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DEVELOPING A SYSTEMS APPROACH FOR MANAGING ETHICS IN CONSTRUCTION PROJECT ENVIRONMENTS

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Ethics management, business ethics and corporate social responsibility are ethics related emerging issues for all businesses in the world. There is little evidence that the same level of attention is being paid to ethics management in the construction industry and construction projects. Within this paper, the authors focus on this latent issue of ethics to explore options some options for a systematic management of ethical issues in construction projects and companies.

Keywords: ethics, construction, project, industry, corporate responsibility

INTRODUCTION

This paper presents research work that is exploring the role of the latent factor of ethics in construction. Within this paper the authors present a review to highlight ethics management as a salient part of construction for the management of the complete life-cycle of projects and corporate establishments. The main research work however, extends beyond this review to explore the development of a systems approach for managing ethics in construction. More specifically, the objectives of the research are:

- To review ethical theories applicable to construction projects
- To review current practice of ethics management in construction industry
- To suggest a method to develop codes of ethics and codes of conduct which are appropriate and practical for the construction projects
- To provide a practical guideline on ethics management based on the life cycle of project

THE GROWTH IN ETHICS FOR BUSINESS

The importance of ethics in health, education, business, engineering, and governance is well recognised by society at large and commercial and public organisations. The role of ethics in the public and private sector is seen as the moral conscience that guides corporate activities as well as public authorities. Over the last two decades, there has been a growing emphasis on corporate and individual ethics as it relates to the general good of society. For example, business ethics issues are taking centre

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stage in most large organisations, with a clear response by business and management programmes in academia. Typically, these responses are reflected by including ethics in the curricula to promote awareness of ethical issues and to develop ethical decision making skills for the future managers. In particular, organisations operating internationally recognise the importance of ethics in their work place and in their business dealings as they interface different cultures and value system. The growing awareness by organisations for this latent factor prompted Robertson & Fadil (1999) to surmise that- *good ethics is good business*.

The construction industry is no stranger to issues of ethics. Research shows that the industry suffers from unethical problems both at the corporate and operational levels on several issues. Examples of these issues include alcohol and drug abuse, failure to protect public health, occupational health, safety and welfare, poor quality control and quality of work, abuse of client resources, improper relations with clients, contractors, (Jackson 2001). At the corporate level these unethical issues include improper tendering practices such as withdrawal, bid cutting, cover pricing, compensation of tendering costs (Ray et al., 1999), and collusive tendering behaviour (Zarkada & Skitmore, 2000). Within the construction industry little attention is given to the effective management of ethics and corporate social responsibility. While there are declarations within corporate publications purporting to uphold several ethical and corporate social responsible issues, the reality is that their observation is often minimal and unstructured. Within a project several stakeholders with different levels of ethical awareness and adherence are brought together. This is reminiscent of the supply chain management and integration argument, and therefore raises the need for systematic methods for managing the ethical issues that relate to the project.

ETHICS SITUATIONS IN CONSTRUCTION

Traditional construction procurement system is Design-Bid-Build routine where design and construction is completely separated, resulting in a crucial disadvantage that the contractor has no input into the design and estimating process. So, the architect has to judge some aspects of the buildability of the project which depends on the contractor's experience and knowledge of construction methods and utilisation of resources (Morton 2002). This illustrates the typical situation that reflects business operations in construction. The historical position on these contractual arrangements has been one of mistrust even though the principle of construction contracts is firmly enshrined in the concept of *uberrimae fidae*. Several efforts have been addressed at overcoming some of these issues of ethical behaviour within the industry. Within the 1990s these included two notable reports.

In 1993, Sir Michael Latham was commissioned jointly by the government and leading clients to do a study on procurement methods, forms of contract documents and adversarial culture in the construction industry. In his final report he recommended some form of project management and design and build package deal where design and construction are brought together by the contractor.

In 1998, four years after Latham Report, the Egan report was published by Sir John Egan identifying five key drivers for the cultural change of the industry. The five drivers are:

- committed leadership
- a focus on the consumer

- integrated process and team
- a quality driven agenda
- commitment to people

Also in the Egan report ‘partnering’ was recommended to revolutionise the industry’s methods of operating. Critical points for successful partnering arrangements are (Samuelsson-Brown 2002):

- Team ethos of commitment, co-operation, synergy
- Open book and transparency
- Trust
- High level/ senior involvement
- Early involvement of key players

Even though the term ‘ethics’ had not been used, the two reports essentially call for a situation whereby all the stakeholders within the industry are committed to continuous improvement and more significantly, ethical behaviour. Such ethical behaviour are closely linked to business ethics and social responsibility and underpinned by ideas and terms such as trust, responsibility, respect, commitment, and transparency. While the initiatives from these reports such as *Respect for People*, ushered the construction industry on the threshold of ethics management, the changes that the reports aspired to are yet to be fully realised. This insufficient realisation can be attributed to the non-existence of systematic guidelines for deploying the intangible aspects of the aspirations put forward by the reports.

ETHICAL THEORIES

Ethical theories address the philosophical foundations of what constitutes ethics. Under this section a definition of what constitutes ethics is looked at briefly and then some of the principal theories are discussed.

Definition of Ethics

The definition of what constitutes ethics dates back to the early religions and also the writings of early philosophers such as Aristotle. In recent times these concepts have been placed modern context by Ferrell & Fraedrich (1994) as follows: ethics can be defined as an “inquiry into the nature and ground of morality where the term morality is taken to mean moral judgement, standards and rules of conduct”. There are several definitions of ethics, but the basic idea of ethics seems to be the morality governing human behaviour to be right, good and proper.

Ethical Philosophies

There are many ethical philosophies and related characters. Because a detailed and full coverage of the philosophical theories and ethical characteristics would be beyond the scope of this review, the approach adopted in this paper is a focus on the most applicable concepts. This approach ensures a practically and straight forward way to develop a better understanding of the issues in ethics management and systems for construction projects. The followings are well known theories and characters of ethics.

Mitcham and Duvall (2000) reflect ethics as rooted in human behaviour. They illustrate the structure of human activity as follows reflected by figure 1 to encompass agents acting to produce outcomes or results.



Figure 1. Agent, action and results

If the behaviour of the agent is influenced by the ethical character of the agent, then it results in a situation which they call a *virtue* ethics approach. If the activity is evaluated as right or wrong in its action, then a deontological approach is adopted. If the activity is judged in terms of its good or bad results, then a *consequentialist* approach is adopted (Mitcham and Duvall 2000). The three theories can be used effectively in combined ways to analyse and solve an ethical dilemma rather than a choice of single theory. They are explained further below.

Virtue theories stress the importance of developing good habits of characters such as wisdom, courage, temperance, justice, trustworthiness, respect, responsibility, caring, civic virtues, etc. which were emphasized by Plato, the Greek philosopher (Josephson, 2002). These ethical values can be formulated for the foundation of codes of ethics.

Deontology, also known as duty theories or non-consequentialism, bases morality on specific foundational principles of obligation, irrespective of the consequences as argued by Immanuel Kant, a German Philosopher (Internet Encyclopaedia of Philosophy 2003). Deontological ideas can produce effective codes of conduct as they are very much related to duty and rights.

Consequentialism is probably the most commonly adopted ethical theory in engineering and construction projects. In consequentialism, an activity is ethically right if the consequences of that activity are more favourable than unfavourable. As long as an activity produces some desirable results, it is considered ethically right. One tool often used in engineering and construction projects in terms of consequential approach is a cost-benefit analysis which determines the feasibility of a project. Three divisions of consequentialism emerge (Internet Encyclopaedia of Philosophy, 2003):

- *Ethical Egoism*: an action is morally right if the consequences of that action are more favourable than unfavourable only to the agent performing the action.
- *Ethical Altruism*: an action is morally right if the consequences of that action are more favourable than unfavourable to everyone except the agent.
- *Utilitarianism*: an action is morally right if the consequences of that action are more favourable than unfavourable to everyone. Also, an activity is right or acceptable if it maximizes total utility for the society or for the greatest number of people.

Application to Construction Projects

In terms of funding methods, construction projects can be categorized as private sector projects, public sector projects and Private Finance Initiative projects. In this paper it

is regarded that each type of projects has different ethical goals even though they all require favourable results in cost-benefit analysis.

- Private sector projects are considered to have more concerns on owners' interests than public safety, health and welfare, related to the ethical egoism.
- Public sector projects are on the other side of the private sector ones, having ethical altruism and utilitarianism as the dominant theoretical background.
- PFI projects that appear to have win-win strategy comprise all of the three theories - ethical egoism, ethical altruism and utilitarianism.

Codes of Ethics and Conducts for Construction Projects

The ICE Rules of Professional Conduct comprises the ethical characters such as trustworthiness, respect, responsibility, honesty, integrity, dignity, and impartiality.

In Code of Ethics of Project Management Institute, ethical characters like trustworthiness, responsibility, fairness, honesty, integrity, dignity can be found.

It seems that the selection of ideas and words depends on the goals and cultures of organizations.

To develop workable codes of ethics an organized framework of theoretical backgrounds should be first deduces from the major moral concepts (Fleddermann, 1999). The suggested approach is to introduce prototype codes of ethics and conduct for projects in accordance with corporate codes and industry codes and modify them according to the feature of each project such as cultural issues, relationships among the participants, and environmental issues.

Codes of ethics are general guidelines to ethical decision-making and codes of conduct specify actions in workplace. Examples of ethical values in codes of ethics are trustworthiness, respect, responsibility, etc. Examples of topics typically addressed by codes of conduct include avoiding illegal drugs, not using organization property for personal use, not accepting personal gift from stakeholders as a result of company role, etc (McNamara, 1999).

The suggested approach to develop project-specific codes of ethics and conduct for construction:

- The goals of projects should be fully analysed and understood by all the parties, with the application of dominant consequentialist theories.
- Virtue theories and deontological theories should be well organised, defined and facilitates to establish frameworks for project-specific codes of ethics and conduct.
- Workshops among the parties should be held to draw consensus of the codes of ethics and conduct which will be used throughout the lifecycle of projects.

MANAGING ETHICS FOR CONSTRUCTION PROJECT

Current efforts in managing ethics in construction often operates as isolated activities or measures that are applied in a reactive mode to the occurrences events that affect the reputation of the company. The central argument within this paper is that the management of all ethical issues within construction need to reflect the whole life-cycle of projects as well as the organisations that operate in the industry. The purpose would be to ensure that the three critical questions on ethics are effectively explored

by construction at all the various decision levels and stages within the project life-cycle. The three key critical questions address the key cornerstones of transparency, impact, and fairness for evaluating ethical issues and are outlined below.

Transparency → *Do I mind others knowing what I have decided?*

Impact or Effect → *Who does my decision affect or hurt?*

Fairness → *Would my decision be considered fair by those affected?*

Life Cycle Ethics Management

The industry is typically project based and highly resource intensive. As construction projects are highly resource intensive, effective utilization of labour, material and equipment are essential to the entire project process (Hauck and Rockwell, 1996). Also parties involved in construction projects are various with different business goals – project owner, architects, engineers, contractor, subcontractors, suppliers, etc. Often this complicated relations lead to claims and disputes. So, ethical dilemmas and conflicts of interests can occur throughout the project life cycle.

The suggested approach is to classify ethical issues according to the life cycle of construction projects – for example planning, execution and termination phases – to develop more effective and efficient ethics management systems. The steps for the approach are:

- To identify ethical issues and social harms related to the projects in terms of ‘culture management’ ‘relationship management’ and ‘environment management’
- To quantify the ethical issues and social harms.
- To develop appropriate process/method minimizing ethical issues and social harms.
- To modify project specific codes of ethics/conduct based on the findings
- To reflect the findings to the organization codes and future ethics management.

Ethicality and Profitability

According to a recent survey of Chief Executive Officers on business ethics in Georgia, in USA, CEOs judge that ethical standards of the corporation affect its competitive position very much both in short term by 83%, and in the long term by 99% (Survey of Georgia CEOs, 2004). Also, business reputation is considered as a valuable asset in the construction industry (Ohrn, 2002).

TOWARDS A SYSTEMS FRAMEWORK FOR ETHICS

The discourse in the earlier sections of this paper have laid out the argument for a systematic approach to managing ethical issues in construction both at the project and corporate/sector level. The risks associated with a lack of focus on these ethical issues for any construction company can range from loss of reputation to reduced orders and profitability. To enable companies within construction to manage these ethical issues effectively, a clear understanding of what the issues are becomes important. Equally, a guideline that would enable them to appropriate that information for appraising and managing projects as well as the corporate organisation would be crucial. These two aspects form the thrust of the research on managing ethics in construction. Figure 2 shows the outline of the review and the expected output from the research work.

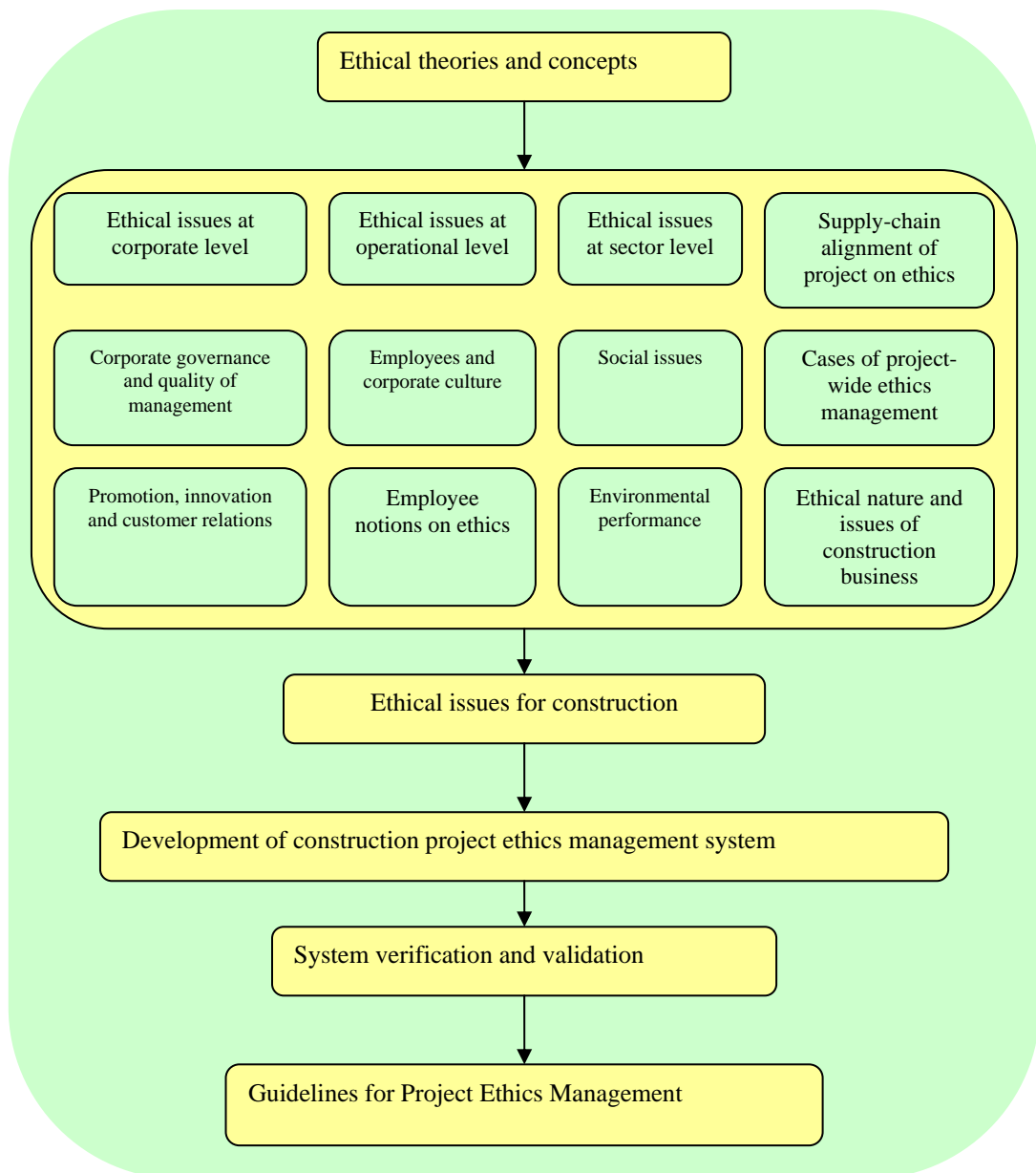


Figure 2. The outline for the investigation

Checklist for investigation

The following checklist provides the preliminary aspects to be covered in the review and subsequent investigations.

- Is there ethical leadership for the project or corporate body
- Vision statement - a clear vision: *what do we stand for and are prepared to be held responsible for?*
- Values statement - clear values, supported by a code of conduct, setting out expected standards of behaviour
- Existence of a formal code of ethics
- Designated ethics official

- Ethics taskforce or committee
- Ethics communication strategy
- Ethics training
- Ethics help line
- Response system – investigations, rewards and sanctions
- Comprehensive system to monitor and track ethics data
- Periodic evaluation of ethics efforts and data

CONCLUSION

Construction industry is shifting to the standard where ethics management is one of the industry's business principles as have seen in Latham report, Egan report and partnering. As the industry's unique features are project-based business transactions and intensive usage of resources, a more process oriented ethics management system has been developed. Codes of ethics and codes of conduct are suggested to be developed based on ethical theories, the goal of each project, agreement among the key participants. The concept of project life cycle should be the foundation of ethics management for construction projects. A process evaluating the ethical aspects of projects at each phase of major construction projects will be reviewed and investigated at the next stage of this PhD research project. Also relationship between ethics management and business reputation, and relationship between business reputation and profit will be reviewed in detail and investigated through a survey.

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