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# Management Strategies for Improving Construction Industry Ethics

## POSTER PRESENTATION

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# Abstract

Despite the existence of ethical codes, ethical lapses continue to occur frequently in the construction industry. The purpose of this case study was to explore management strategies that may help improve industry conduct. Interviews were conducted with 19 project managers and superintendents. Study participants suggested developing, communicating regularly, and enforcing a written ethical code of conduct, supporting a positive ethical culture, and modelling ethical leadership as management strategies that support ethical conduct. The social change implications of this research include the potential for reduced project duration and cost, improved stakeholder trust, and improved quality of construction.

*Doctoral Capstone*

# Problem

In the United States and internationally, **the construction industry is notorious for ethical violations** related to bidding, billing, payment, change order, and construction performance practices that cost project stakeholders millions of dollars in lost time (Johnson, Sands, Fiori, & Pearce, 2015; Lohne, Shirkavand, Firing, Schneider, & Lædre, 2015).

Mason (2009) reported that personnel in the construction industry felt compelled to act in ways that were sometimes unethical to obtain a competitive advantage, remain competitive, or simply to stay in business.

# Purpose

The purpose of this qualitative, exploratory case study was to explore the perceptions of construction industry professionals on how to achieve alignment between industry ethical conduct and published codes of conduct.

# Significance

Prior research in the United States identified the presence of unethical behavior in the construction industry (Ethics Resource Center, 2013; FMI Corporation, 2004). However, little research has been performed into management strategies to improve ethical conduct.

Unethical action places contractors at risk of legal liability, loss of reputation, and reduced employee morale (Ethics Resource Center, 2013).

Project stakeholders experience harm in the form of lost time and money from common unethical action (Bowen, Edwards, & Cattell, 2015; Mohamad, Rahman, Usman, & Tawil, 2015).

# Conceptual Framework

**Reciprocal Determinism**

Bandura (1978) presented the concept of reciprocal determinism as an analytical tool that allowed for reciprocal relationships between the factors of personal cognition, behavior, and environment in decision-making.

- Personal Cognition – Self-ethics
- Behavior – Social Change
- Environment – Construction Industry

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# Relevant Scholarship

**Personal Cognition – Self-ethics**

**Consequentialism** is an ethical concept that, in its simplest terms, is interpreted that an action can be measured to be ethical or not based on the consequences of the action (Sinnott-Armstrong, 2015).

**Nonconsequentialism** is a duty-based ethical belief system also known as deontology (Bond & Firenze, 2013; Gyoo Kang et al., 2014; Velasquez, 2006).

**Virtue ethics**. Athanassoulis (n.d) described virtue ethics as a class of ethical framework that is framed by the character and morals of the actor. Those who practice virtue ethics do so because they are trying to do good in the world.

**Behavior – Social Change**

**Gemeinschaft and Gesellschaft** – Tönnies (2001) concepts of community and society posited that people acted differently in social situations based on whether they viewed their relationship with the other party as a close personal one or a transactional one.

**Value rational Action** – Noble described the term value-rational action as "the expression of a value . . . because it is the right thing to do, regardless of the consequences" (2000, p. 120).

# Relevant Scholarship

**Environment – Construction Industry**

Recent ethical cases in the industry

- **Boston's Big Dig** – Catastrophic failure on the project resulted in a fatal accident involving a member of the public.
- **Tishman Construction** – The Department of Justice secured a finding against the contractor related to overbilling a government agency. Tishman was compelled to overhaul their internal controls and add an ethics program to their operations.
- **Semac Electric Company, Inc. vs. Skanska U.S.A. Building** – In this case, the plaintiff was found to have been at fault for falsifying billings to the Construction Manager for the benefit of their owner and collecting funds not disbursed to a sub-subcontractor.

**Codes of Ethics**

Three primary sources of codes of ethics:

- Licensing boards or government
- Companies
- Professional organizations (Burgess, 2017).

The most effective were those that carry the threat of enforcement or legal intervention (Archer, 2017).

Often viewed as "largely cosmetic" (p. 53) and "window dressing" (Adelstein & Clegg, 2016, p. 64) due to their voluntary nature.

Written to establish standards of conduct within a company or professional organization Adelstein & Clegg, 2016; Burgess, 2017).

# Research Question

**GRQ:** What are the perceptions of construction industry professionals on how to achieve alignment between industry ethical conduct and published codes of conduct?

**SRQ:** What strategies do construction industry professionals recommend to executive managers in construction companies that might ensure alignment between company ethical conduct and published codes of conduct?

# Procedures

Semi-structured, recorded in person interviews

27 question researcher developed instrument

Interviews duration from 30 to 90 minutes

Interviews held in meeting locations that allowed for private communication in a quiet, safe environment.

# Participants

16 project managers and 3 superintendents

- 25 – 64 years of age
- 5 - 40 years experience as a project manager or superintendent
- Subject to a code of ethics

13 companies represented:

- $4 million to $6 billion per year annual sales
- Regional Northeast United States to international corporate presence
- Construction management, general contracting, subcontractors, sub-subcontractors

# Analysis

Data were analyzed using **Yin's (2018) pattern matching technique**. There were no discrepant cases.

# Themes

**Barriers** – 74% of participants

- Confirms prior research
- Participants reported pressures that could compromise ethical conduct
- Relates to the environment in the construction industry

**Self-ethics** – 89% of participants

- Relates to the personal cognition and personal ethical values of the project managers and superintendents
- Relates to the social change theories of Tönnies

**Communication** – 100%

- Communication is an essential strategy for ethical culture

**Training** – 100% of participants

- Training relates to non-consequentialism by specifying actions desired by corporate management for specific situations.
- Training communicates and enforces desired behavior
- Training can support desired culture

# Themes

**Culture** – 100% of participants

- Relates to Tönnies social change concepts
- Feeling of inclusion in something larger than themselves helped participants feel supported

**Leadership** – 100%of participants

- Participants relayed the importance of strong ethical leadership.
- Reduced personal ethical conflict when supported by leadership

# Interpretation

Companies need to implement reporting strategies to facilitate reporting violations.

Screening of prospective employees to align personal and corporate ethical values.

Communicating codes of ethics set expectations, increases awareness, and confirms importance of the code.

Regular training informs employees on how to comply with corporate expectations for ethical behavior.

Positive ethical culture supports employee decision making.

Positive ethical leadership provides an example for employees of expected behavior.

# Limitations

Limited to the Northeast area of the United States

Limited to commercial or industrial contractors

Participants may have limited responses for personal or professional reasons

# Recommendations

Age/generational study on industry behavior

Gender based study regarding ethical conduct

Industry wide code of ethics

# Social Change Implications

Aid in ethical code implementation and maintenance

Increased stakeholder trust

Increased job satisfaction

Increased project quality

Reduced project cost and timelines

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