IMPROVING ETHICAL STANDARDS AND SAFETY IN THE CONSTRUCTION AND ENGINEERING INDUSTRY

D. Tow, Mainbrace Constructions (NSW) Pty Ltd, Sydney, NSW

M. Loosemore, Faculty of the Built Environment, University of New South Wales, Sydney, 2052, Australia

ABSTRACT

Standards of ethical behaviour directly affect standards of safety and the construction industry has an unenviable reputation of unethical business practice due to poor public perceptions of its record in managing the environment, workers' health, welfare and safety, lawlessness and corruption in general. This paper does not question the validity of these perceptions but reports the results of a survey of 129 construction professionals which identified three main factors as particularly influential in determining ethical behaviour in the construction industry, namely: (i) the absence of ethics training programs; (ii) the absence of reward systems for those who act ethically within the industry; and (iii) the low level of 'visibility' that exists within the industry. These findings are important for an industry that has become increasingly negatively stigmatized in recent years. The paper concludes with a series of organizational and contractual recommendations to help the industry achieve higher standards of ethical conduct and in doing so, improve standards of safety.

INTRODUCTION

The links between ethical management practices and safe working environments are well established. For example, Krause (2007) argues that organizational cultures driven by a deep sense of commitment to ethical principles such as value for human life, integrity and justice, tend to lead to safer work environments through more effective and communications, more openness to sensitive issues and a greater sense of personal responsibility by employees and managers. However, unfortunately in Australia Loosemore and Chau (2002), Loosemore et al. (2003) and Vee and Skitmore (2003) found that the industry is generally seen as unsafe, unethical and insensitive to the needs of minority groups such as women and migrants. Similarly, in the UK Wood et al. (2002:4) found that "…the industry has a reputation for poor quality and service, a bad safety record, and a history of broken promises and sharp practice." In the US, Doran (2004) found that 84% of American owners, architects, construction managers, contractors and subcontractors had witnessed some sort of unethical behaviour in their contact with the construction industry. In Africa, Alutu (2007) revealed an alarming amount of unethical behaviour in the Nigerian Construction Industry where there was 89% agreement between respondents that contract officers negotiate their own percentage share of the contract before a bid is prepared. There are also many examples of Japan, Hong Kong, Singapore and China's industries being plagued by unethical practices such as illegal land grabs, immoral employment practices, bribery, the omission and use of unsafe building materials to maximise profit margins, embezzlement, unethical bidding practices etc (Debrah and Ofori,1997; Ho, 2003; Transparency International, 2005).

The aim of this paper is to explore the organizational factors that may contribute to this poor ethical record. While the issue of ethics in construction has received some attention in recent years, the literature is highly fragmented and anecdotal and we have very little understanding of the organizational factors that may contribute to unethical behavior. It is the aim of this paper to explore these factors in more detail and to determine which are most relevant to the construction industry.

POTENTIAL CAUSES OF UNETHICAL BEHAVIOR

While there has been little research into the causes of unethical behavior in construction, there have been many studies outside the industry. For example, numerous studies have identified that a code of ethics is associated with positive ethical behaviour (Trevino et al., 1999). This was a causal factor explored in the construction industry by Ho (2003) who found that the best method of implementation is by the employee's immediate supervisor. Similarly, Delaney and Sockell (1992) found that the existence of a formal ethics training program in the workplace is essential to implement an ethics code and promote 'ethics awareness'. Furthermore, Kaptein and Wempe (2002) found that ethical behavior is more likely if it is underpinned by a formal process and a single clear point of contact for raising and discussing ethical dilemmas. This supports an abundance of evidence which points to the importance of rewarding ethical behaviour and punishing unethical behaviour (Kaptein and Wempe, 2002). For example, Hegarty and Sims (1978) found that when unethical behaviour is indirectly rewarded by management or other external sources, the individual becomes inclined to become a repeat offender. Rewards can come in many guises including tolerance and protection of unethical behavior etc.

Moving beyond the issue of codes and the way they are communicated and enforced, Akaah (1992) found that the strength of employee identity with an organisation and their commitment to its goals and vision is associated with more ethical behaviour. Perceived fairness of treatment between employees and management is also particularly important and companies which avoid special treatment of higher level managers provide an environment which is more conducive to ethical company culture (Kaptein and Wempe, 2002). Linked to this is the importance of fair performance review processes which in turn is linked to clarity of employer's expectations. It also relates to the important issue of leadership which has also emerged as an important factor in encouraging ethical behavior. As Jennings (2006) point out, managers that demonstrate what is expected of employees through their own actions are more likely to encourage ethical practice in their subordinates. Trevino et al. (1998) found that if an employee feels that he is merely following the instructions of a supervisor, then he will not feel responsible for the consequences of his actions. The relationship also works the other way so that if both supervisor and worker consider the other to be responsible for unethical actions, then ethical responsibility is undermined. Jennings (2006) also found that ethical standards can also suffer when management is not receptive to bad news and places too much pressure on its employees to provide consistently positive results. For example, Jennings (2006) explains that in Sunbeam's collapse, the hiring of a new CEO, Al Dunlap led to the setting of unrealistic profit goals. In order to meet these goals, employees documented false sales transactions, reduced company inventory to inflate profit numbers and organised premature shipping of products to make sales numbers look better. Furthermore, Trevino et al. (1999) found that companies which were perceived by employees as focusing on personal gain rather than benefitting external stakeholders such as customers and the public were generally less ethical than other companies. Finally, related to the issue of leadership is governance. For example, Jennings (2006) describes the ethical collapse of numerous companies which were led by a dominant Chief Executive Offices (CEO) who are seen as unapproachable and unchallengeable with respect to legal and ethical concerns. Related to this issue of governance is the impact of a weak and ineffectual board of directors which cannot challenge the CEO (Jennings, 2006).

Finally, according to Kaptein and Wempe (2002) ethical behaviour is influenced by the level of visibility (likelihood of getting caught). For example, if the workplace does not have a system to control internet use or private telephone calls, visibility would be considered low in administrative terms. In contrast, an open plan office where an employees actions are more obvious would have a high level of physical visibility. 'Visibility' can also be classified as vertical or horizontal. Vertical visibility is concerned with management being able to track employee conduct while horizontal visibility is concerned with peers and colleagues being able to monitor each other's ethical conduct.

METHOD
In order to determine the extent to which the organisational factors discussed above are influential in the construction industry we undertook a web-based survey of construction professionals. A web-based survey was used because of the confidentiality it provided to respondents. To maximize the response rate we also depersonalized the questions and rather than approaching respondents individually we worked through the HR departments of their employing firms. Following this strategy we distributed 723 surveys and obtained a useable response of 129 (17.8%). Our sampling strategy was deliberately very broad. The survey was distributed to employees in construction firms which ranged in size from small residential builders with only 15 employees and a turnover of $5m to large international firms with over a thousand employees and a turnover of $6.6bn. Thus the work undertaken by our respondents' employers covered a broad range of disciplines and areas including residential, commercial, civil, retail construction and refurbishment.

ANALYSIS OF RESULTS
77.2% of our sample reported that ethics training programs are either seldom or never organised by employers to educate employees (Figure 1).
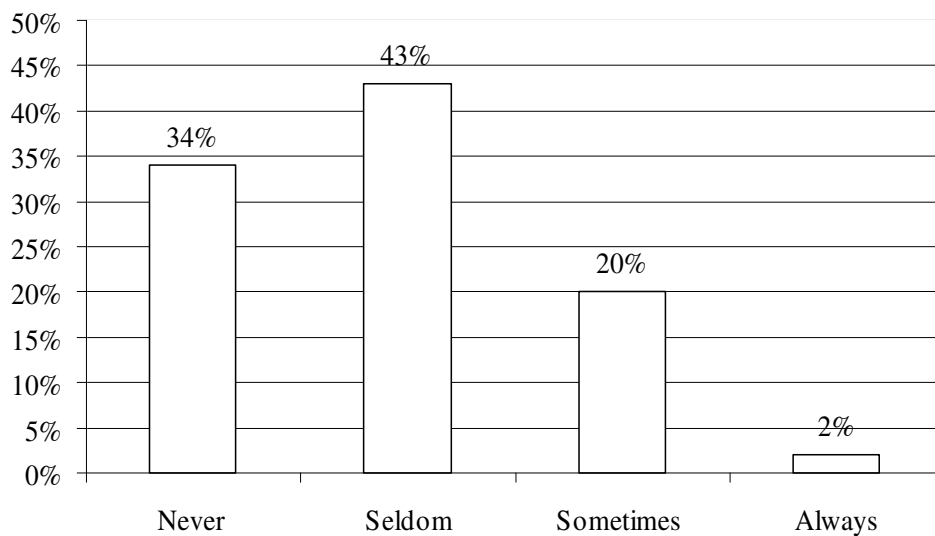

Figure 1: Ethics training programs in construction.

72.88% indicated that ethical behaviour is never or seldom rewarded (Figure 2) although 59.69% indicated that there is sometimes or always a sanction imposed for acting unethically (Figure 3). This suggests that unethical behavior is positively discouraged but is not positively encouraged.
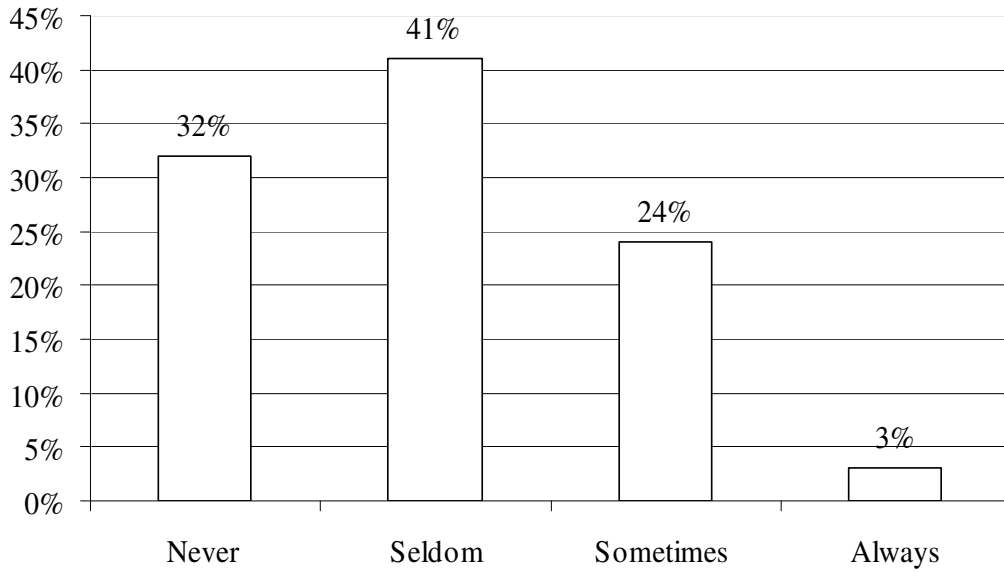
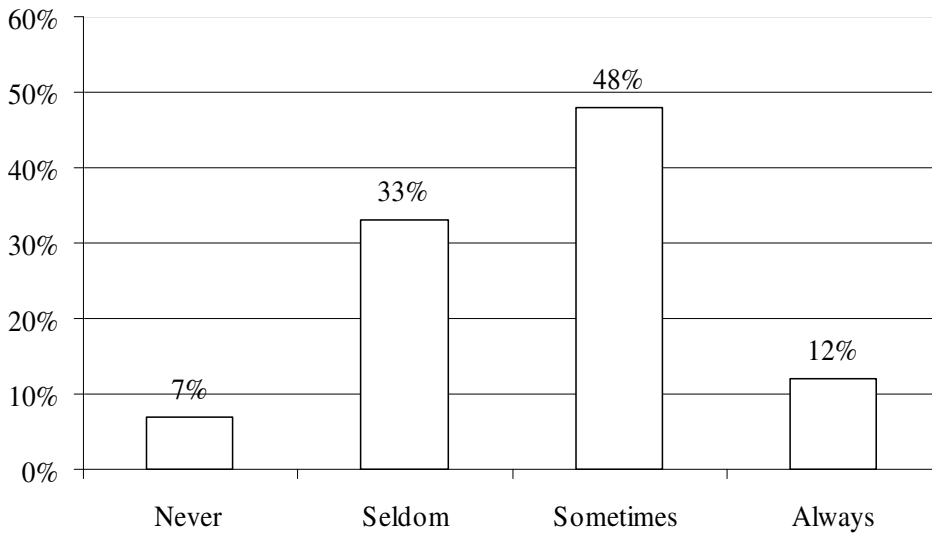**Figure 2: Rewards for acting ethically in construction**

Figure 3: Sanctioning for acting unethically in construction

In terms of the equal treatment of management and employees 74.32% of respondents thought that managers and employees are treated similarly either 'sometimes' or 'always'. It is worrying that a rather large 28.68% felt that managers apply different standards to themselves than they do to employees (Figure 4).
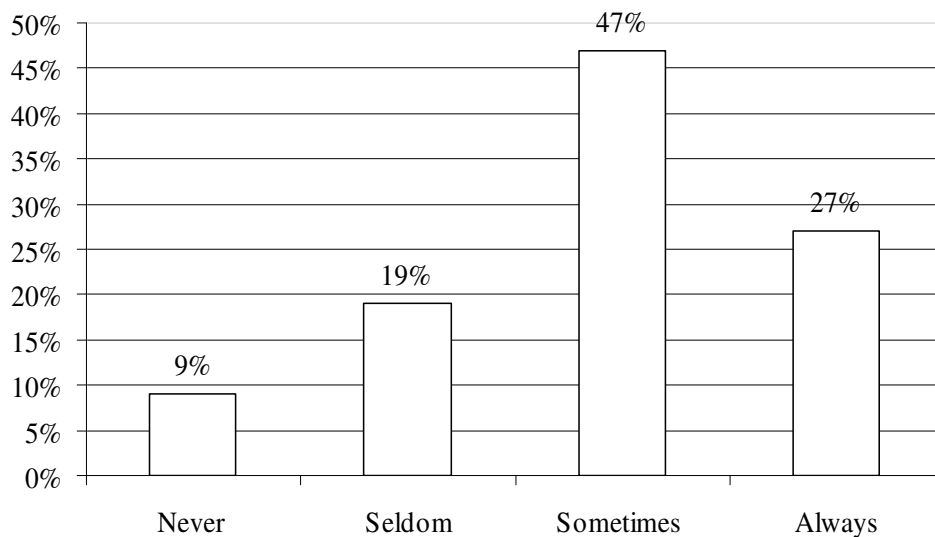
Figure 4: Equal treatment between management and employees exists in construction

The issue of visibility appears from our survey to be an area of particular concern for the construction industry. Figure 5 shows that 77.52% of respondents believe that it is 'sometimes' or always possible to hide unethical conduct from management and colleagues. It is also of note that the standard deviation of responses for this question was by far the lowest of any question asked, reflecting a high degree of consensus among our sample that low visibility is a characteristic of the industry's practices (Table 1).

Table 1 Standard deviation of response for each question

| Qn.	Organisational Factor	Standard deviation of data collected
1	Ethics training programs	0.7949
2	Existence of ethics codes	0.8848
3	Rewards and sanctions	0.829
4	Rewards and sanctions	0.7786
5	Equal treatment of management and employees	0.8904
6	Clarity of employer's expectations of employees	0.79
7	Points of contact for ethical concerns	0.8149
8	Lack of 'visibility' in the workplace	0.6931
9	Absence of top management actions against unethical behaviour	0.7416
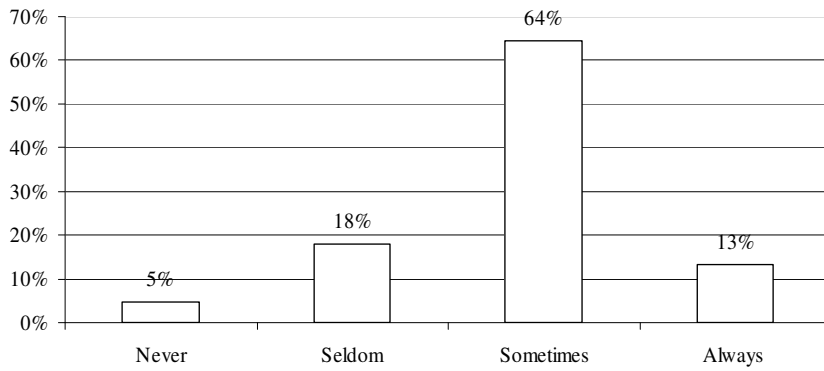
Figure 5 Visibility of unethical behavior

The incidence of codes of ethics was also an interesting finding in that 52% of our respondents said that codes of ethics are seldom or never used in the industry to promote ethical behaviour (Figure 6). When a code exists, the most common methods of distribution are shown in Figure 7 and categorized using Ho's (2003) findings as effective or ineffective in Figure 8. Figure 8 shows that when used, the communication process is likely to be effective in 63.94% of cases.
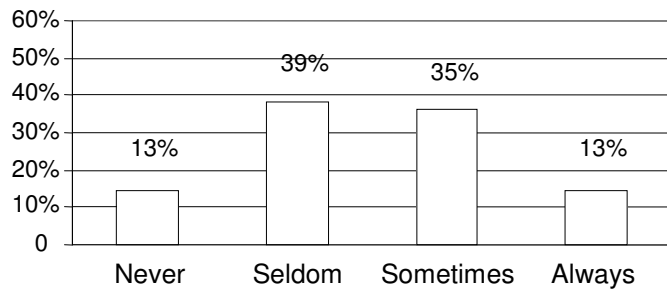

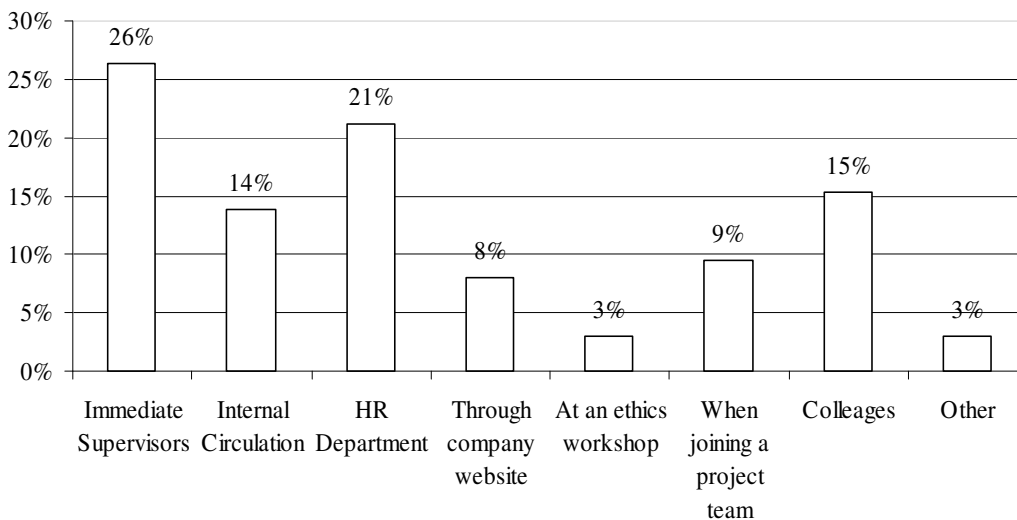**Figure 6 The use of codes of ethics to promote ethical behaviour**

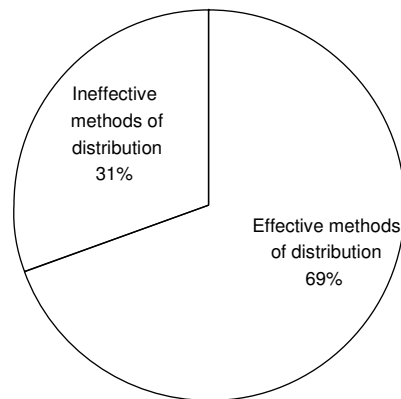**Figure 7 Methods of dissemination of codes of ethics**

Figure 8 Categorisation of code distribution methods from Ho (2003)

The final question in our survey was an open-ended question which required respondents to list what they perceived to be the five main causes of unethical behaviour in the construction industry. The responses to this question can be organized into four main groups as illustrated in Figure 9.
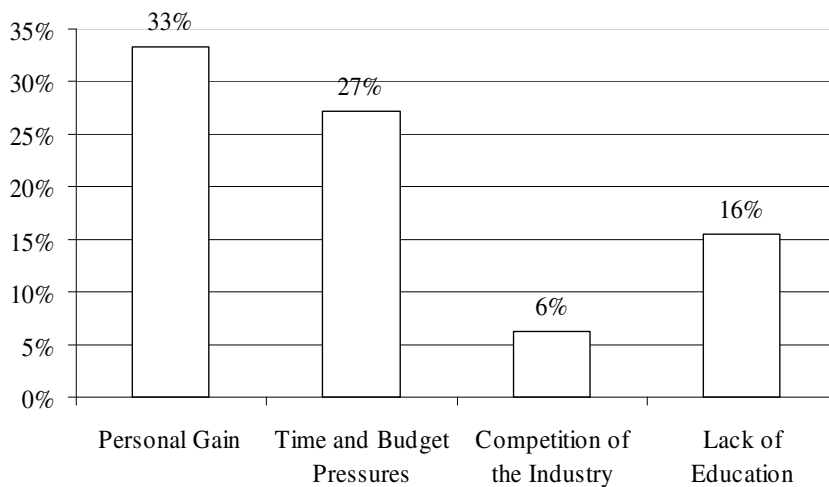

Figure 9 The most common causes of unethical behaviour

Although we were not able to elaborate on these responses via interviews because of the confidential nature of this research, they are worthy of further contemplation and investigation. For example, frequent reference to "ego", "personal gain" or "greed" by our respondents implies that the masculine culture of the industry may have a role to play in promoting unethical behavior. References to "cut-throat industry", "construction boom and downturn" and "everything is price driven" show that competitiveness also plays a major role in influencing the ethics of construction firms. These pressures are further exacerbated by the types of time and budget pressures mentioned by many of our respondents. "Lack of education" also featured prominently in peoples' responses, presumably referring to both a lack of formal education (for example, secondary and tertiary education) and less formal education (ethics training programs, industry inductions).

CONCLUSION

The aim of this paper was to explore the organisational factors that inhibit and encourage ethical behavior in the construction industry. Three factors were perceived as particularly problematic in the construction industry, namely: the absence of ethics training programs; the absence of rewards for those who act ethically within the industry and; the low level of 'visibility' that exists within the industry. It was found that the most common perceived causes of unethical behaviour include individuals seeking personal gain, high levels of industry competition, time and budget pressures and poor education.

In terms of making some recommendations for future improvement our research suggests that the more extensive development and effective dissemination of corporate codes of ethics supported by ethics training programs might be a necessary. It is also clear that more could be done in regard to providing rewards for those who are seen to be conducting themselves ethically. It is in the area of "visibility" where the greatest improvement is required. However, addressing this problem in the construction industry will require significant structural changes to the way that projects are procured organizationally and contractually. Engineering and construction is a project-based industry where commercial relationships with business partners and customers are often one-off and dynamic and where work is executed by dozens, sometimes hundreds of small scale subcontractors in long, dynamic and unwieldy supply chains creating a maze of transactions that are difficult to monitor and this will need to be addressed.

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