

Ethics in Project Management

1.0 Introduction

The scandals of WorldCom, Enron, Tyco, Merck, Bristol Meyer, Bre-X, Livent, Cinar, YBM Magnex and many others have shaken the public confidence on organizations in North America. A study by a Canadian accounting firm revealed that large Canadian corporations each lost on average \$1.3 million (Can.) from fraud in 1997. Similar studies in the United States have revealed that white-collar crime may cost the private sector as much as \$100 billion (US) each year. These developments have stimulated a growing realization that ethics and business are closely connected to each other. This has led to developing better and more robust understanding of the role of ethics in leadership and corporate culture [5]. The result is that the issue of ethics in organizations is getting lot of attention from public to senior management and government.

1.1 Ethical Issues in Project Management

Is ethical conduct especially important in the management of projects? Reference [3] has emphasized that ethics in project management is very important for several reasons. First, projects are often high risk, high reward, high visibility ventures; when the stakes are high, the pressure to cheat - or at the very least, to cut corners - is high as well. Second, the long project lifecycle in many industries means that the consequences of a particular action - like leaving the reinforcement out of the concrete won't be discovered for years, or even decades, or may be even never.

A survey of project managers in New Zealand revealed that a significant number of project managers face ethical challenges with varying degrees of frequency [10]. In an informal survey of PMI members, it was reported that 80% of the respondents encountered ethical dilemmas in the practice of their job [4]. These dilemmas range from being pressured to alter status reports, backdate signatures, or shade documentation to masks the reality of project progress, and approving shoddy work. Some project managers even lack consciousness about what constitutes an ethical problem. In the same survey, about 19% failed to recognize that ethical dilemmas occur in their world. Yet for those, conscious of the ethical dimensions of their behavior, every day is chock-full of ethical issues. For example, padding of time and cost estimations, exaggerating pay-offs of project proposals, and so forth. Ethical dilemmas involve situations where it is difficult to determine whether conduct is right or wrong. Is it acceptable to falsely assure customers that every thing is on track when, in reality, you are only doing so to prevent them from panicking and making matter worse? [6]. Some common ethical missteps identified in businesses that are equally true in case of projects [7] are:

- “Wired” bids and contracts (the winner has been pre-determined),
- “Buy-in” (bidding low with intent of cutting corners or forcing subsequent contract changes),
- Kickbacks,
- “Covering” for team members (group cohesiveness),
- Taking “shortcuts” (to meet deadlines or budgets),
- using marginal (substandard) materials,
- Compromising on safety,
- Violating standards, and
- Consultant loyalties (to employer or to client or to public).

Surprisingly, PMBOK [8] and many of the leading project management reference books do not discuss PMI Code of Ethics, or the ethics of project management in sufficient detail [3]. Also, until recently, the topic of ethics in project management has received very little attention in project management conferences or journal papers. Recognizing the importance of ethics in project management, Project Management Institute of USA (PMI) has recently included a section on Ethics and Professional Responsibility in Project Management Professional (PMP) Certification Examination.

1.2 Professional and Ethical Obligations

Project management is a complicated work, and as such, ethics invariably involve gray areas of judgment and interpretation. For example it is

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Abstract

This paper discusses some of the ethical issues in project management. The purpose is to raise awareness within the project management community about ethics in project management, and to raise the level of ethical practice in project management organizations. The paper focuses on understanding the professional and ethical obligations in project management in context with PMI Code of Ethics. Also, the paper discusses some of the strategies on how to address ethical issues. The author has a firm belief that high ethical standards at individual as well as at the corporate level offer a lot of intangible as well as tangible benefits. The paper also highlights some of the benefits of ethical behaviour to individuals as well to organizations.

Sommaire

Ce papier traite des enjeux éthiques dans le domaine de la gestion de projet. L'objectif est de sensibiliser la communauté aux questions d'éthique en gestion de projet, et de hausser le niveau de la pratique éthique dans les organisations oeuvrant dans la gestion de projet. L'article met l'accent sur la compréhension des devoirs professionnels et éthiques dans la gestion de projet en lien avec le code d'éthique du PMI (Project Management Institute). De plus, l'article explique un certain nombre de stratégies quant à la façon d'aborder les enjeux éthiques. L'auteur croit fermement que des normes élevées d'éthique aux niveaux individuel et corporatif offrent des avantages concrets et intangibles. L'article met aussi en lumière les avantages d'avoir un comportement éthique tant pour les individus que pour les organisations.

difficult to distinguish deliberate falsification of estimates from genuine mistakes or the willful exaggeration of project pay-offs from genuine optimism. It becomes problematic whether unfulfilled promises were deliberate deception or an appropriate response to changing circumstances [6].

As a project management professional, we have a responsibility to promote ethical practices at our work place. We should accept the responsibilities that come with our work activities. As a project manager it is our responsibility to make decisions about project activities that may have an ethical dimension that must be considered.

Project Management Institute (PMI) Code of Ethics and Code of Professional Conduct [9] define ethical responsibilities for her members. In an informal survey, [3] found that the existence and precise content of the Code of Ethics itself is not well known to many in project management profession. The Code of ethics can guide the course of project managers by being conversant with it, by using it often and using it well. As a professional in the field of project management, PMI members pledge to uphold and abide by the following:

- Maintain high standards of integrity and professional conduct,
- Accept responsibility of their own actions,
- Continually seek to enhance their professional capabilities,
- Practice with fairness and honesty, and
- Encourage others in the profession to act in an ethical and professional manner.

1.3 Integrity

As a project management professional, one of our responsibilities is to ensure integrity of the project management process, the product, and our own personal conduct. This could be achieved by following the

PMBOK project management processes, and adhering to PMI Code of Ethics. As the above literature found, situations do occur in the course of managing projects where one's integrity is challenged. In those situations one has to make difficult decisions. Surely, high personal ethics, moral beliefs and training in ethics can help in make better decisions.

1.4 Conflict of Interest

PMI members are required to report to the stakeholders, customers, or others any actions or circumstances that could be construed as a conflict of interest.

1.5 Acting Professionally

PMI members are required to behave in a professional manner in difficult situations. Also, they are required to coaching team members to conform to the standard of conduct expected by the organization they work for.

1.6 Relationship With Customers, Clients And Employers

PMI members are required to provide customers, clients and employers with fair, honest, complete and accurate information on the preparation of estimates concerning costs, services and expected results. Also, PMI members are required to fully and accurately disclose any professional or business-related conflicts or potential conflicts of interest in a timely manner. Perhaps this is one of the most single important issues, and project management professionals need to improve on this. There is a tendency among project teams to give good news (to disclose positives) and to avoid bad news (hide negatives). Project Management Organizations have to cultivate a culture where the bearer of bad news is not punished.

1.7 Confidentiality Of Information

PMI members are required to honor and maintain the confidentiality of privacy of customer, client, employer, and similar work information, including the confidentiality of customer, or client identities, assignments undertaken, and other information obtained through the course of a professional relationship, unless: granted by permission by the customer, client or employer; or the maintenance of the confidentiality is otherwise unethical or unlawful. PMI members are also required to respect and protect intellectual property rights of others, and to properly disclose and recognize the professional, intellectual and research contributions of others.

1.8 Taking Responsibility Of Your Own Actions

PMI members are required to accept responsibility of their own actions. As a PM professional our concern for project and the organization should take precedence over our own feelings.

1.9 Duty To The Project Team

Most of the organizations claim a lot for enhancing employees' professional development. On the contrary, the author's research has found that in reality training and professional of has been the least important in priority of most of the organizations researched. How comfortable are we in burning our project team, over and over again? Do we change our behavior? Do we allow people to stand and differ from us on issues such as performance and safety?

1.10 Respecting Differences In Diverse Cultures

PMI members are required to interact with team and stakeholders in a professional and ethical manner by respecting personal, ethnic, and cultural differences in order to ensure a collaborative project management environment. Global competition requires awareness of cultural influences and customary practices of the country. Project managers' need to be educated in the country's cultural norms, business and management practices, also in regulations and legal contracting framework.

2.0 Strategies: How To Address Ethical Issues

To provide greater clarity to business ethics, many companies publish a code of conduct. Cynics see these documents as simply window practice, personal ethics do not lie in formal statutes but at the intersection of one's work, family, education, profession, religious or ethical beliefs, and daily interactions [2].

Experts in ethics strongly support the adoption of a formal code of ethics a necessary step in building a sense of business integrity [3]. [10] found that encouraging ethical practices in project environment requires more than developing codes and frameworks. It demands principled leadership, openness, and a commitment to developing innovative "win-win" strategies. [10] also found that most project managers rely on their own private sense of right and wrong - what one project manager called his "internal compass". One common rule of thumb is for testing whether a response is ethical is to ask, "Imagine that whatever you did was going to be reported on the front page of your local newspaper." How would you like that? Would you be comfortable?

Many project managers claim that ethical behavior is its own reward. By following your won internal compass your behavior expresses your personal values. Others suggest that ethical behavior is double rewarding [4]. You not only able to fall asleep at night but you also develop a sound and admirable reputation. Such reputation is essential to establishing the trust necessary to exercise influence effectively. Reference [1] has suggested to developing managers as moral individuals, building an environment in which standards and values are central to the organization's strategy, and formulating and implementing policies that support ethical performance, as well as safeguard to assure they are observed. Some authors have recommended use of ethics audit in organizations [11].

Top management and the culture of an organization play an important role in shaping members' beliefs of what is right or wrong. Reference [12] found that a value based cultural approach to ethics/compliance management works best. Critical ingredients of such an approach include leaders' commitment to ethics, fair treatment of employees, rewards for ethical conduct, concern for external stakeholders, and consistency between policies and actions. What hurts effectiveness most are an ethics/compliance program that employees believe exists only to protect top management from blame and an ethical culture that focuses on unquestioning obedience to authority and employee self interest [10] found that the following attributed to better ethical decisions:

- Better trained and educated managers,
- Greater emphasis on individual responsibility and accountability,
- Flattened organizational structures with more customer focus and team decisions.

2.1 Benefits Of Ethical Behavior

The organizations who created codes and built more ethical corporate cultures have discovered that substantial positive benefits can flow from building a reputation as an ethical company. Employees prefer to work for ethical companies. A reputation for ethical business practices attracts better-qualified, better-motivated job applicants. Employee moral and public relations benefit. Long-term profitability can be enhanced [5]. Reference [12] reported the results of effective ethics/compliance management:

- Reduced unethical/illegal behavior in the organization,
- Increased awareness of ethical issues,
- More ethical advice seeking within the firm,
- Greater willingness to deliver bad news or report ethical/legal violations to management,
- Better decision making because of the ethics/compliance program, and
- Increased employee commitment.

In a survey of PMI members, [4] reported the following benefits of ethical behavior:

- Respect of peers and trust of others,
- The sense that others look up at me,
- A reputation for fair and ethical behavior is an implicit sales point for future business,
- A company is only good as its people and if they are ethical it will come back to company over and over the long run, and
- Ethical decisions lead to better products.

3.0 Conclusions

The unethical behavior in organizations is costing millions and billions dollars of taxpayers' money every year. As a project management professional, it is our responsibility, not only to uphold high standards of ethical behavior at work place, but also to foster an environment of high ethics in organizations we work for. We hope that this paper will

increase awareness of the importance of ethics in organizations in general, and project management in particular. Also, we hope that this paper will stimulate some useful discussions on the topic and other professionals will share their views and experiences on this issue of concern to general public as well as commercial and government organizations and individuals.

4.0 References

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