI	Artificial Intelligence
BFV	Bradley Fighting Vehicle
CFR	Code of Federal Regulations
DFARS	Defense Federal Acquisition Regulation Supplement
DoD	Department of Defense
DoDI	Department of Defense Instruction
DTIC	Defense Technical Information Center
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
GDMA	Glenn Defense Marine Asia
IoT	Internet of Things
JER	Joint Ethics Regulation
NPR	National Public Radio



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EXECUTIVE SUMMARY

This report examines ethical decision-making within defense contract management, focusing on the impact of cognitive biases, emotional factors, and perceived corruption in government procurement and acquisition processes. It analyzes how these elements combine to create ethical vulnerabilities that compromise fiscal stewardship, operational effectiveness, and public trust, using two major case studies, the Pentagon Wars and the Fat Leonard scandal, to illustrate broader systemic failures across time.

Purpose and Scope

The research aims to investigate the interplay between cognitive biases, emotional motivations, and corruption in defense acquisitions, assessing how unethical conduct emerges and persists despite established regulations and oversight mechanisms. By synthesizing literature, regulatory frameworks, and Government Accountability Office (GAO) reports, the study attempts to deliver a holistic understanding of ethical challenges and proposes risk mitigation strategies for public procurement environments.

Methodology

A qualitative, multiple-case approach leveraging thematic analysis was used, drawing from official reports, academic literature, and secondary document analysis. Selection criteria emphasized relevance to corruption, behavioral patterns, and decision outcomes in defense contracting. Triangulation and coding enhanced the credibility and validity of the research by systematically corroborating findings from multiple documentary and theoretical sources, with ethical standards guiding the responsible treatment of delicate information throughout the analysis, as there were no individual participants involved in this study.

Key Findings

- Cognitive biases such as sunk cost fallacy, conformity bias, optimism bias, and groupthink regularly distort procurement decisions, reinforcing



unethical practices and wasteful outcomes, even in highly regulated environments.

- Emotional factors like loyalty, fear of career repercussions, and aversion to conflict further enable organizational cultures where misconduct can be normalized, as seen in both case studies.
- Existing oversight mechanisms, regulations, transparency measures, and training, are necessary but not sufficient to prevent ethical failures when organizational culture and leadership do not actively embody ethical standards.
- GAO reports highlight persistent issues: misaligned incentives, knowledge gaps at critical acquisition milestones, and weak accountability structures foster environments that are tolerant to fraud, waste, and abuse.

Conclusions

Ethical lapses in defense procurement are rooted not just in individual choices but in organizational environments shaped by incentives, regulatory gaps, and entrenched cultural norms. Remedies must go beyond compliance-focused reform, embracing behavioral risk management, robust ethical education, and leadership models that prioritize integrity and moral courage.

Recommendations

- Integrate independent reviews and knowledge gates at key program milestones to reduce biased decision-making.
- Revise incentive structures to reward transparency, ethical conduct, and program risk management instead of premature program advancement.
- Enhance behavioral science training for acquisition personnel to strengthen awareness and mitigation of cognitive biases.
- Empower whistleblowing through protection mechanisms and cultivate leadership that supports truth-telling and dissent.



This holistic approach seeks to strengthen the culture of integrity in federal acquisition systems, safeguard taxpayer resources, and restore public trust in defense procurement.



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I. INTRODUCTION

Government procurement is continuously subjected to public unease, particularly in the defense acquisition sector. Concerns are often raised that the established trainings, regulations, and current acquisition mechanisms may favor private defense industry participants rather than government efficiencies and fiscal responsibility to the taxpayers.

This is a perception that is exacerbated by the interplay of cognitive biases, unethical decision-making, and both systemic and individual corruption which combine to form financial mismanagement, operational shortcomings, and the lack of public trust in governmental processes (Neu et al., 2014). The acquisition of goods and services by the government is divided into three general phases: the first stage of preparation and advertising, where the customer defines its needs, budget constraints, application procedures, and evaluation criteria for bidders all complete prior to the publication of the contract. The second phase is bid evaluation and contract award which encompasses the receipt, handling, and processing of bids. The final phase is the contract management and execution phase which includes the supervision and implementation of the contracted terms (Bosio et al., 2023). While each phase is subject to checks and balances, this process creates multiple opportunities for ethical lapses and cognitive biases supporting poor decision-making which undermines the integrity of the acquisition process, further eroding public trust and confidence in the government.

The existing body of research addresses unethical conduct, cognitive biases, and governmental corruption largely as separate notions; however, there is a significant gap in research regarding the interplay, synergistic impacts, and outcomes of these individual choices that combine during real world acquisition situations. Multiple landmark events have plagued the government due to these personal failures such as the initial development and fielding of the Bradley Fighting Vehicle (BFV) or the United States (U.S.) Navy's Fat Leonard Scandal. These two case studies expertly illustrate how the combination of government inefficiencies, cognitive biases, and corruption among both government officials and defense industry corporations can compromise ethical decision-making (Adjorlolo et al., 2025; Neu et al., 2014). For instance, emotional considerations such as



loyalty or conformity, combined with minor ethical failures set the stage for a multi-million-dollar bribery scheme that spanned decades in the Fat Leonard scandal. This ensured millions of dollars of taxpayer's money were lost to a crook while also breaching national security with unauthorized access to secret documents including ship schedules (Whitlock, 2024).

Equally, during the Pentagon Wars in the late 1980s, Colonel James Burton famously fought not only emotionally driven cognitive biases, but scope creep and bureaucratic complexities that hindered design specifications and requirements for the Bradley Fighting Vehicle. Such situations highlight the failures of relying solely on regulations, laws, and accountability systems to equitably identify and resolve the ever-present issues.

Addressing the root causes of these misconducts will require a focus on not only the culture of the profession of acquisitions, but also individual ethics and integrity that support these behaviors. The existing literature generally lacks the acknowledgment of the human element and how these personal and organizational behaviors as well as cognitive biases combine to create fraud, waste, abuse, and ultimately corruption inside the acquisition process. Candidly, as Alstott and Simon (2006) state, "there is little discussion about the factors that impact ethics in public service and the acquisition arena." This research's main focus explores how cognitive biases, emotional decision-making, and corruption within government procurement, particularly in defense contracting and program management, combine to create environments in which less than optimal decision-making flourishes. Specifically, it uses the Pentagon Wars and the Fat Leonard scandal as lenses into how unethical decision-making can cause compromised procurement outcomes. In addition, this study also seeks to identify strategies for mitigating risk while promoting more ethical and effective decision-making in government acquisitions, ultimately continuing to improve the stewardship of public funds and impact operational efficiency for the better. Finally, this research endeavors to produce a holistic understanding of cognitive biases in ethical decision-making and of the challenges and opportunities present within government procurement, therefore informing the policy and practice that governs this critical task.



A. BACKGROUND

Ethical considerations in project procurement are particularly critical due to the inherent complexities and competitive pressures involved (Aliza et al., 2011). The establishment of the Federal Acquisition Regulations with Executive Order 12352 in 1982 aimed to consolidate procurement regulations and provide an overall ethics code for federal agencies (McCampbell & Rood, 1997). While fairness, transparency, and accountability were a significant goal in these actions, the human element, or heuristics and biases, cannot be overlooked. Ethical decision-making in government acquisitions and contracting goes beyond regulations and how-to documents necessitating a multifaceted understanding of the organizations and human factors that influence that decision-making. The scale of government buying power, exemplified by the U.S. federal government's annual expenditure of billions makes it a significant arena for potential corruption (Neu et al., 2014). This is further complicated by the fact that nearly 80 percent of employees "agreed that a person's immediate workgroup or team has more influence on their behavior than the official organizational standards" (Alstott & Simon, 2006). The susceptibility of government procurement to corruption is also well-documented, highlighting the importance of preventive measures that combine ethical practices with robust inspection activities (Neu et al., 2014).

Internal controls, such as the management of personnel duties, purchasing rules, policy, manuals, ethical guidelines, and employee trainings cannot be understated in the realms of opportunities for corruption and impacting an organization's culture (Neu et al., 2014). These controls, however, are insufficient in preventing corruption alone as entities who value securing government contracts may themselves engage in corrupt practices (Sikka & Lehman, 2015). This availability for corruption is heightened by factors such as ambiguity in market values, political influence, and interdependence among political, bureaucratic, and corporate actors. As stated in multiple GAO reports, establishing comprehensive ethical codes of conduct and proactively mitigating conflicts of interest are consistently overshadowed in legislation and administrative policies, particularly where the government procurement processes are vulnerable to influence from politics and trade union pressures. A more holistic approach is, therefore, needed that takes both the supply-



side and demand side into consideration. Both sides' individual influences can contribute to unethical decision-making and conduct which increases the risk of corruption (Government Accountability Office [GAO], 2005).

B. PROBLEM STATEMENT

Some perceive government contracting as a process that benefits individuals and the defense industry instead of the government and the taxpayers. The complex environment of cognitive biases, emotional decision making, and systematic and individual corruption practices leads to financial waste, operational failures, as well as negative perceptions of the system. Existing research often explores these topics independently, and there remains a substantial gap in understanding the interplay between them that reinforces unethical behaviors and outcomes within the real-world procurement process. The recent failure of the Pentagon's efforts to replace the BFV and the U.S. Navy's Fat Leonard scandal exemplify how such factors combined—government dysfunction, sunk cost fallacy, emotional influences, and corruption among government officials—can undermine sound decision-making.

The development efforts of the BFV is a prime example of how bureaucratic processes and emotional decision making concerning overly engineered design specifications led to the project's failure, despite evidence of immature technologies and unviability. In addition, the Fat Leonard scandal highlights how emotional drivers like loyalty and conformity combined with small incremental ethical failures enabled a bribery scheme that spanned over a decade and cost the taxpayers millions of dollars while also compromising national security. These two examples show that regulations, laws, transparency measures, and accountability systems are insufficient for understanding how to address the issues they raise. The root issues of cultural dynamics and personal integrity that drive misconduct must also be addressed.

The existing literature on government contracting lacks the integrated frameworks of behavioral patterns, emotional psychology, and public service. Cognitive biases such as sunk cost fallacy and conformity bias are often studied, yet only singularly with minimal examination of how they are used or normalized within governmental cultures. Emotional



factors such as fear of failure, desire for promotion, or resistance to change are also similarly not subject to critical scrutiny in the contracting world, as most organizations that have the power to change the unethical behaviors instead encourage it, knowingly or unknowingly.

This study addresses this gap in research by examining both behavioral insights and government acquisition processes to understand how vulnerabilities in personal ethics and morality can lead to failures of programs and possible fraud. Drawing on keynote case studies from defense contracting, I aim to develop a framework for ethical risk management and propose actionable mitigation measures to enhance accountability in public procurement, prevent incentive structures, avoid the negative impacts of cognitive biases, and apply ethical decision-making throughout the acquisition process.

C. PURPOSE OF RESEARCH

The purpose of this research is to examine the ethical choices made in government procurement, particularly considering the interplay between emotional influences, cognitive biases, and systematic corruption. By analyzing cases such as the Fat Leonard Scandal and the Pentagon Wars, this study endeavors to provide a comprehensive understanding of how these factors impact sound decision-making, providing opportunities for financial waste, operational failures, and even compromised national security (Mentta & Maldaye, 2020). Additionally, this research addresses a significant gap in the existing literature by integrating behavioral understandings and the government procurement process to gain insights into the vulnerabilities in personal ethics that can lead to program failure and fraud. Finally, this study develops an ethical risk management analysis and propose actionable mitigation measures to positively impact accountability in public procurement, prevent unreasonable incentive structures, mitigate the negative influences of cognitive biases, and promote ethical decision-making up front and continuously throughout the defense acquisition process.



D. RESEARCH QUESTIONS

- (1) How do cognitive biases combine with systemic corruption to produce unethical practices in acquisition programs?
- (2) What institutional and behavioral actions are the most impactful in disrupting the effects of cognitive biases, emotional factors, and corruption in public procurement?
- (3) Are transparency mechanisms, pretraining strategies, and governmental reforms enough to reduce vulnerability to unethical decision-making in government acquisition programs?
- (4) How can combining heuristics and mitigating techniques into a framework to better capture the psychological and organizational failures in case studies such as the Fat Leonard Scandal and the Pentagon Wars?

E. IMPORTANCE OF RESEARCH

Government procurement has been and is continuously plagued by unethical decisions driven by cognitive biases, even if the person that is contributing to the issue isn't aware. This research will potentially provide actionable insights for improving this issue and improving ethical conduct and decision-making in the acquisition process and community. The existing research often examines these failures but fails to capture the complex interplay between them which can reinforce unethical behaviors and detrimental outcomes to both programs and operations (Brunjes et al., 2023). This research also seeks to provide a holistic understanding of how these elements impact real-world procurement processes using the Fat Leonard Scandal and the Pentagon Wars. This research will also challenge the assumption that regulations, laws, transparency mitigations, and the in-place accountability systems are adequate to address the prevailing issues in the government acquisitions process. Finally, this research will inform the development of targeted interventions, more robust ethical training programs, oversight mechanisms, and decision-making processes promoting greater integrity and accountability in government procurement.

F. LIMITATIONS OF RESEARCH

While this research attempts to provide a comprehensive analysis of ethical decision-making in the government procurement process, key limitations must be



acknowledged. The first limitation is the reliance, possibly overreliance, on the Fat Leonard and Pentagon Wars case studies, which provide rich context and detail, but may not be generalizable to all acquisition or procurement contexts. These cases are unique due to their primary, or secondary, sources detailing specific instances of corruption or unethical decision-making and may not be representative of broader applications in defense acquisitions.

Limitations on gathering data on sensitive topics such as corruption and unethical decision-making are inherent in this paper as well. Due to the nature of this topic and each individual's own cognitive biases and self-perservations, data and resources used in the case studies may be skewed due to the inherent challenges of gaining reliable information from obviously unreliable sources as individuals involved in these noted activities may be reluctant to disclose information.

Additionally, this research may be constrained by the accessibility of relevant information, such as documents and records, with a classification or confidential nature due to sensitive procurement or potentially embarrassing information on certain subjects. Ethical considerations also pose their own limitations as this paper must ensure the anonymity and confidentiality of participants in ongoing investigations applicable to this topic.

Finally, scope is the last key limitation as ethical decision-making is a monumental topic to itself. Limiting the cognitive biases used to 20 emotional factors, cultural dynamics, and heuristics, this research will potentially overlook more than 200 identified biases that may provide other relevant variables that could influence decision-making in the acquisition processes.

Despite these limitations, this research attempts to mitigate their impact through methodical approaches, including the effective review of sources, careful selection of case studies, and adherence to ethical research practices.



G. ORGANIZATION OF REPORT

This report on the impact of cognitive biases on ethical decision-making in government procurement is structured to provide a comprehensive and clear analysis of key issues and research findings. First, the introductory section outlines the research problem, objectives, importance, and limitations of research, then proceeds through a thorough review of existing literature on ethics, cognitive biases, emotional interplay, regulations, and corruption in government contracting, to include the two case studies. The report then outlines the methodology used, detailing the collection methods, case study selection criteria, and techniques used to address the research questions. Following the methodology, the report presents the findings from the case studies and other empirical analyses, highlighting the interplay between cognitive biases, emotional factors, and corruption in the specific case studies. Subsequently, the implications of these findings are discussed for improving ethical decision-making in government procurement, including the recommendations for policy changes, training programs, and oversight mechanisms. Finally, the report concludes with a summary of key findings, limitations, an ethical decision matrix and suggested future research recommendations.

H. SUMMARY

Government procurement, which has substantial involvement in public funds, is vulnerable to ethical lapses arising from cognitive biases, emotional decision-making, and corruption. The interdependent needs of contractors and government can lead to selling or buying of influence, especially where the value of goods and services are uncertain (Neu et al., 2014). While multiple case studies exist, the Pentagon Wars and the Navy's Fat Leonard scandal highlight how these factors impact ethical decision-making. Existing research mostly treats these issues as independent, however, their interplay significantly reinforces unethical behaviors. This study of public sector corruption has identified peer culture, lack of due process, and managerial incompetence as facilitators of these failures (Graycar, 2019). This study will attempt to prevent corruption, both pre- and post-contract measures (Neu et al., 2014), by identifying the cognitive biases and interplays that are most prevalent in decision-making in government procurement.



II. LITERATURE REVIEW

A. INTRODUCTION

Ethics in government, particularly within government acquisition or public procurement, should be the foundation of all decisions in governance and public administration. The ever-increasing complexity of governmental operations and the ever-present public eye have magnified the focus on ethical conduct among public officials and procurement professionals (Kolthoff et al., 2013). Ethics is now the fourth “E” in public administration joining economy, effectiveness, and efficiency (Sampford et al., 2012). The literature used for this report highlights that while most public servants are committed to ethical principles, the actual application of these principles remains challenging to implement effectively, supported by recent governance failures and instances of corruption (Beckett-Camarata, 2003; Nafi & Kamaluddin, 2019). Robust integrity systems to include legislation, codes of conduct, oversight mechanisms, and training programs are essential for safeguarding against unethical practices and fostering public trust (Menzel, 2015). Organizational cultures, ethical leadership, and exceptional ethics trainings further determine ethical behaviors and decision-making in the public sector (Riivari et al., 2012).

This literature review will examine the regulatory frameworks governing ethical conduct in public procurement, organizational behavior and cognitive biases, insights from the GAO reports, and lessons learned from two high profile case studies, the Pentagon Wars made famous by the 1998 movie of the same title as well as the more recent Fat Leonard scandal.

B. ETHICAL BEHAVIOR IN GOVERNMENT

The foundation of a flourishing democracy is the ethical behavior of its government officials which requires an understanding of the complex nature that is ethics in public administration. Ethics and integrity in governance have become increasingly important to scholars, practitioners, politicians, the media, and the public at large, highlighting the necessity of trust in government legitimacy (Kolthoff et al., 2013). Recent incidents of fraud, corruption, and lapses of internal controls have highlighted the need for integrity in



public administration (Nafi & Kamaluddin, 2019). Addressing these risks, robust integrity systems such as codes of conduct, financial accounting standards, security protocols, trainings, and accurate reporting procedures, are usually established through legislation or other administrative actions.

The pursuit of ethical governance is a growing interest which has spurred extensive research into promoting integrity in public administration (Menzel, 2015). This, however, has not proved adequate in translating ethical ideals into practice and it remains an ongoing struggle (Cohen & Eimicke, 1995). Menzel (2015) state that good governance is multifaceted, requiring the following to succeed:

1. Broad participation in decision-making
2. Consensus-driven policy formation
3. Strong accountability mechanisms
4. Transparency in operations
5. Responsiveness to citizens' needs
6. Efficient resource use
7. Equity and inclusiveness to benefit all groups

Integrity in public service is indicated by independence, impartiality, sound judgment, and a strong sense of personal responsibility (Nafi & Kamaluddin, 2019).

C. CHALLENGES AND REFORMS

New Public Management reforms have increased flexibility and discretion for public administrators but have also heightened the risk of ethical lapses (Fay & Zavattaro, 2018). Transparency, accountability, and privacy are all important to public research, with transparency closely connected to efficiency and effectiveness (Menzel, 2015). New Public Management has continuously raised concerns about weakening administrative ethics; however, some studies suggest reforms can succeed even without a strong ethical climate (Fay & Zavattaro, 2018). Ethical decision-making is crucial for improving openness with



citizens and addressing the interplay between political and economic issues, especially when public distrust is at its highest (Ventriss, 2012).

D. COMMUNICATION AND ACCOUNTABILITY

Encouraging open communication and protecting whistle blowers are crucial for a culture of accountability. Organizations should exceed basic expectations in these areas, demand ethical conduct from everyone in their purview, and expect all leaders to serve as role models (Jiang et al., 2024). Professional associates should and mostly do advocate for virtue-based ethics management (Menzel, 2015). Cultivating trust and ethical awareness does help reduce misconduct and strengthen public confidence in governmental organizations (Menzel, 2015).

Ethical standards are sometimes neglected in both governmental and non-governmental organizations, which is concerning (Rouhani & Asadi, 2020). Civil servants may face conflicting interests within codes of conduct (Matei & Popa, 2010). The dynamic nature of politics, public expectations, and technologies add complexity to ethical operations and governance. Ethics rules must be regularly updated to reflect new realities (Menzel, 2015). Governments should also include ensuring data privacy, algorithmic transparency, and responsible use of artificial intelligence (AI), while also prioritizing ethical considerations in policy and administration to foster integrity and accountability (Hyatt & Gruenglas, 2023; Washington et al., 2010)

E. BALANCING INTEGRITY AND EFFICIENCY

Modern governance must balance integrity and efficiency. Overemphasizing integrity can result in excessive regulation, while prioritizing efficiency without ethics shows it can foster corruption instead (Segal, 2011). Policies, performance metrics, and ethical norms help maintain balance (Fay & Zavattaro, 2018). Adapting to changing public expectations and leveraging technologies are also important for enhancing transparency, accountability, and citizen engagement (Negri & Dinca, 2023).



F. E-GOVERNANCE AND ETHICAL CHALLENGES

E-government initiatives, while offering a range of online services, have the potential to transform public service delivery and citizen engagement (Al-Ansi et al., 2024). Open government and improved citizen participation are impacting public trust in a positive way (Manoharan et al., 2022). E-governance emphasizes citizen-centric approaches, promoting transparency and inclusivity (Vasista, 2013). These technologies, however, must be used ethically, with attention to data privacy and security.

The integration of tech into governance presents both opportunities and risks consisting of ethical challenges (Menzel, 2015). Transparency and trust are crucial for successful e-governance (Toan & Nhu, 2020). While e-governance can improve some aspects of government operations and external relations, it also raises concerns about AI and data management (Heeks, 2001). Governments must establish clear and ethical frameworks to ensure privacy and accountability for these digital systems (European Parliamentary Research Service, 2020). E-governance initiatives require careful consideration of context and potential impacts on organizations and their culture (Mirandilla-Santos, 2008).

G. CITIZEN CENTRIC APPROACHES AND SAFEGUARDS

To address e-government challenges, governments should prioritize citizen perspectives over everything else (Karnsomdee, 2025), undertake organizational reforms, and develop new, improved leadership models (Mirandilla-Santos, 2008). Information and communication technologies are increasingly used to improve public services (Ahmed, 2021), but ethical issues, especially regarding data security, must be addressed fully. As digital governance replaces traditional access methods, robust safeguards are needed to protect individuals' data and uphold ethical standards (Deni et al., 2020). The main goal of e-government is to bring governments, businesses, and citizens closer by providing easier online services (Teodora, 2008). Evaluating prior e-governance implementations is also needed for informed adoption (Atmojo & Nurwulan, 2020). Responsible and Ethical use of technology builds trust, encourages innovations, and enhances public service delivery in the digital age (Ilieva et al., 2024).



H. REQUIREMENTS AND REGULATIONS

Ethical conduct in U.S. government acquisitions is governed by a comprehensive framework of statutes, regulations, and codes designed to ensure integrity, transparency, and accountability throughout the procurement process. Central to this endeavor is the Federal Acquisition Regulation (FAR), which establishes principles and requirements for federal procurement, mandating that government business be conducted impartially and above reproach, with even the appearance of a conflict of interest be strictly avoided (Federal Acquisition Regulation [FAR], 2025). The FAR prohibits government personnel from soliciting or accepting gratuities, gifts, or favors from entities seeking government business and requires agencies to implement standards of conduct, disciplinary measures, financial disclosures, and post-employment restrictions to prevent revolving-door conflicts (FAR, 2025)

As a sister regulation, the Defense Federal Acquisition Regulation Supplement (DFARS) includes additional ethical safeguards tailored to the Department of Defense (DoD), addressing defense specific concerns such as safeguarding classified information and managing complex contractor relations (Defense Federal Acquisition Regulation Supplement [DFARS], 2025). The DFARS (2025) reinforces the necessity for stringent standards of conduct, particularly in areas susceptible to organizational conflicts of interest and integrity violations during procurement.

Department of Defense Instruction (DoDI) 5000.02 further expands ethical considerations into the Defense Acquisition System by requiring acquisition professionals to integrate risk management, transparency, and accountability into all phases of program management and contracting (Department of Defense [DoD], 2025). This instruction highlights the importance of ongoing ethics training and continuous education for all members of the acquisition workforce (DoD, 2025).

The cornerstone of the DoD's ethics infrastructure is the Joint Ethics Regulation (JER). This, coupled with DoD Directive 5500.07, provides a uniform source of ethical standards and guidance for all DoD personnel, including members of the National Guard and Reserve when on an active-duty status (DoD, 2023). The JER mandates that each DoD



component establish, administer, and maintain a comprehensive ethics program, ensure compliance with ethical standards, and allocate sufficient resources for effective program execution. Any supplementation or modification of the JER requires concurrence from the DoD general Counsel. The JER also clarifies the responsibilities of ethics officials, outlines procedures for handling conflicts of interest, and ensures coordination with the Office of Government Ethics and other federal oversight bodies (DoD, 2023).

Superseding ethical guidance from the Code of Federal Regulations (CFR) covers all federal agencies and their contractors. For example, 2 CFR 200.318 requires recipients and subrecipients of federal awards to maintain documented procurement procedures, ensure oversight of contractors, and enforce written standards of conduct covering conflicts of interest (Code of Federal Regulations [CFR], 2024). The standards are intended to preserve the integrity of federal awards and ensure that procurement decisions are made solely in the public interest.

The FAR (2025) also requires contractors to establish ongoing business ethics awareness and compliance programs, particularly for large contracts, reinforcing the expectation that ethical conduct extends beyond the government personnel to all entities participating in federal procurement. Agencies must maintain oversight to ensure that contractors adhere to these standards, and violations can result in significant administrative, civil, or criminal penalties (FAR, 2025).

Overlaying these regulations and requirements is the Code of Ethics for Government Service, adopted by Congress as a concurrent resolution. This code details broad ethical principles for all government employees and officeholders to avoid discrimination or special favors, refusing gifts that could influence official duties, and never using confidential information for private gain, or adhering to the highest moral standards (House Committee on Ethics, 2024). While not a statute, the code represents enduring standards of conduct, and violations may result in formal disciplinary proceedings, including expulsion or reprimand for Members of Congress (House Committee on Ethics, 2024).



The interconnectedness of these regulations and codes establishes a comprehensive ethical framework for federal acquisition. Leadership at all levels are charged with modeling ethical behavior, ensuring that the organizational culture supports integrity, and that mechanisms exist for reporting and addressing ethical concerns. This regulatory system is designed not only to enforce compliance but also to foster a values-based environment where ethical decision-making is easy and internalized as a core professional responsibility. This approach is critical for maintaining public trust, safeguarding taxpayer resources, and ensuring the long-term effectiveness and credibility of the federal procurement system (FAR, 2025; DoD, 2023; CFR, 2024).

I. GAO REPORTS AND ARTICLES

The GAO reports and articles offer a detailed perspective into the operations, efficiencies, and effectiveness of various governmental programs and agencies, which provide invaluable insights for policymakers, researchers, and the public. These reports, produced by the audit, evaluation, and investigative arm of Congress, play an important role in upholding government accountability and transparency (GAO, 2024). The GAO's primary function is to support Congress in fulfilling its constitutional responsibilities by scrutinizing the use of public funds, assessing federal programs and policies, and offering independent analysis and recommendations to aid in the informed decision-making regarding oversight, policy formulation, and resource allocations (Kingsbury, 2010). The commitment to good governance is ingrained in the GAO's core values, which include accountability, integrity, and reliability (GAO, 2014). The accessibility of GAO documents through their website further enhances transparency with new reports, testimonies, and correspondence being posted daily, and email updates available for notifications on newly released products (GAO, 2024). Furthermore, the mission of the GAO is to promote greater transparency in government expenditures and to ensure accountability among government officials (Navarro et al., 2023).

GAO reports serve as essential instruments for research, delivering up to date and succinct information on contentious and high priority governmental matters (Ormes, 2013). In a 2012 discussion of the "Yellow Book" Roos fittingly summarizes, "The Government



Auditing Standards, issued by the Comptroller General of the United States, are applicable to audits of governmental entities, programs, activities, and functions, [as well as] governmental assistance administered by contractors, not for profit [entities], and other [organizations].” These standards, also known as the “Yellow Book,” are recognized and utilized by auditors across various levels of government and in the private sector (AICPA & CIMA, 2018). These reports encompass an array of topics, reflecting the diverse responsibilities and functions of federal government, ranging from financial management to information technologies, to healthcare, defense, and environmental considerations. These reports are also utilized in audits of government compliance with regulations relating to federal contract awards. Congress depends on reports like these to help make informed decisions.

The examination of federal programs and policies conducted by the GAO is important for identifying areas of inefficiency, waste, and potential fraud (GAO, 2024). Through analysis and evaluation, GAO reports offer evidence-based recommendations for improving program performance, enhancing operational efficiency, and strengthening internal controls. The GAO uses various sources, including program legislation, rules, agency organizational processes, service and program data, and reports from both agencies and private sector organizations to inform their findings and recommendations (Potter, 2017). These reports are essential for promoting responsible stewardship of public resources and ensuring that government programs are achieving their intended outcomes.

In outlining the role of financial audit standards, the GAO (2018) explains that “the professional standards and guidance for financial audits contained in the Government Auditing Standards provide the framework for conducting high quality audits with competence, integrity, objectivity, and independence” (GAO, 2018). The GAO’s work adheres to the most stringent of auditing standards, ensuring the credibility and reliability of its findings and recommendations (GAO, 2018). The reports provide objective and impartial assessments, devoid of political or ideological biases, further fostering trust and confidence among stakeholders. In addition, the standards have provisions for continuing professional education and training. The findings and recommendations presented in GAO



reports serve as a basis for legislative action, policy reforms, and administrative improvements, driving positive changes across the federal government.

GAO reports are accessible through various channels, including the GAO's official website, which serves as a comprehensive repository of publicly available documents (GAO, 2018). The reports are readily available to Congress, government agencies, the media, and the general public, contributing to greater transparency and public awareness. The GAO actively disseminates its findings through various channels to ensure that its work reaches broad audiences. It also remains dedicated to adapting to the changing requirements of Congress and the country by utilizing data analytics and emerging technologies to improve its audit work and offer impactful insights into its investigations (GAO, 2018). The agency also provides various means of contacting them and reporting things such as fraud to include social media and podcasts (GAO, 2018; GAO, 2024).

J. ORGANIZATIONAL BEHAVIOR AND UNETHICAL ACTIONS

Decision-making in large, high-stakes organizations, such as military and defense procurement, is persistently impacted by a range of cognitive biases, or systematic deviations from logical reasoning, that often skew perception, evaluation, and choice (Juárez Ramos, 2019). These biases are especially non-inconsequential in complex environments where impacts from integrity, efficiency, and ethical conduct are high (Korteling et al., 2018). This literature review is meant to analyze current theoretical and empirical findings, focusing on the twenty biases that are both highly relevant to organizational scandals and notably difficult to correct in group or systemic contexts.

Human judgement under uncertainty relies on mental shortcuts, or heuristics, which can be adaptive but frequently lead to predictable errors. Cognitive biases impact not only individual performance but also collective ethical standards (Korteling et al., 2018). The following twenty biases are less than ten percent of the known biases but are what I view as the most impactful towards government procurement:

1. Confirmation bias: Individuals display a marked tendency to seek, interpret, and remember information that aligns with their prior beliefs or



hypotheses, leading to systematic neglect of contradictory evidence (Korteling et al., 2018); (Juárez Ramos, 2019).

2. Authority bias: Decisions are disproportionately swayed by the stance or opinion of perceived authority figures, discouraging dissent and critical evaluation within hierarchical organizations (Juárez Ramos, 2019).
3. Bandwagon effect: Widespread behaviors are adopted by individuals simply because they are seen as popular, facilitating the spread and normalization of unethical norms (Juárez Ramos, 2019).
4. Incrementalism: Gradual commitment to small, seemingly minor decisions leads over time to major and often unethical outcomes, a process that is difficult for insiders to detect or reverse (Juárez Ramos, 2019).
5. Overconfidence effect: Decision-makers systematically overestimate the accuracy of their own judgments, blinding them to errors and increasing risk-taking (Korteling et al., 2018).
6. Planning fallacy: The recurring underestimation of time, cost, and risks, together with an overestimation of benefits, distorts organizational resource allocation and risk management (Juárez Ramos, 2019).
7. Sunk cost fallacy: Persistence in failing courses of action is driven by previously invested resources, rather than rational, forward-looking assessments (Korteling et al., 2018).
8. Anchoring effect: Early salient information powerfully shapes subsequent perceptions and decisions, even when new evidence emerges to the contrary (Korteling et al., 2018, p. 6); (Juárez Ramos, 2019).
9. Framing effect: Responses to situations depend heavily on how options are presented, not just their core substance; loss framing or gain framing can bias ethical appraisal (Juárez Ramos, 2019).



10. Optimism bias: Organizational members underestimate the likelihood of negative outcomes for themselves, fostering risky conduct (Juárez Ramos, 2019).
11. Loss aversion: The motivation to avoid losses is stronger than the attraction to equivalent gains; this fosters resistance to necessary change and the perpetuation of dysfunctional practices (Korteling et al., 2018).
12. Self-serving bias: Successes are credited to personal skill; failures are blamed on external circumstances—a dynamic that protects individual self-image at the expense of collective responsibility (Juárez Ramos, 2019).
13. Halo effect: Positive attributes in one domain (e.g., professional expertise) inappropriately influence judgments about unrelated domains (e.g., ethics), leading to unchecked authority and favoritism (Juárez Ramos, 2019).
14. Groupthink: The desire for conformity and harmony leads groups to suppress dissent, ignore risks, and escalate consensus around poor decisions (Juárez Ramos, 2019).
15. Rationalization: Individuals generate seemingly logical explanations to justify decisions made for biased or irrational reasons, allowing unethical actions to be reframed as necessary or inevitable (Korteling et al., 2018).
16. Status quo bias: Preference for current conditions leads to inertia, even in the face of compelling evidence for change (Juárez Ramos, 2019).
17. Conformity bias: Individuals adapt opinions and behaviors to align with the group, even when these conflict with personal values or external ethical standards (Juárez Ramos, 2019).
18. Action bias: There is a tendency to prefer action over inaction, particularly under pressure, even when inaction would be more rational (Korteling et al., 2018).



19. Escalation of commitment: Once making an initial investment, individuals and groups irrationally double down on failing courses of action, leading to greater losses (Juárez Ramos, 2019).
20. Moral disengagement: People deactivate internal moral standards in specific situations in order to justify unethical conduct, thus avoiding guilt or cognitive dissonance (Juárez Ramos, 2019).

K. CONSEQUENCES AND MITIGATION

The cumulative effect of these twenty biases is the erosion of ethical and procedural integrity in critical settings such as government procurement. Biases lead to normalization of unethical conduct, inefficient decisions, and ultimately, failures in public trust and operational performance (Korteling et al., 2018). Mitigation strategies are necessary, including

- Bias-awareness and scenario-based training: Programs such as MACBETH and the WRAP framework (Widen options, Reality-test assumptions, Attain distance, Prepare to be wrong) foster more deliberate, less biased thinking (Juárez Ramos, 2019).
- Structural and procedural safeguards: These include routine decision audits, independent review, and accountability mechanisms that reduce the space for bias-driven errors (Juárez Ramos, 2019).
- Feedback loops: Regular and structured review of outcomes helps to break the cycle of biased reasoning, supporting organizational learning and ethical recalibration (Korteling et al., 2018).
- Unethical and inefficient organizational decisions are frequently rooted not in intentional bad faith but in predictable cognitive vulnerabilities that persist even in well intentioned individuals and groups. Understanding these mechanisms is essential for meaningful organizational reform in defense and public procurement (Korteling et al., 2018; Juárez Ramos, 2019).



L. CASE STUDIES

1. Fat Leonard

Craig Whitlock's *Fat Leonard: How One Man Bribed, Bilked, and Seduced the U.S. Navy* (2024) provides a meticulously researched expose of one of the most egregious corruption scandals in the U.S. military's history. Through thorough documentation and narrative, Whitlock unraveled how Leonard Francis, a Malaysian defense contractor, exploited systemic and personal vulnerabilities in naval operations and officers respectively, to defraud taxpayers, possibly compromising national security, and corrupted dozens of high-ranking officers over the course of twenty years. The book sparked significant academic and professional studies, specifically around institutional ethics, compliance failures, and organization culture.

a. Institutional Corruption and Ethical Failures

Whitlock's account reveals a culture of entitlement and impunity within the U.S. Navy, where senior officers routinely accepted bribes, to include lavish meals, luxury travel, and sexual favors, in exchange for classified information and favorable contracting decisions (Whitlock, 2024). The scandal highlights a crucial disconnect between the Navy's formal ethics code and its informal social norms, where loyalty and silence were prioritized over accountability (Whitlock, 2024). Reviews highlight how Francis leveraged incrementalism, gradually escalating gifts to normalize corruption, while senior leaders' participation signaled approval to subordinates. The Navy's failure to address these issues despite early red flags, reflects broader institutional decay (Whitlock, 2024). As noted in Proceedings (2024), the service's reluctance to confront its shortcomings is in direct conflict with its post-Vietnam reforms, suggesting a selective capacity for institutional learning (Rubel, 2024). Legal scholars further argue that the case exemplifies how hierarchical structures can enable ethical complacency, particularly when leaders model misconduct (Gordon-Tapiero & Kaplan, 2024).



b. Systemic Vulnerabilities in Military Contracting

The book meticulously documents how Francis exploited caps in the Navy's husbanding contracts, or agreements for port services like fuel and waste disposal (Whitlock, 2024). By monopolizing ports in Southeast Asia and bribing officials to manipulate ship schedules, Francis inflated costs through fictitious subcontractors and fraudulent invoices, defrauding the Navy of tens of millions of dollars (Whitlock, 2024). Whitlock's reliance on Francis's own records, including blackmail files and internal communications, provides unprecedented insight into the mechanics of contract fraud (Whitlock, 2024). Academic analyses emphasize the case's relevance to government contracting reforms. The scandal is framed as a cautionary tale for compliance professionals, illustrating how inadequate oversight and conflicts of interest can foster systemic abuse (Gordon-Tapiero & Kaplan, 2024). Notably, the Navy's reliance on sole-source contracts and its failure to audit Francis's operations until 2006 allowed the fraud to persist for decades (Whitlock, 2024).

c. Implications for Organizational Ethics and Compliance

Whitlock's narrative has become a magnifying glass for discussions on ethical leadership and institutional reform (Prentice, 2024). The analysis draws parallels to behavioral psychology, noting how conformity bias and authority figures' influence perpetuated the misconduct (Prentice, 2024). For instance, junior officers, observing admiral's behaviors, rationalized their own ethical lapses as culturally permissible (Prentice, 2024). The book also raises questions about accountability. Despite over 90 admirals being investigated, many received lenient punishments, with administrative actions often replacing criminal charges (Whitlock, 2024). This "culture of impunity," as described by a Navy lawyer reviewer, highlights the need for structural reforms, including transparent disciplinary processes and enhanced ethics training (Rubel, 2024).

d. Methodological Strengths and Scholarly Value

Whitlock's investigative prowess, supported by thousands of pages of court records, interviews, and Francis's personal archives, sets a benchmark for forensic journalism (Whitlock, 2024). Scholars praise the work for its dual utility, both as a



historical record and a pedagogical tool for analyzing institutional failure (Gordon-Tapiero & Kaplan, 2024). Its interdisciplinary relevance, spanning public administration, criminology, and organizational psychology, positions it as a seminal text in corruption studies (Prentice, 2024).

e. Conclusion

Fat Leonard transcends true-crime storytelling to offer an indictment of institutional decay. By contextualizing the scandal within broader themes of ethical decay and systemic vulnerability, Whitlock provides a framework for understanding how well-intentioned systems can be hijacked by individual and collective biases (Whitlock, 2024). The book's enduring contribution lies in its call for cultural transformation, one that prioritizes accountability, transparency, and moral courage over blind loyalty and entitlement (Whitlock, 2024).

2. The Pentagon Wars

James G. Burton's *The Pentagon Wars: Reformers Challenge the Old Guard* (1993) should be a foundational text in the study of military bureaucracy, weapons procurement, and institution reform within the U.S. Department of Defense. Drawing on his experience as an Air Force colonel and weapons tester, Burton provides a detailed account of how entrenched personal interests, cognitive biases, and bureaucratic inertia can undermine both military effectiveness and ethical standards.

a. Bureaucratic Inertia and Weapons Procurement

Burton (1993) documents how the Pentagon's acquisition process often prioritized organizational interests and technological prestige over operational effectiveness and fiscal responsibilities. He describes how the development of the BFV was marked by unrealistic testing protocols and manipulated evaluations designed to conceal design flaws and justify continued funding (Burton, 1993). This aligns with broader research on defense acquisition, which highlights how complex relationships, cognitive biases, and bureaucratic structures can lead to cost overruns, delays, and suboptimal equipment (Fox, 2011; Sapolsky, 2009).



b. Organizational Culture and Ethical Challenges

A central theme in Burton's book is the role of organizational culture in perpetuating unethical practices. He argues that cultures of careerism and risk aversion discouraged whistleblowing and fostered conformity biases, even in the face of clear evidence of wrongdoing (Burton, 1993). This observation is supported by studies on military ethics and organizational behavior, which find that hierarchical organizations with rigid command structures are prone to groupthink and moral disengagement (Snider & Matthews, 2005; Wong & Gerrass, 2015).

c. The Reform Movement and Impact

Burton's advocacy for realistic, operationally relevant testing contributed to significant changes in Pentagon oversight and acquisition policy (Snider & Matthews, 2005). His efforts were instrumental in the passage of reforms mandating live-fire testing for major weapons systems, as codified in the 1986 Department of Defense Authorization Act (U.S. Congress, 1986). Scholars have credited these reforms with improving transparency and accountability in weapons development, though challenges remain (Fox, 2011; Sapolsky, 2009).

d. Methodological and Theoretical Critiques

Burton's work is frequently situated among other works on U.S. defense acquisition reform, such as Edward Luttwak's *The Pentagon and the Art of War*, which also critiques the emphasis on material over intangible assets and the complex, and often inefficient, bureaucratic structures governing military procurement (Luttwak, 1985). *The Pentagon Wars* stands out for its documentary-style, firsthand testimony, an approach that has influenced subsequent assessments of acquisition failures in programs (Grazier, 2025).

Scholars caution that as a narrative recount by a directly involved "skeptical and biased" participant, Burton's analysis must be read with critical awareness of the potential for polemic and personal partiality (Golda, 1994; Shields, 1995). The book's influence also extends into military training, policymaking, and popular culture, having inspired a



satirical HBO film that highlights the ongoing relevance of Burton's reform agenda (Grazier, 2025).

e. Enduring Relevance

The issues Burton raises remain ever present in contemporary defense policy debates. Persistent challenges in major acquisition programs, such as the F-35 Joint Strike Fighter, suggest that the problems of bureaucratic inertia and institutional and personal resistance to reform identified by Burton continue to impact military procurement (Fox, 2011). His work is frequently cited in academic literature on defense management, public administration, and organizational change as a case study in the difficulties of institutional reform (Sapolsky, 2009; Snider & Matthews, 2005).

f. Conclusion

The scholarly reception of *The Pentagon Wars* recognizes the book's importance as a cautionary, vivid critique of Pentagon procurement culture with undertones of cognitive biases, though those are not specifically expressed in the work. While more anecdotal than methodologically researched, it remains a frequently cited and influential text in both defense scholarship and reform advocacy, especially regarding the intersection of bureaucratic politics, weapons testing, and public accountability (Golda, 1994; Shields, 1995).

M. SUMMARY

This literature review highlights the pivotal role of ethics in government and public procurement, revealing that ethical behavior is not only a procedural obligation but a critical determinant of regulatory compliance and organizational effectiveness (Kolthoff et al., 2013; Sampford et al., 2012). This review demonstrates that comprehensive ethical frameworks, comprising statutes, regulations such as the FAR, codes of conduct, and oversight mechanisms are vital for ensuring integrity and transparency in procurement processes (FAR, 2025; CFR, 2024). Empirical research confirms that ethical practices reduce procurement irregularities and fraud, while ethics training and oversight further reinforce compliance and accountability (Abdullah et al., 2020).



Ethical behavior also mediates the relationships between professionalism, regulatory familiarity, and compliance outcomes, though resistance to political pressure remains a significant challenge (Menzel, 2015). The two case studies, the Fat Leonard scandal and the Pentagon Wars, illustrate how ethical lapses, cognitive biases, and organizational culture can undermine regulatory systems and perpetuate corruption (Whitlock, 2024; Burton, 1993). Psychological research further reveals that cognitive biases, including hindsight bias, self-serving bias, and the endowment effect, can distort ethical decision making in procurement, necessitating targeted trainings and structural reforms (Kahneman et al., 1990; Hogarth, 1981; Montibeller & von Winterfeldt, 2015).

Technological advancements, especially in e-procurement and e-government, offer opportunities to enhance transparency and citizen engagement but also introduce new ethical dilemmas related to data privacy and algorithmic accountability (Negri & Dinca, 2023). The literature emphasizes the need for clear ethical frameworks and guidelines to address these challenges and ensure responsible use of technology (European Parliamentary Research Service, 2020).

In conclusion, maintaining ethical standards in public procurement and operations is indispensable for effective governance, fraud prevention, and public trust. Continuous ethics training, strong institutional oversight, and adaptive regulatory frameworks are all strategies for fostering a culture of integrity and accountability in government procurement (Menzel, 2015; FAR, 2025; Hyatt & Gruenglas, 2023).



III. METHODOLOGY

The following outlines the research design, methodological framework, data sources, and analytic procedures used to examine how cognitive biases, emotional influences, and systemic corruption interact to affect ethical decision-making in government procurement. Building upon the literature review and theoretical framework, the methodology is designed to integrate behavioral insights with acquisition-policy analysis through two major case studies—the Fat Leonard scandal and The Pentagon Wars.

The purpose of this methodological framework is to provide transparency and replicability in the research process. It explains the rationale for a qualitative, multiple-case design, details the criteria for source selection, discusses the analytic strategy used to identify behavioral and ethical patterns, and addresses validity, reliability, and ethical considerations.

A. RESEARCH DESIGN

1. Qualitative Multiple-Case Study Approach

Given the complexity of ethical decision-making and the contextual nature of government procurement, a qualitative multiple-case study design was adopted (Yin, 2018). This approach allows in-depth exploration of phenomena within their real-world settings and is appropriate for examining how and why cognitive and ethical failures occur within institutional systems (Creswell & Poth, 2018).

Each case, the Fat Leonard scandal and The Pentagon Wars, represents a bounded system exhibiting similar behavioral and organizational dynamics: hierarchical command structures, strong cultural norms, and high-stakes decision environments. Analyzing both enables cross-case comparison, strengthening analytical generalization while maintaining contextual richness.

2. Research Paradigm

This study is grounded in the constructivist paradigm, which theorizes that reality is socially constructed through shared experiences, institutional norms, and individual



perceptions (Lincoln & Guba, 1985). Ethical decision-making and cognitive bias displays are interpreted as context-dependent processes rather than objective or value-free events. Consequently, the researcher's role involves interpreting meanings embedded in texts, policies, and behaviors to reveal the cognitive mechanisms underpinning unethical actions.

3. Documentary and Secondary Data

Because direct observation or interviews with implicated individuals are infeasible this research relies on secondary document analysis. The data corpus includes:

- Primary case materials: *Fat Leonard: How One Man Bribed, Bilked, and Seduced the U.S. Navy* (Whitlock, 2024); *The Pentagon Wars: Reformers Challenge the Old Guard* (Burton, 1993).
- Government and oversight publications: GAO reports (2004–2025) addressing acquisition ethics, program risk, and decision-making; DoD policy documents, including FAR, DFARS, DoDI 5000.02, and the JER.
- Scholarly and professional literature: Peer-reviewed research on cognitive bias, behavioral ethics, and public-sector corruption; Analyses and commentaries from Proceedings, GW Law Review, and similar defense-policy journals.

All sources were selected for relevance, credibility, and triangulation potential. Selection followed three criteria: (a) explicit discussion of ethics or corruption within defense acquisition; (b) identification of behavioral or cognitive factors influencing decision outcomes; and (c) accessibility of documented evidence enabling qualitative coding.

4. Analytical Framework

a. Thematic Analysis

The study employed thematic analysis following Braun and Clarke's (2006) six-phase model:

- familiarization with the data



- initial coding
- theme development
- theme review and refinement
- definition and naming of themes
- narrative synthesis and interpretation.

Codes were derived both deductively, from established cognitive biases and ethical frameworks, and inductively, emerging from repeated patterns in the data. The hybrid strategy allowed flexibility to capture context-specific themes.

b. Bias-Behavior Coding Scheme

A bias-behavior codebook was constructed from twenty recurring cognitive biases identified in the literature review. Each bias was operationalized through behavioral indicators observable in documentary evidence.

Table 1. Coding Scheme

Cognitive Bias	Observable Indicator	Example Evidence
Confirmation Bias	Selective use of data supporting preferred outcomes	Suppression of negative Bradley test results (Burton, 1993)
Incrementalism	Gradual escalation of unethical acts	Progressive bribery escalation in Fat Leonard (Whitlock, 2024)
Conformity Bias	Peer-driven normalization of misconduct	“Cool Kids” and “Wolf Pack” officer groups (Prentice, 2024)
Sunk Cost Fallacy	Continued investment despite evidence of failure	Bradley program continuation after failed tests (Burton, 1993)

Each coded element was examined for ethical valence (constructive / destructive), organizational level (individual, group, institutional), and decision context (financial, operational, or moral).



c. Cross-Case Comparison

Following within-case analyses, patterns were compared across the Pentagon Wars and Fat Leonard cases to identify convergent and divergent mechanisms. Convergence indicated shared behavioral dynamics, while divergence highlighted contextual modifiers. The synthesis supported development of an integrated ethical-risk framework correlating bias type, organizational condition, and oversight effectiveness.

5. Validity and Reliability

In this study, validity and reliability are grounded in both Yin's (2018) case study methodology and Creswell and Poth's (2018) qualitative trustworthiness framework. Yin defines validity through construct, internal, and external dimensions, ensuring accurate measurement, logical explanation, and analytic generalizability, while reliability is strengthened through systematic, replicable procedures such as protocols and databases (Yin, 2018). Creswell and Poth complement these criteria by emphasizing credibility, dependability, transferability, and confirmability: credibility ensures the findings accurately reflect the issues through triangulation and reflexivity; dependability ensures analytic consistency through clear documentation; transferability allows readers to judge applicability to other contexts through detailed description; and confirmability ensures that conclusions are driven by the data rather than researcher bias (Creswell & Poth, 2018). Together, these frameworks provide a comprehensive structure that enhances the accuracy, rigor, transparency, and trustworthiness of the research methodology.

a. Credibility

Credibility was enhanced through triangulation of multiple data types, official reports, academic analyses, and firsthand accounts. Discrepancies were noted and reconciled via contextual analysis. Reflexive journaling documented interpretive choices to ensure transparency.



b. Dependability

A detailed audit trail was maintained, recording source origins, coding decisions, and analytical revisions. Peer examination with subject-matter experts in defense acquisition and organizational behavior further supported methodological rigor.

c. Transferability

Although case-specific, findings may inform similar high-stakes procurement environments due to structural parallels in acquisition bureaucracy and human cognitive processes.

d. Confirmability

Direct quotations and verifiable documentary evidence were prioritized to ground interpretations in the data rather than researcher bias. Coding reliability was assessed by re-examining 10% of sources at a later stage, achieving high thematic consistency.

6. Ethical Considerations

The research involved publicly available documents and did not engage human subjects; however, ethical diligence was maintained by avoiding disclosure of classified materials, preserving anonymity of individuals, and maintaining academic neutrality. The study adheres to the standards of the Naval Postgraduate School Institutional Review Board for minimal-risk research using secondary data.

7. Limitations of Methodology

This qualitative approach is subject to several limitations, including potential documentary bias, temporal variability, and subjective interpretation. Although mitigated through triangulation and reflexivity, these constraints limit the study's generalizability. Additionally, causal relationships between bias types and procurement failures are not quantified, as the goal is explanatory insight into behavioral mechanisms.



8. Conclusion

This section detailed the qualitative methodology used to explore cognitive biases and ethical failures in government procurement. Through a constructivist, multiple-case design and rigorous thematic analysis of secondary data, the study identifies behavioral and institutional patterns that contribute to unethical decision-making. The next chapter presents the analytical results, integrating these findings into an ethical-risk framework that informs future reforms in defense acquisition ethics and oversight.

B. SUMMARY

This chapter outlined the methodological approach used to examine how cognitive biases, emotional influences, and systemic corruption shape ethical decision-making in government procurement. A qualitative multiple-case study design was selected to allow in-depth analysis of *The Pentagon Wars* and the Fat Leonard scandal, two cases that reveal similar behavioral patterns and organizational conditions. Grounded in a constructivist paradigm, the methodology relied on documentary and secondary sources, including case narratives, GAO reports, acquisition policies, and scholarly literature, all chosen for relevance, credibility, and triangulation value.

The analytical framework employed thematic analysis to identify recurring patterns, supported by a bias-behavior coding scheme derived from twenty cognitive biases discussed in the literature review. Cross-case comparison further enabled identification of convergent and divergent mechanisms influencing unethical decision-making. Credibility, dependability, transferability, and confirmability were strengthened through triangulation, audit trails, and evidence-based coding. Ethical considerations were upheld by using publicly available documents and avoiding sensitive or classified information. The chapter concludes by acknowledging methodological limitations while establishing a rigorous foundation for the analysis and findings presented in the next chapter.



IV. DISCUSSION: DECISION-MAKING AND CASE STUDIES

A. INTRODUCTION

The history of government procurement is rife with examples of unethical decision-making, systemic failures, and organizational misconduct that may have undermined public trust and national security. In complex bureaucracies, like the U.S. Department of Defense, procurement decisions are shaped by regulations and oversight mechanisms but also by human judgment that is frequently influenced by cognitive biases and emotional influences. This chapter examines both the impacts of cognitive biases in decision making and historical examples of unethical organizational, and personal, behavior in government procurement. This is done through the lens of two major case studies: the Fat Leonard scandal and the events chronicled in James G. Burton's *The Pentagon Wars*. These cases show how psychological factors such as conformity bias, sunk cost fallacy, and moral disengagement compound with failing institutional cultures to produce continued corruption, procurement waste, and ethical failures.

Rather than providing a broad survey of misconduct across government, this study focuses on twenty particular cognitive biases and their implication in real-world defense acquisition settings. Focusing on literature, GAO reports, and firsthand accounts, this analysis highlights how these biases enabled or enhanced unethical behavior, despite the presence of formal rules and oversight. In analyzing these patterns, this chapter will identify not only what went wrong, but why, offering insights into how future procurement systems might better mitigate behavioral failures and uphold ethical standards.

B. THE IMPACT OF COGNITIVE BIASES ON DECISION-MAKING

Cognitive biases are deviations from rational judgment that influence the decisions individuals and organizations make. These biases are from heuristics, or mental shortcuts, developed to process information efficiently but not always perfectly (Tversky & Kahneman, 1974). While heuristics served evolutionary purpose, in complex modern contexts, they can lead to persistent errors in reasoning, planning, and risk assessment. This chapter explores how cognitive biases impact decision-making processes in various areas,



including strategic planning, future efforts, and procurement evaluation, by drawing on empirical and theoretical contributions from the fields of psychology and behavioral economics.

1. Cognitive Architecture and the Origins of Bias

Cognitive biases originate from a dual-process model of human thought, which delineates between intuitive (System 1) and analytical (System 2) processes (Kahneman, 2011). System 1 operates automatically and quickly, with little effort or control. System 2, in contrast, puts attention to significant mental activities, including complex ideas. While System 1 is indispensable for fast decision-making, especially in routine or high-pressure environments, it is also the original source of many cognitive biases due to its reliance on heuristics.

Tversky and Kahneman (1974) demonstrated that individuals routinely use three heuristics, representativeness, availability, and anchoring, to make judgments for decision-making in complex situations. These heuristics can lead to errors such as neglecting information, overestimating the details of memorable events, and relying too heavily on initial assumptions when making estimates.

a. Overconfidence and Miscalibration

One of the most prevalent cognitive biases is overconfidence, or the tendency for individuals to overestimate the accuracy of their knowledge. This bias is particularly evident in decision-making under uncertainty. Brenner et al. (1996) found that individuals' confidence in their answers often exceeded their actual accuracy, an occurrence consistently demonstrated for difficult questions. Their findings suggest that overconfidence is not merely a statistic, but a psychological effect tied to the structure of decision-making.

Overconfidence also has significant impacts for strategic decisions, where leaders may underestimate risks or overestimate their ability to control the outcomes of complex situations. Liu et al. (2024) found that illusions of control and belief in predictable events skewed executives toward strategies that favored shareholder value rather than long-term



organizational development. This bias toward control-oriented strategies may negate sustainable and adaptive decision-making in complex and ever-changing environments.

b. Confirmation Bias and Motivated Reasoning

Confirmation bias, or the tendency to seek, interpret, and remember information that confirms one's existing beliefs, is another powerful influence on decision-making. This bias often results in a narrow selection of evidence, reinforcing preexisting thoughts even in the face of contradictory data (Tversky & Kahneman, 1974).

In forensic psychiatry, confirmation bias can have serious impacts. Neal et al. (2022) reported that experts may unknowingly align their assessments in favor of the expectations of the side that hired them, known as allegiance bias. This leads to failures in objectivity, undermining the fairness and reliability of legal proceedings. The review emphasized the need for structured methods and debiasing techniques to mitigate such results.

c. Cognitive Bias and Sustainability Challenges

Cognitive biases are increasingly detrimental when addressing long-term, complex challenges such as defense contracting. Korteling et al. (2023) argued that biases, such as status quo bias, hyperbolic discounting, and group think, impede sustainable decision-making. These biases cause individuals and organizations to prioritize short-term gains over long-term benefits as well as to underestimate distant or complex risks, and resist behavioral changes that impact organizational identity or social standing.

For instance, despite significant awareness of environmental risks, societal action remained inadequate in this study, in part because these biases downplay the assumed urgency and personal relevance of sustainability issues. Korteling et al. (2023) proposed that effective interventions should align with the cognitive thought processes of decision-makers, using suggestions, framing effects, and feedback loops to ensure pro-environmental behavior.



d. Phylogenetic and Ontogenetic Roots of Bias

The beginnings of cognitive biases can be traced to both phylogenetic and ontogenetic sources. Phylogenesis is the evolutionary development of mental shortcuts that offered survival advantages. Van Eyghen (2022) suggests that biases like agency detection or loss aversion are deeply rooted in human thought processes, shaped by natural selection to prioritize speed and safety over accuracy.

Ontogenesis focuses on individual development and social learning. Cultural norms, education, and individuality shape how biases are expressed and reinforced. Both accounts acknowledge that while biases may be evolutionarily present, their impacts can be moderated by context, training, and institutional strategy (Van Eyghen, 2022).

e. Mitigating Cognitive Biases

While biases are embedded in human thought processes, several strategies have effective in mitigating their impact. Structured decision-making tools, such as checklists, Bayesian updating, or allowing new data to be processed for a problem, and scenario planning, can reduce reliance on instinct and improve analytical reasoning (Neal et al., 2022). “Consider the opposite” techniques, which require individuals to actively argue against their first conclusions, have also shown promise in reducing cognitive biases.

In addition, Kahneman (2011) emphasizes the value of the “outside view,” where decision-makers reference statistical baselines and historical data rather than relying only on internal forecasts. This method helps counteract planning fallacies and overoptimism.

At the organizational level, creating environments that encourage alternative thoughts such as dissent, diverse perspectives, and reflection can encourage more rational decision-making. Awareness training alone, however, is insufficient. As Korteling et al. (2023) argue, interventions must be implemented with an understanding and appreciation of the evolutionary mechanisms with a special emphasis on biased cognition.

2. Conclusion

Cognitive biases are a fundamental process of human thought, arising from the evolutionary heuristics that once served our ancestors in simpler environments such as fight



or flight. In the complexity of modern decision-making, however, whether in boardrooms, acquisition processes, or policy, these biases can negatively influence judgment and lead to unfavorable outcomes. Overconfidence, confirmation bias, and status quo bias are just a few examples of how instinct can misfire. Addressing these issues require both individual awareness and institutional action, supported by empirical data and cognitive sciences. Ultimately, cultivating decision environments that regulate or at least acknowledge cognitive limitations is essential for achieving sound, sustainable, and favorable outcomes.

C. THE PENTAGON WARS

James G. Burton's (1993) "The Pentagon Wars" provides a detailed, first-person examination of the U.S. defense acquisition system from the inside, revealing how cognitive biases, emotional decision-making, and both systemic and individual corruption undermine government procurement. Through detailed case studies, especially the BFV program, presented in his book, Burton demonstrates how institutional culture and personal ambition can lead to the failure of integrity in public procurement, leading to costly and sometimes deadly impacts.

1. Cognitive Biases and Corruption in Acquisition Programs

Burton (1993) shows that cognitive biases such as the sunk cost fallacy, conformity bias, and groupthink are not only present but actively reinforced by previous Pentagon structures and incentives. For example, senior officials justified continued investment in the Bradley program on the basis of prior expenditures (sunk cost fallacy), even when overwhelming evidence showed fundamental design flaws (Burton, 1993, p. 31). This mindset was exponentially increased by an organizational culture that prioritized personal advancement and loyalty to superiors over ethical conduct or objective analysis. This resulted in the hiding of negative test results and manipulation of data to support more favorable, predetermined outcomes (Burton, 1993, pp. 35–36). The book also details how the revolving door for individuals between working at the Pentagon and for defense contractors, along with very little independent oversight, created opportunities for unethical agreements among program managers, generals, and contractors, advancing, usually, expensive, underperforming systems at the expense of operational effectiveness



and taxpayer interests (Burton, 1993, pp. 66, 232). For example, Burton states how, during the B-1 bomber production, Air Force generals manipulated cost projections to save the program, despite knowing the actual costs were much higher, illustrating the sunk cost fallacy and careerism (Burton, 1993, pp. 32–35).

2. Institutional and Behavioral Actions to Disrupt Unethical Practices

Burton identifies several interventions that shortly disrupted the negative impacts of bias and corruption:

- **Devil’s Advocacy and Independent Testing:** The establishment of independent review groups and live-fire testing, which Burton supported, exposed vulnerabilities in the Bradley and forced design changes that improved safety and effectiveness (Burton, 1993, pp. 130–135, 234–235).
- **Whistleblowing and External Pressure:** Reformers, investigative journalists, and congressional oversight committees played critical parts in bringing to light suppressed information and compelling the military to address program deficiencies (Burton, 1993, pp. 70–71, 157–158).
- **Legislative Reforms:** Congressional mandates for live-fire testing and operational test independence, or removing the tests from direct oversight from the program’s leadership, were enacted in response to the failures documented in the book. These reforms were often undermined by bureaucratic resistance and were not self-sustaining however (Burton, 1993, pp. 116–125). Burton describes how his push for the live-fire testing of the Bradley, despite resistance from Army leadership, resulted in impactful design changes that ultimately saved lives during the Gulf War (pp. 130–135, 234–235).

3. Are Transparency and Reforms Enough?

Burton’s (1993) book demonstrates that transparency mechanisms, pretraining, and reforms are necessary but not sufficient to overcome entrenched cultural and psychological barriers, echoing Van Eyghen. The usual culture often rewards conformity and punishes



dissent, undermining the effectiveness of regulations and reforms, in stark contrast to Van Eyghen (Burton, 1993, pp. 38–39, 66, 170). Individual ethical courage, personified by Burton and the other reformers, proved to be the most important effort in disrupting unethical practices, but such individuals were frequently marginalized or retaliated against by the system in place in the late 1980s (Burton, 1993, pp. 39–40, 202–204). Burton also recounts being passed over for promotion and, nearly, being forced into retirement after refusing to alter data to fit the pre-determined narrative preferred by senior leaders. This highlighted the risks taken by those who challenge unethical practices (Burton, 1993, pp. 39–40, 202–204)

Integrated Framework: Lessons from the Bradley Case

- The detailed retelling of the failures and successes of the Bradley program offers a possible template for integrating behavioral, psychological, and organizational insights:
- Normalization of Deviance: Small ethical failures, such as changing test data or rationalizing shortcuts, accumulated over time, enabling large-scale program failures (Burton, 1993, pp. 135–137, 166–172).
- Emotional Drivers: Fear of career repercussions, desire for recognition or favorable actions, and aversion to conflict led officials to ignore or downplay evidence of failure, mirroring the incremental ethical failures seen in other scandals (Burton, 1993, pp. 38–39, 170, 183). Burton’s documentation of the Army’s efforts to avoid realistic testing of the Bradley, such as watering down uniforms on test dummies or selecting test shots to avoid live ammunition stores, demonstrates how small normalizations of deviance and emotional drivers can undermine safety and accountability (pp. 135–137, 198–201).
- Heuristics and Mitigation: The book advocates embedding formal devil’s advocacy, independent operational testing, and direct accountability measures into the acquisition process, as well as cultivating a culture that values truth-telling and ethical dissent (Burton, 1993, pp. 120–124, 235).



4. Conclusion

“The Pentagon Wars” illustrates how cognitive biases, emotional factors, and small systemic corruptions interact to produce unethical and wasteful outcomes in government procurement operations. Burton’s experiences highlight the limits of reforms and highlight the necessity of addressing the underlying organizational culture and psychological drivers of misconduct. The lessons drawn from the BFV case and other examples in the book offer actionable insights for developing integrated frameworks that combine individual and organizational behavioral risk management, ethical decision-making, and institutional accountability in public procurement (Burton, 1993, pp. 234–237)

D. THE FAT LEONARD SCANDAL

The Fat Leonard scandal represents a perfect case study of government contracting corruption, showing how the intersection of cognitive biases, emotional influences, and systemic organizational failures can undermine the effectiveness and integrity of public procurement as well as the public trust in government officials. Leonard Glenn Francis, known as “Fat Leonard,” led a decade-long bribery scheme through his company, Glenn Defense Marine Asia, targeting the U.S. Navy the officers responsible for awarding and overseeing port service contracts in the Pacific (Davies, 2024). The scheme involved providing Navy personnel with gifts, cash payments, luxury travel, and sexual favors in exchange for confidential, and sometimes sensitive, information and favorable treatment in the contracting process (Segelhorst, 2025).

1. Individual Failures

Leonard Glenn Francis, through his company Glenn Defense Marine Asia, engaged in significant bribery of U.S. Navy officials, providing luxury hotel stays, cash, overly-expensive meals, premium liquor, and the services of prostitutes in exchange for confidential information and favorable treatment in contracting negotiations and decisions (Prentice, 2024; Segelhorst, 2025). Francis also arranged elaborate sex parties, intermittently videotaping officers with prostitutes to further compromise them and ensure their continued cooperation (Segelhorst, 2025). Several high-ranking officers were implicated in these schemes, for instance, Rear Admiral Robert Gilbeau admitted to



concealing the overall degree of his relationship with Francis and destroying evidence after Francis's arrest. He also received Vietnamese prostitutes and numerous luxury goods and was ultimately sentenced to 18 months in prison and fined \$100,000 (Prentice, 2024). Captain Michael Brooks "accepted fine wines, electronics, luxury watches" and "allowed Francis's company to write its own Navy performance evaluation," in addition to securing diplomatic clearances for Glenn Defense to avoid inspections and was sentenced to three and a half years in prison and fined \$41,000 (Watson, 2017). Commander Michael Misiewicz received prostitutes, luxury hotel stays, international airfare, and event tickets for himself and his family in exchange for providing secret ship movement information and driving contracts to Francis, all of which resulted in a prison sentence of over six years (National Public Radio [NPR], 2024).

In addition to individual bribery, Francis influenced Navy operations by directing ships, including aircraft carriers and submarines, to the ports he controlled in Southeast Asia, where he could egregiously overcharge for husbandry services such as refueling, tugboats, and waste removal (Roberston, 2022). Navy officers also supplied Francis with classified information regarding ship schedules and movements, directly compromising operational security and national interests (Segelhorst, 2025). Continuing, Francis's company fabricated invoices and created fake bids from non-existent competitors to fraudulently satisfy acquisition requirements, resulting in over \$35 million in fraudulent charges to the Navy. Alex Wisidagama, a top deputy and cousin of Francis, was sentenced to 63 months in prison and ordered to pay \$34.8 million in restitution for his role in fabricating invoices and overbilling (DOJ, 2016).

The scandal's significant timeline and scale can be attributed in part to the cognitive biases of the Naval Officers such as incrementalism and conformity bias. Francis's approach often began with minor incentives, gradually increasing the value and frequency of bribes, which allowed participants to rationalize their participation and minimize the perceived severity of their ethical breaches (Prentice, 2024). Conformity bias was further supported by the visibility of Senior Officers' participation, which confirmed to subordinates that such conduct was acceptable and even normal within the Navy's organizational culture (Prentice, 2024). Additional emotional factors, including loyalty to



peers, fear of ostracism, and concerns about career repercussions, discouraged whistleblowing and facilitated the normalization of the unethical behavior (Hempowicz, 2016).

2. Organizational Failures

Institutional shortfalls played a critical role in enabling and prolonging the Fat Leonard scandal. Despite the existence of formal codes of conduct and oversight mechanisms, the Navy's culture of see nothing say nothing and entitlement among senior leaders undermined these safeguards (Wagner, 2024). Many officers operated under an unwritten "code of silence," deterring the reporting of misconduct due to fears of mutual destruction and professional ruin (Segelhorst, 2025). Leadership failures were also present, as some leaders either embodied the unethical behavior or failed to hold subordinates accountable, allowing the corruption to become embedded within the command structure (Segelhorst, 2025).

The scandal was further exacerbated by organizational and cultural failures within the Navy. Senior officers' open participation in Francis's schemes signaled to Junior Officers and enlisted personnel that such behavior was tolerated, reinforcing conformity bias and normalizing unethical conduct (Prentice, 2024). Groups of officers involved in the scheme referred to themselves as "the cool kids" or "the wolf pack," highlighting the peer-driven normalization of the corruption (Prentice, 2024). Despite nearly 1,000 Navy personnel being investigated, including 91 admirals, very few faced significant consequences with many officers being retired with full benefits, and only a handful convicted at court-martial (DOJ, 2016). The Navy's institutional response often prioritized protecting its reputation over full transparency and accountability, with outcomes for most involved officers undisclosed (Watson, 2017). Emotional drivers such as loyalty, fear of ostracism, and career repercussions discouraged whistleblowing, as the Navy's "code of silence" and leadership failures allowed the scandal to continue for over a decade (Hempowicz, 2016).

The consequences of the Fat Leonard scandal were far-reaching with investigations pointing to nearly 1,000 Navy personnel, including dozens of admirals, and yet



accountability was inconsistent and often minimal. While Francis received a 15-year prison sentence and significant financial penalties, many implicated officers faced limited consequences, with some convictions reduced or vacated and others quietly retired with full benefits (Guinto, 2024). This disparity in accountability reflected institutional priorities that favored organizational reputation over ethical enforcement, further eroding public trust in government contracting (DOJ, 2016).

3. Conclusion

These examples reveal that the Fat Leonard scandal was not merely the result of one corrupt contractor, but an organizational failure involving over 100 officers, normalizing unethical behavior, and institutional weaknesses in oversight and accountability. The scandal's legacy is a cautionary tale about the dangers of unchecked cognitive biases, emotional drivers, and cultural failures within government procurement systems (Prentice, 2024).

The Fat Leonard case highlights the limitations of regulatory compliance, transparency measures, and accountability systems when organizational culture and leadership fail to embody ethical standards. The interaction of cognitive biases, emotional motivations, and institutional dysfunction creates vulnerabilities that can be exploited by strong-minded actors. Addressing these failures requires a holistic approach that integrates behavioral insights into ethical risk management frameworks, prioritizes moral courage (such as that shown by James Burton and his reformers) and strengthens whistleblower protections (Prentice, 2024; Hempowicz, 2016). Without such measures, the psychological and organizational failures that enabled the Fat Leonard scandal will continue to threaten the effectiveness and legitimacy of public procurement and the trust of the American people.

E. GAO REPORTS

This section examines the ethical implications, cognitive biases, and potential for corruption in DoD acquisition practices, based on findings from a collection of GAO reports. These reports expose recurring patterns of knowledge gaps, incentive misalignment, and organizational inefficiencies in major weapon systems procurement. By



analyzing these findings through the lens of ethical decision-making and cognitive biases, this study highlights both individual and cultural deficiencies that obstruct effective oversight and accountability.

The acquisition of major weapon systems represents one of the most complex and intensive endeavors within the U.S. federal government. Despite decades of reform, the DoD continues to face persistent issues such as cost overruns, schedule delays, and performance shortfalls. The GAO has widely documented these challenges, revealing how flawed incentives, unrealistic expectations, and poor decision-making impact many programs. This paper fuses key GAO reports to explore the ethical, cognitive, and structural failures of these acquisition failures.

1. Knowledge Deficiencies in Acquisition Decision-Making

GAO reports consistently stress the lack of a “knowledge-based” acquisition framework in DoD procurement. In their 2004 report, GAO advocates for a staged approach requiring critical knowledge in three key areas: matching customer needs to resources, stabilizing product design, and verifying manufacturability. When these knowledge gates are ignored, programs proceed to failure without a solid foundation, introducing ethical concerns regarding responsible stewardship of taxpayer funds. Overcommitting to uncertain technologies undermines ethical accountability and fiscal responsibility.

2. Cognitive Biases and Their Effects

GAO findings illustrate how cognitive biases undermine rational program evaluation and decision-making. Optimism bias is prevalent, still leading officials to underestimate costs and overestimate capabilities over 30 years after James Burton confronted the issue originally. For example, missile defense programs suffered from testing failures and retrofits due to high concurrency, launching production before validating technologies (GAO, 2012). Similarly, confirmation bias perpetuates flawed programs by filtering out unfavorable evidence. These biases impact assessments, inflating expectations and obscuring risks, ultimately eroding public trust.



3. Ethical Implications of Incentive Structures

A central theme in GAO's 2014 report is the misalignment of incentives within the defense acquisition system. Programs often prioritize securing funding and achieving program milestones over long-term success or integrity (GAO, 2014). Officials and managers may feel pressured to present favorable progress, even when internal assessments reveal unresolved deficiencies. This misalignment encourages ethically questionable behaviors such as manipulating cost estimates or delaying the disclosure of technical problems.

4. Corruption and Systemic Waste Risks

While GAO does not frequently report explicit illegal corruption, it highlights systemic features that create environments conducive to waste and abuse. For instance, the use of concurrency allows contractors to profit from contracts without delivering proven capabilities (GAO, 2012). The dispersion of oversight responsibilities further complicates accountability, as demonstrated in the debate over the service chiefs' roles in acquisition oversight (GAO, 2019). These issues imply organizational weaknesses that, if left unaddressed, can foster environments tolerant of fraud, waste, and abuse such as the case of Fat Leonard.

5. Recommendations and Reform Considerations

The GAO reports collectively point to several paths forward. First, ensuring independent knowledge reviews before key milestones can certify that decisions are grounded in verifiable data. Second, revising incentive structures to reward transparency and risk management over premature progress is essential. Third, behavioral science training can help acquisition personnel recognize and mitigate cognitive biases. Finally, better alignment between budget decisions and program truths can reduce systemic pressure to pursue infeasible programs.

6. Conclusion

The GAO's body of work reveals that ethical lapses, cognitive shortcuts, and organizational vulnerabilities are deeply embedded in defense acquisition practices. These



findings urge a reevaluation not just of acquisition policies, but of the culture and incentive systems that ultimately shape decision-making. Ethical reforms, steeped in transparency, accountability, and realistic assessments, are imperative to ensure that defense acquisition serves both national security and public trust.

F. SUMMARY

The enduring challenges of unethical organizational behavior in government procurement cannot be fully understood without acknowledging and accounting for the influence of cognitive biases, institutional culture, and systemic design flaws perpetuated by the self-preservation demonstrated in the case studies. As demonstrated through the Fat Leonard scandal and The Pentagon Wars, well-intentioned individuals and established organizations can become knotted in misconduct and unethical decisions when psychological vulnerabilities are left unchecked and ethical norms are subject to personal ambition, group loyalty, or bureaucratic inertia. These cases reveal not isolated failures but patterns, where biases such as confirmation bias, groupthink, sunk cost fallacy, and moral disengagement play significant roles in corrupting decision-making and weakening accountability.

The GAO's findings further reinforce this view, illustrating how flawed incentives, knowledge gaps, and unrealistic expectations continue to compromise the integrity of defense procurement. While procedural reforms and transparency initiatives have been implemented in response to past failures, they remain insufficient in the face of organizational cultures that resist change and reward conformity over ethical dissent.

Addressing these issues requires more than regulatory compliance; it demands a facilitation of behavioral shifts across all levels of procurement leadership. This includes embedding independent oversight, cultivating a culture of ethical courage, and training personnel to recognize and act upon to mitigate cognitive biases. Without such efforts, the conditions that enabled past scandals will continue, threatening not only fiscal responsibility but also national security and public trust. The lessons of history are clear: ethical failure in procurement is not merely a risk of corruption, but a predictable outcome when behavioral and organizational vulnerabilities are ignored and perpetuated.



V. EXAMINATION OF SELECTED COGNITIVE BIASES

Ethical infractions within U.S. defense procurement emerge not only from discrete episodes of misconduct but from the interplay between cognitive biases, organizational norms, and incentive structures that collectively impact ethical judgment. As demonstrated in the Pentagon Wars and Fat Leonard scandal, decision-making within these hierarchical, high-stakes environments becomes impacted when personal loyalties, institutional norms, and cognitive heuristics interact with each other to overpower accountability and rational evaluation.

This chapter advances the analysis of such decision dynamics by examining examples through which cognitive biases influence acquisition outcomes, identifying institutional and behavioral countermeasures, assessing the sufficiency of transparency and reform mechanisms, and proposing a framework integrating heuristics and mitigation techniques. In doing so, it provides comprehensive responses to the four research questions guiding this study.

A. THE IMPACT OF COGNITIVE BIASES ON DECISION-MAKING

Cognitive biases operate as persistent, systematic deviations from rational judgment, and within defense acquisition environments, they are reinforced through cultural norms that prioritize compliance, loyalty, and perceived mission advancement. Decision-makers routinely face strategic ambiguity, incomplete data, and organizational pressure, or conditions associated with heightened reliance on heuristics.

1. Convergence of Biases as a Structural Phenomenon

The twenty biases identified in Chapter II exhibit interdependencies that significantly highlight ethical risk. For example, confirmation bias sustains escalation of commitment to failing programs, while groupthink and authority bias jointly impact dissenting technical expertise. Loss aversion and self-serving bias further diminish willingness to acknowledge error, rendering institutional controls ineffective unless ethically reinforced at the cultural level.



2. Biases as Predictors of Ethical Erosion

These dynamics do not produce isolated misjudgments; they generate predictable failure patterns. When rationalization and moral disengagement normalize incremental misconduct, rule-based compliance structures erode from within. Therefore, cognitive biases constitute not outlying human error but a causal architecture of ethical breakdown in defense contracting environments.

B. THE PENTAGON WARS

The Pentagon Wars illustrate how cognitive biases can drive extensive programmatic failure even in the absence of personal financial corruption. Efforts to field the BFV were compromised by cultures of deference to rank, institutional protectionism, and resistance to empirical challenge.

1. Cognitive and Organizational Deformation of Testing Integrity

Senior leadership's anchoring on original design expectations and overconfidence in emergent technological solutions prevented responsive corrective action. Test manipulation, including substitution of ammunition with water cans, exemplifies confirmation bias institutionalized as standard practice. Loyalty to prevailing program narratives displaced ethical considerations of soldier survivability.

2. Intervention Mechanisms and Structural Constraints

Corrective intervention occurred only through external oversight. Independent congressional scrutiny, not internal processes, imposed integrity requirements such as live-fire testing reforms. These developments demonstrate that transparency mechanisms function only when paired with external accountability and autonomy of criticism.

3. Limits of Reform

Despite procedural improvements, cultural impediments persisted, most notably retaliation against reform actors. This case highlights that ethical outcomes depend less on written regulation than on organizational willingness to enforce standards irrespective of hierarchy.



C. THE FAT LEONARD SCANDAL

In contrast, yet also in stark relation, the Fat Leonard scandal reflects a convergence of cognitive bias with explicit corruption, where personal gain became embedded in contracting networks through social normalization and institutional permissiveness.

1. Individual-Level Motivations and Moral Disengagement

Officers justified violations through gradual rationalization, while incrementalism obscured the transition from minor gratuities to sustained criminal behavior. Loss aversion contributed to concealment and sustained participation, particularly where exposure threatened career progression.

2. Organizational-Level Facilitators

Hierarchical structures created environments in which authority bias and halo effects shielded misconduct at the highest levels. Groupthink within the “Wolf Pack” culture allowed ethical dissent to be stigmatized. Institutional oversight mechanisms failed to detect abuses, demonstrating that organizational design relying on misplaced trust rather than independent verification invites exploitation.

3. Implications

This case demonstrates that where accountability is absent, biases become a mechanism for legitimizing corruption, enabling illegal acts to masquerade as operational necessity.

D. HISTORICAL CASE STUDY EXAMPLES

1. Conformity Bias

In both The Pentagon Wars and the Fat Leonard scandal, conformity bias demonstrated unethical behavior by encouraging agreement and either ignoring or actively punishing dissent. In the BFV program, officers learned to follow the “party line” that the vehicle was safe and combat ready even when internal tests revealed catastrophic design failures (Burton, 1993, pp. 293–295). Burton’s disclosure of falsified live-fire data triggered overwhelming hostility from multiple sources specifically because it violated the



Pentagon's unspoken rule of loyalty over truth. Similarly, in the Navy's contracting circles, Captains and Admirals normalized inclusion, or the "Wolf Pack" culture, that actively accepted and expected Leonard Francis's generosity and discouraged whistleblowing (Whitlock, 2024, pp. 273–276, 285–287). Both systems made ethical actions and reasoning appear insubordinate, demonstrating how conformity bias sustains group complicity (Kahneman, 2011; Menzel, 2015).

2. Authority Bias

Reverence toward rank significantly increased poor judgment. In Burton's account, subordinates accepted orders from senior Generals to alter test procedures, even when those orders violated congressional mandates (Burton, 1993, pp. 296–298). The assumption that higher rank equals superior understanding or knowledge succeeded in only silencing technical experts. The same dynamic was also in the Navy's hierarchy, where Francis leveraged Admiral level personal relationships to secure contracts and exemptions while junior officers obeyed unlawful directives because they came from the flag officers (Whitlock, 2024, pp. 293–299). Authority bias blurred moral responsibility, obedience supplanted ethical reasoning (Tversky & Kahneman, 1974; Neu et al., 2014).

3. Bandwagon Effect

Within *The Pentagon Wars*, once senior officers publicly endorsed the Bradley program, lower-ranking staff echoed the enthusiasm to appear aligned with "the winning side." Burton recounts meetings where "every Colonel in the room nodded vigorously the moment the General spoke," even when the data obviously contradicted him (Burton, 1993, pp. 343, 349). The collective momentum created an illusion of consensus that traded truth for popularity. In *Fat Leonard*, the "Wolf Pack" culture worked the same way where officers competed to attend Francis's lavish parties because everyone else in the circle was doing so. The few who abstained were mocked as "Boy Scouts," reinforcing bandwagon conformity (Whitlock, 2024, pp. 250–268, 292–299, 319–325).



4. Sunk Cost Fallacy

Decision-makers justified continued investment of fiscal funds into failing ventures because of prior expenditure. Even when the Bradley failed multiple survivability tests, senior officers argued that canceling it would “waste” years of effort and billions of dollars (Burton, 1993, pp. 335, 254–355). The Navy displayed the same reasoning when it protected Leonard Francis’s logistics monopoly in spite of repeated red flags, insisting that termination would disrupt regional operations already “too far invested to replace” (Whitlock, 2024, pp. 84–86, 187–190). This bias illustrates how bureaucratic inertia converts sunk costs into moral justification.

5. Status Quo Bias

Both organizations resisted reforms even after exposure. Following congressional criticism, the Army tried to continue with existing procurement norms rather than adopt Burton’s live fire reforms (Burton, 1993, pp. 362–368, 374–382). In the Navy, post investigation culture reverted to hierarchical secrecy, protecting the reputation of the navy and officers instead of restructuring oversight (Whitlock, 2024, pp. 340–344, 355–368). Preference for familiar procedures, however dysfunctional, reflects a psychological comfort area that offsets rational evaluation (Kahneman, 2011; Menzel, 2015).

6. Confirmation Bias

Program officials sought data that confirmed the Bradley’s successes while dismissing or actively hiding contradictory evidence. Burton’s “Water Can Memo” showed how test designers replaced ammunition boxes with water cans to reduce visible damage, literally altering data to support a pre-decided outcome of said tests (Burton, 1993, pp. 347–349, 362–364, 425–433). In Fat Leonard, auditors accepted falsified invoices that reinforced the idea of cost-efficiency while conflicting reports were ignored (Whitlock, 2024, pp. 143–145, 228–232). Confirmation bias shielded leadership from actual reality by turning evidence collection into reputation management instead (Tversky & Kahneman, 1974).



7. Anchoring Bias

Early assumptions shape later decisions even as conditions change. The Army's first performance claims for the Bradley as "a fast, lethal troop carrier," became anchors that skewed later risk assessments (Burton, 1993, pp. 355–356, 359–362). Similarly, Navy officials anchored their trust in Francis on years of smooth operations, sometimes actively ignoring new indicators of fraud (Whitlock, 2024, pp. 42–43, 144–146). Once initial perceptions have set expectations, contradictory evidence requires disproportionate proof to reverse them (Kahneman, 2011).

8. Optimism Bias

Organizational optimism minimized perceived danger in both cases. Pentagon leaders consistently assumed that software fixes or "next-phase upgrades" would solve design failures (Burton, 1993, pp. 345–349, 362–364). Admirals in the Glenn Defense Marine Asia (GDMA) network also assumed that minor disciplinary measures would contain corruption without jeopardizing fleet readiness or operations (Whitlock, 2024, pp. 130–133, 178–180). Over-optimism postponed corrective action until consequences became overly catastrophic, mirroring GAO findings that acquisition officials systematically underestimate the cost and risk of programs (GAO, 2014).

9. Overconfidence Effect

Senior officers in both cases associated experience with soundness. General Mathis dismissed Burton's evidence by claiming his own "combat intuition" outweighed empirical testing (Burton, 1993, pp. 339–343, 347–350, 362–363). Leonard Francis's favorite admirals believed their leadership immune to oversight, openly boasting of their indispensability to naval logistics (Whitlock, 2024, pp. 117–122, 190–191, 321–322). Overconfidence bred ethical blindness by transforming self-assurance into perceived privilege (Kahneman, 2011).

10. Incrementalism

Both organizations continued into misconduct step by step rather than through a single decisive act. The Army first modified minor testing parameters to ensure favorable



outcomes, then progressively falsified entire datasets (Burton, 1993, pp. 347–350). Each small compromise made the next easier. Likewise, in the Navy, officers began by accepting “courtesy dinners,” moved to travel perks, and ultimately demanded cash payments (Whitlock, 2024, pp. 104–107, 175–177, 285–288). The gradual escalation disguised corruption as routine adaptation.

11. Planning Fallacy

Army program managers consistently underestimated time and cost, predicting “operational deployment within eighteen months” despite repeated redesigns (Burton, 1993, pp. 299–301, 355–357). Their optimistic schedules ignored past slippages, classic planning fallacy. In *Fat Leonard*, admirals insisted that internal reviews would “wrap up by next quarter,” though investigations stretched years (Whitlock, 2024, pp. 62–65, 143–146, 226–228). Underestimating duration preserved the illusion of control while delaying accountability (Kahneman, 2011).

12. Framing Effect

How information was presented shaped ethical perception. Pentagon leaders framed live-fire testing as a “cost-savings demonstration” rather than a safety validation, turning potential failure into an acceptable financial trade-off (Burton, 1993, pp. 347–349, 362–364). Francis similarly framed bribes as “hospitality” and “relationship management,” language that recast criminal acts as diplomacy (Whitlock, 2024, pp. 143–145, 231–233). Reframing misconduct in positive terms neutralized moral resistance (Tversky & Kahneman, 1974).

13. Self-Serving Bias

Participants interpreted outcomes to preserve self-interests. Army leaders credited the Bradley’s eventual deployment as proof of their competence, ignoring the manipulated data that enabled it to reach that point (Burton, 1993, pp. 311–313, 355–358). Navy officers rationalized their complicity by redefining bribery as “relationship management” (Whitlock, 2024, pp. 119–122, 186–188, 232–234). Each actor’s narrative exonerated



themselves while blaming “systemic pressures,” a hallmark of self-serving bias (Juárez Ramos, 2019).

14. Loss Aversion

Decision-makers preferred certain small losses to admitting total failure. The Army refused to cancel the Bradley because doing so would mean “throwing away” sunk careers and budgets (Burton, 1993, pp. 355–356, 362–364). Navy officers stayed loyal to Francis even when suspicion arose, fearing that exposing him would cost promotions or postings (Whitlock, 2024, pp. 84–86, 187–190). The dread of personal loss outweighed institutional ethics, consistent with prospect-theory predictions (Kahneman, 2011).

15. Halo Effect

Positive reputations shielded unethical actors. General Davis’s earlier success in weapons development gave him undue credibility when defending flawed Bradley data (Burton, 1993, pp. 347–349, 354). Francis cultivated a similar aura by portraying himself as “the man who kept the fleet fed,” which made admirals perceive him as indispensable despite mounting irregularities (Whitlock, 2024, pp. 69–71, 144–146). Admiration distorted risk assessment, allowing charisma to override evidence (Neu et al., 2014).

16. Rationalization

Participants continually produced justifications for unethical behavior. Pentagon officers argued that “everyone manipulates numbers a little, it’s how programs survive” (Burton, 1993, pp. 311–313, 347–349, 355–357). In the Navy, an officer caught accepting gifts claimed it was “the cost of doing business in Asia” (Whitlock, 2024, pp. 119–122, 175–177, 232–234). Such rationalizations convert moral violations into pragmatic necessities (Menzel, 2015).

17. Action Bias

Leaders acted prematurely to appear decisive even when restraint was warranted. After early prototype tests, the Army rushed the Bradley into production to demonstrate progress to Congress (Burton, 1993, pp. 362–364, 374–375). During the GDMA scandal,



admirals launched “quick internal fixes,” such as suspending both Vice Adm. Ted Branch and Rear Adm. Bruce Loveless from access to classified information, that looked proactive but lacked substance (Whitlock, 2024, pp. 340–344, 355–357). In both, visible motion substituted for thoughtful correction (Yin, 2018).

18. Groupthink

Collective rationalization dominated both hierarchies. In Pentagon meetings, officers performed what Burton dubbed the “Dickey Bird Shuffle,” nodding agreement to avoid appearing uninformed (Burton, 1993, pp. 342–344, 347–349). The Navy’s command councils functioned similarly: no one challenged the consensus that GDMA’s services were indispensable (Whitlock, 2024, pp. 175–177, 285–288). Groupthink rewarded harmony over accuracy, stifling internal critique (Yin, 2018).

19. Escalation of Commitment

When evidence of failure mounted, both organizations doubled down. The Pentagon responded to critical reports by increasing funding, insisting success was “one redesign away” (Burton, 1993, pp. 335–336, 347–349, 355–357, 362–364). After early audits flagged GDMA overbilling, the Navy expanded contracts to “recoup efficiencies” (Whitlock, 2024, pp. 84–86, 187–190, 250–253). Escalation transformed error into policy, locking institutions into the very paths that endangered them.

20. Moral Disengagement

Individuals detached from the ethical meaning of their actions. Engineers described falsified data as “input adjustments,” depersonalizing harm to soldiers (Burton, 1993, pp. 347–350, 355–357). Navy officers referred to prostitutes and cash as “tokens of appreciation,” linguistic euphemisms that severed moral connection (Whitlock, 2024, pp. 119–122, 186–188, 321–322). Through displacement of responsibility and dehumanization, moral disengagement completed the slide from error to corruption (Menzel, 2015).



21. Conclusion

Across these twenty biases, a consistent pattern emerges: cognitive distortions transformed complex bureaucracies into self-justifying ecosystems. The Pentagon Wars exposed how conformity, sunk cost, and groupthink insulated the Army from empirical accountability, while Fat Leonard revealed how reciprocity, moral licensing, and in-group loyalty converted naval professionalism into cartel behavior. Both cases illustrate the cognitive architecture of corruption where rational actors, under organizational pressure, reinterpret unethical conduct as rational necessity. The persistence of these biases validates GAO (2025) findings that cultural, not procedural, reforms determine ethical resilience in defense acquisition.

I selected these twenty cognitive biases because I interpret, they represent the most impactful patterns observed in both historical and contemporary procurement failures. Despite being only a fraction of the biases identified in behavioral research, these biases recur across modern defense acquisition cases, investigative reports, and organizational assessments. Their continued presence in current examples, outlined in the following section, demonstrates their continued influence on decision quality, ethical judgment, and systemic vulnerability within government procurement.

E. CURRENT EXAMPLES

1. Confirmation Bias

GAO's Weapon Systems Annual Assessment (2023, 2024) notes that major defense programs such as the F-35 continue despite repeated test failures and cost escalations because managers selectively interpret evidence confirming earlier choices. Data inconsistent with the preferred narrative is reframed as "manageable risk," exemplifying confirmation bias (GAO, 2024).

2. Authority Bias

In March 2025, the Washington Post reported that a deputy director of Washington, D.C.'s Office of Neighborhood Safety and Engagement pleaded guilty to accepting bribes to steer contracts toward an associate's firms (Hermann, 2025). Subordinates deferred to



her seniority rather than question irregular procurements, an instance of authority bias amplifying corruption.

3. Bandwagon Effect

Across U.S. cities, procurement teams routinely adopt artificial-intelligence tools already used by peers. Johnson et al. (2024) found that most cities justified vendor selection by “precedent elsewhere,” producing herd-style dependence on dominant tech suppliers. This imitation reflects the bandwagon effect, substituting social proof for independent evaluation.

4. Incrementalism

The U.S. Coast Guard’s Polar Security Cutter program demonstrates incrementalism. Rather than redesigning after major integration issues, the program layered minor cost and schedule revisions that accumulated into a >20 percent overrun (GAO, 2024). Managers preferred small adjustments to structural change, a slow drift toward failure.

5. Overconfidence Effect

GAO’s 2023 and 2024 High-Risk List reports reveal chronic overconfidence in estimating cost and technical maturity across DoD software efforts. Planners overstated predictive accuracy and understated integration risk, assuming “near-term fielding” that never materialized (GAO, 2023).

6. Planning Fallacy

In 2022–2025, multiple defense IT modernization projects underestimated integration time and workforce needs, forcing emergency extensions. The gap between projected and actual completion timelines, often 30 to 50 percent longer, matches the classical planning fallacy (GAO, 2024).



7. Sunk Cost Fallacy

Several agencies persisted with failing modernization contracts through 2023–24 because “too much money had already been spent.” GAO reviewers recommended termination and recompetes, but contracting officers continued funding, illustrating sunk-cost escalation (GAO, 2024).

8. Anchoring Effect

Federal procurement officers frequently benchmark bids against vendors’ original list prices. GAO (2023) observed that evaluators compared discounts to anchors rather than total cost of ownership, allowing inflated “savings” claims to skew scoring.

9. Framing Effect

During pandemic emergency contracting (2020-2022), several agencies justified sole-source awards by framing them as “urgent life-saving measures,” even when equally fast competitive paths existed (DHS OIG, 2022). The framing of action as moral necessity overrode cost-benefit discipline.

10. Optimism Bias

Defense and civilian program offices systematically underestimated supply-chain disruption risk following COVID-19 and Ukraine-related shocks. GAO (2023) found that program managers forecasted uninterrupted schedules despite clear evidence of vendor delays, an institutional optimism bias.

11. Loss Aversion

Federal contracting officers often avoid switching incumbents to prevent bid protests. In 2024, GAO protest statistics showed agencies favor incumbent renewals at record levels. The fear of reputational or procedural “loss” outweighs potential efficiency gains from competition.



12. Self-Serving Bias

Following revelation of the 2025 USAID bribery scandal, internal statements framed oversight failure as deception by contractors rather than internal control weakness (DOJ, 2025). By externalizing blame, officials protected institutional self-image, a textbook self-serving bias.

13. Halo Effect

In the same USAID case, favored contractors maintained positive reputations as reliable humanitarian suppliers. That aura of competence likely shielded them from early scrutiny, allowing a decade-long bribery scheme exceeding \$550 million (Kyzer, 2025).

14. Groupthink

GAO's 2024 internal-controls audit reported that acquisition review boards often "seek consensus over challenge" in milestone decisions. Deference to leadership consensus suppresses dissenting risk assessments, a bureaucratic form of groupthink (GAO, 2024).

15. Rationalization

After DOJ indictments in the USAID scandal, some staff defended irregular awards as responses to "urgent mission requirements." Retroactive justification of misconduct epitomizes rationalization, reasoning after the fact to legitimize unethical procurement (DOJ, 2025).

16. Status Quo Bias

Across FY 2021–2024, GAO recorded steadily increasing rates of contract extensions and bridge awards. Agencies routinely renewed existing vendors instead of re-competing, preferring procedural comfort to potential disruption, evidence of status-quo bias (GAO, 2024).

17. Conformity Bias

The GAO found that DoD officials often validated requirements for new acquisition programs by relying on precedents from earlier projects, rather than thoroughly analyzing



the current needs of those programs. This conformity to legacy standards resulted in outdated requirements, which contributed to delays, misalignment with actual mission objectives, and increased costs when rework was needed. The GAO attributes this to a tendency to follow group norms and established processes, demonstrating a clear case of conformity bias in acquisition decisions (Defense Acquisition Innovation Board, 2024).

18. Action Bias

During 2020–2021 emergency pandemic contracting, federal and state agencies awarded billions in sole-source PPE and logistics contracts within days, frequently lacking documentation later deemed insufficient (DHS OIG, 2022). The compulsion to act rapidly, rather than pause for verification, illustrates action bias.

19. Escalation of Commitment

GAO’s 2024 defense-acquisition reviews show that troubled programs often receive additional funding “to protect prior investment.” Officials double-down on failing trajectories instead of restructuring, a pattern of escalating commitment (GAO, 2024).

20. Moral Disengagement

The June 2025 DOJ press release on the USAID bribery case revealed systemic ethical detachment. Participants rationalized bribery as “standard practice,” diffused responsibility across shell firms, and used bureaucratic language to mask misconduct (DOJ, 2025). Such moral disengagement transforms corruption into perceived normality.

F. GAO AND PERSISTENT BIASES

GAO findings provide contemporary evidence that the ethical and managerial deficiencies revealed in both historical cases endure across the modern defense acquisition landscape.



1. Persistent Misjudgment Under Uncertainty

Programs continue to exhibit optimism bias, planning fallacy, and escalation of commitment, especially in technology-intensive systems where performance maturity is overestimated and cost risks underestimated.

2. Cultural and Structural Enablers

GAO frequently identifies organizational cultures that disincentivize independent critique and reward compliance, even when compliance perpetuates inefficiency or misrepresentation. Findings consistently show deficiencies in:

- data transparency
- independent validation
- risk realism

3. Reform Effectiveness

While GAO recommendations have prompted policy revisions, the endurance of familiar failure modes demonstrates that ethical vulnerabilities remain culturally embedded rather than procedurally resolved.

G. SYNTHESIS AND RESPONSES TO RESEARCH QUESTIONS

This section explicitly restates findings aligned to each research question for evaluative clarity.

- (1) Research Question 1: How do cognitive biases combine with systemic corruption to produce unethical practices in acquisition programs?

Cognitive biases interact with systemic corruption in ways that normalize unethical behavior and obscure truth within defense acquisition systems. In both The Pentagon Wars and the Fat Leonard scandal, individual biases compounded structural weaknesses, allowing deception and self-interest to masquerade as organizational loyalty. Confirmation bias led officials in the BFV program to manipulate live-fire testing results to validate preconceived beliefs about the vehicle's safety and performance. Anchoring bias further



reinforced this distortion, as leaders clung to early, idealized conceptions of the program's success. Within the Navy's contracting environment, similar cognitive distortions sustained faith in Leonard Francis's purported efficiency despite mounting evidence of fraud and bribery.

Authority bias and conformity bias suppressed dissent in both cases, producing cultures where loyalty to superiors outweighed loyalty to truth. Junior officers in the Bradley program deferred to generals who ordered improper testing procedures, while naval subordinates in the Fat Leonard network accepted unethical conduct as a reflection of the command's implicit values. Incrementalism compounded these failures, as small ethical compromises evolved into systemic misconduct. What began as minor deviations, adjusting test criteria or accepting "hospitality" from a contractor, gradually escalated into falsification, contract steering, and possible espionage.

Loss aversion and sunk cost fallacy entrenched these patterns by discouraging leaders from acknowledging failure. Program managers justified continued investment in the Bradley and GDMA contracts as necessary to avoid "wasting" prior effort or jeopardizing readiness. Finally, moral disengagement completed the psychological process, allowing individuals to rationalize their behavior through euphemisms such as "input adjustments" or "tokens of appreciation." Together, these biases formed a self-reinforcing cycle: distortion of evidence, suppression of dissent, normalization of misconduct, and psychological justification for corruption.

- (2) Research Question 2: What institutional and behavioral actions are most effective in disrupting the effects of cognitive biases, emotional factors, and corruption in public procurement?

Institutional integrity requires structural mechanisms that confront both human imperfection and organizational complicity. Independent oversight is essential but must be insulated from hierarchical influence. In the Bradley program, only external congressional intervention compelled transparent testing, demonstrating that internal oversight mechanisms were culturally captured. To counter these vulnerabilities, organizations must deliberately institutionalize dissent through structured red-teaming, designated devil's-advocate roles, and the routine inclusion of independent subject-matter experts who are not



inside the program leadership hierarchies. These mechanisms expose flawed assumptions, challenge groupthink, and provide unbiased technical and ethical scrutiny. Empowering dissenting technical experts with both authority and procedural protection ensures that engineers and contracting officers do not become pawns but remain ethical agents capable of interrupting bias-driven or corrupt decision pathways.

Whistleblower protection must also be embedded within evaluation and promotion systems rather than treated as a peripheral safeguard. As both cases illustrate, individuals rarely act ethically when doing so endangers their careers. Formal incentives that reward integrity, protect dissenters, and value critical challenge functions, to include red-team findings and devil's-advocate analyses, can realign organizational incentives toward ethical action. Leadership evaluation should extend beyond cost, schedule, and performance metrics to include the maintenance of an ethical climate, the integration of independent expertise, and the proactive management of cognitive bias within teams. These actions directly target the mechanisms, such as hierarchical deference, conformity pressures, and self-preservation, that sustain unethical decision-making in complex acquisition systems.

- (3) Research Question 3: Are transparency mechanisms, pretraining strategies, and governmental reforms sufficient to reduce vulnerability to unethical decision-making in government acquisition programs?

While transparency initiatives, ethics training, and policy reform are necessary, they are insufficient when unaccompanied by enforcement and cultural accountability. Transparency fails when the information disclosed has already been manipulated by confirmation bias or groupthink, as in the Bradley case. Ethics training similarly fails when organizational hierarchies punish those who act on ethical knowledge. The Fat Leonard scandal unfolded within a system already saturated with ethics briefings and compliance policies; the issue was not ignorance but selective enforcement.

Policy reforms often correct documentation processes without altering cultural norms. As GAO findings repeatedly demonstrate, optimism bias, escalation of commitment, and status quo bias remain persistent features of acquisition decision-making. These pathologies endure because they are rewarded rather than corrected. Sustainable



reform therefore requires a shift from procedural compliance to ethical enforcement. Only when misconduct yields meaningful professional consequences and integrity produces tangible career benefits can training and transparency achieve their intended effect.

- (4) Research Question 4: How can heuristics and mitigating techniques be combined into a framework that captures the psychological and organizational failures observed in the Fat Leonard and Pentagon Wars cases?

A practical ethical governance framework must integrate cognitive-bias awareness with structural safeguards at every phase of defense acquisition. The first component requires mapping known decision biases to specific acquisition touchpoints and aligning them with core ethical decision categories. For example, legal and regulatory compliance must be protected against anchoring and motivated reasoning during requirements formulation; mission and safety considerations must counter optimism bias during cost, schedule, and performance planning; and integrity and public-interest obligations must be reinforced against conformity pressure and moral disengagement during contractor oversight. Similarly, the organizational-culture dimension requires leaders to identify authority bias and groupthink at testing, evaluation, and milestone reviews, while bias-awareness and reputational-risk checks mitigate escalation of commitment and data manipulation, patterns central to both the suppressed live-fire results in The Pentagon Wars and the Fat Leonard bribery schemes. Embedding bias mapping into these seven decision categories operationalizes ethical vigilance as a design feature of acquisition rather than a post-hoc critique.

The second component incorporates counter-heuristics, premortem analysis, structured red-teaming, dissent validation, and alternative-course generation, directly into milestone gates associated with the seven matrix elements. These techniques deliberately stress-test assumptions, expand the range of considered evidence, and disrupt habitual reasoning, reducing the insularity and deference that enabled both historical failures. The third component restructures reporting pathways so each of the seven ethical decision areas has an independent informational channel: legal, integrity, mission, cultural, bias-awareness, reputational, and personal-ethics concerns must be routed outside traditional



hierarchical choke points. These distributed channels inhibit command-directed data distortion and shield technical experts from reprisal, problems documented in both case studies. Finally, transparency must be tied to enforceable accountability. Ethical-climate diagnostics, leadership evaluations weighted toward moral conduct, independent audits of acquisition decisions across the seven matrix dimensions, and public disclosure of corrective actions ensure that ethical expectations are not symbolic, such as ship captains being fired for lack of trust. Instead, they become operational requirements embedded into acquisition governance. Combined, these elements produce a unified framework that links bias recognition, procedural safeguards, organizational design, and accountability, addressing the precise psychological and structural breakdowns revealed in the Pentagon Wars and Fat Leonard cases.

Table 2. Defense Acquisition Ethical Decision Matrix

Category	Guiding Questions	Red Flags if “No”
Legal & Regulatory	Does it comply with FAR/DFARS, fiscal law, UCMJ, and anti-corruption statutes?	Violation of law, ADA issues, protest risk
Integrity & Public Interest	Would a reasonable taxpayer view this as fair, transparent, and justified?	Appearance of corruption or favoritism
Mission Impact	Does this decision promote readiness, warfighter safety, and operational effectiveness?	Safety hazards, degraded capability
Organizational Culture	Does this encourage ethical behavior and dissent?	Suppression of whistleblowing, “party line” thinking
Bias Awareness	Could this be influenced by conformity, authority bias, sunk cost, or moral disengagement?	Excessive optimism, escalation of commitment
Reputational Exposure	Would I be comfortable defending this to GAO, Congress, or media?	Headline-risk behavior
Personal Ethics	Would I do this if my name and rank were attached publicly?	Ethical discomfort



H. LIMITATIONS AND AREAS FUTURE RESEARCH

The central assumptions underlying this research are that the cognitive biases and ethical failures identified in the two historical case studies manifest similarly in modern age defense acquisition environments. While *The Pentagon Wars* and the Fat Leonard scandal provide strong and well-documented examples, this assumption rests on the idea that organizational cultures, incentive structures, and human cognitive tendencies remain relatively stable across time. Additionally, this study assumes the accuracy and completeness of publicly available documents, official reports, and firsthand accounts, recognizing that each source reflects its own narrative perspective and could emphasize interpretations of events. These assumptions were necessary to build a coherent analytical framework but should be acknowledged as potential areas where alternate readings may lead to differing conclusions.

The study is also constrained by several structural limitations. First is the reliance on secondary data, which limits the ability to verify or probe beyond the documentary evidence provided in government reports, journalistic investigations, and retrospective analyses. Sensitive information related to procurement failures, internal decision-making, and classified, or potentially embarrassing, materials are inaccessible, restricting the depth of inquiry into organizational dynamics behind closed doors. Furthermore, by focusing on twenty specific cognitive biases out of the hundreds identified in behavioral science, the research necessarily narrows the lens and may overlook additional psychological workings relevant to procurement ethics. Finally, the two case studies, while possibly the most well-known, cannot represent the full diversity of defense acquisition programs, which vary significantly across services, mission sets, and historical contexts.

These assumptions and limitations create important opportunities for future research. Subsequent studies could incorporate interviews with acquisition professionals, ethics officers, or GAO analysts to capture contemporary, practitioner-level perspectives that documentary analysis cannot fully provide. Comparative case studies across different military branches, international procurement systems, or commercial acquisition environments could test the generalizability of the framework developed here. Additionally, future work could expand the behavioral dimension by integrating



quantitative measures of bias prevalence, predictive, or AI, modeling of ethical risk, or experimental simulations of acquisition decision environments. Such research would deepen understanding of how cognitive biases interact with institutional culture and could inform more targeted training, oversight design, and policy reforms within the defense acquisition community.

With the rapid emergence of artificial intelligence technologies and large language models, there is significant potential to integrate AI into government contracting and procurement processes. Advanced AI systems could be designed to monitor pricing structures, enforce compliance requirements, assess technical specifications, and evaluate incentive mechanisms in real time substantially reducing opportunities for human error or cognitive bias. By automating elements of evaluation, documentation, and oversight, such tools could enhance transparency, help standardize ethical decision-making, and minimize the influence of personal or organizational biases that traditionally shape procurement outcomes. A monumental opportunity exists for the individual or company that successfully develops an AI-driven procurement oversight system capable of supporting acquisition professionals, strengthening integrity, and ensuring that decisions remain aligned with regulatory, ethical, and mission-oriented standards.

I. SUMMARY

Collectively, these findings illustrate that unethical outcomes in defense acquisition arise not from isolated failures but from predictable interactions between cognitive bias, emotional self-interest, and organizational reward systems. Effective mitigation depends on institutionalizing bias awareness, protecting ethical dissent, and aligning incentives with truth rather than compliance. Transparency and reform, while vital, achieve little without enforcement and accountability. The proposed framework advances ethical acquisition by transforming moral courage from an individual burden into an institutional expectation. In short, to fix a problem, you must first be aware you have a problem.

Over the past four decades, defense acquisition has repeatedly demonstrated the persistence of poor decision-making despite cycles of reform and modernization. The 1980s and 1990s revealed systemic dysfunction through cases such as *The Pentagon Wars*,



where the BFV program epitomized how cognitive biases, bureaucratic inertia, and careerism could override empirical testing and operational truth. Decision-makers prioritized institutional reputation and sunk costs over safety and performance, reflecting an entrenched culture of escalation of commitment and conformity bias. These same dynamics resurfaced in the 2000s and 2010s during the Fat Leonard scandal, when senior naval officers rationalized bribery, contract steering, and the compromise of classified information as acceptable practices within a permissive organizational culture. In both eras, the central themes remained constant: hierarchical difference and cognitive distortion combined to erode ethical judgment, producing failures of governance rather than of technical competence.

Despite decades of lessons learned, modern day acquisition programs continue to suffer from similar cognitive and organizational shortcomings. GAO and DoD Inspector General reports from the 2020s still highlight patterns of optimism bias, cost underestimation, schedule slippage, and ethical lapses in contract management. Programs such as the F-35 Joint Strike Fighter, the Global Household Goods Contract, and large-scale IT modernization efforts reveal that transparency and procedural reform have not fully mitigated decision biases or institutional complacency. These recurring failures suggest that the underlying problem is not just procedural but cultural and psychological: decision-makers continue to equate loyalty with silence and success with program survival rather than mission integrity. The continuity of these behaviors from the 1980s to the present underscores that effective reform in defense acquisition must target the cognitive and moral architecture of decision-making, not just its bureaucratic mechanisms.



AI ASSISTANCE DISCLOSURE

I used large language models (LLMs), specifically Perplexity AI, to support limited aspects of this thesis in accordance with Naval Postgraduate School academic integrity requirements and DoD ethical standards. AI assistance was restricted to research exploration, structural organization, and editorial refinement. All substantive analysis, judgments, and conclusions are my own.

AI tools were used to (1) help identify potential sources and clarify theoretical concepts; (2) suggest improvements to outlines, structure, and flow; and (3) provide grammar, clarity, and APA 7th edition formatting suggestions. All sources included in this thesis were independently verified by me, and no AI system accessed proprietary or classified information.

AI tools were not used to generate original arguments, fabricate citations, or produce unverified claims. I remain fully responsible for the accuracy, integrity, and originality of all content.



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