TOWARDS IMPROVING ETHICAL PRACTICES IN THE CONSTRUCTION INDUSTRY

Norsiah Mohamad¹ and Ruslan Abdul Aziz²

¹ Department of Quantity Surveying, Faculty of Architecture, Planning and Surveying, University Technology MARA, Shah Alam, 40450 Selangor, Malaysia
norsi564@salam.uitm.edu.my or norsiahmohamad@yahoo.com

² Board of Engineers Malaysia, Public Works Complex, Jalan Sultan Salahuddin, 50582, Kuala Lumpur, Malaysia

Ethics is the fundamental factor to generate the economic lasting return in the construction industry. The growing demand for good ethical practice in all forms of business has been highlighted numerous times in current literature. The purpose of the research work is to identify and establish ethical practices profound and fitting for the construction industry to ultimately improve project performance. The outcome of study is a result of questionnaire survey among the construction industry players in Malaysia. Education and professional training in ethics is central in achieving ethical behaviour towards improved ethical practice. As a means of enhancing the ethical environment, it is necessary to implement a code of ethics reinforced by the government's role in legislating the behaviour of the industry stakeholders. Therefore, ethical practices stems from the way we educate our professionals through to, regulating our behaviours to support a performance oriented culture.

Keywords: Ethics, Ethical practice, professional.

INTRODUCTION

In the face of its size and universality, construction industry is often cited as plagued with graft and malpractices. Common issues highlighted were tendering practice, sub-standard quality of construction work, safety culture, payment woes, corruption and most importantly, public accountability for money spent on public buildings and infrastructure. The scenario in the construction industry in Malaysia is no exception, where graft and malpractices are numerous times reported in the media and accepted as synonym amongst construction players. Revelation of research carried in construction industries in other countries, USA (FMI/CMAA 2004 and Jackson 2004/2005), Australia (Vee and Skitmore 2003), South Africa (Pearl, Bowen and Makanjee 2005) and Hong Kong (Fan and Fox 2005) and problems from practice in Malaysia shows evidence that the construction industry is plagued with ethical issues. The studies in these countries concentrated to uncover unethical practices in the construction industry. Despite the interest and concern in dealing with the ethical image of the industry, there is a deficient in studies which answers the questions of the basic needs of the industry, that is "what" and "how" of the construction delivery system to minimise the chances of unethical or illegal practice.

Much has been researched in the construction industry which revealed that cost, time and quality are the three basic and most important performance indicators of construction projects (Atkinson 1999, Bellassi and Tukel 1996 and Hatush and Skitmore 1997). Other measures, such as safety, maintenance cost and flexibility to users (Kometa, Olomolaiye and Harris 1995), client and project manager's satisfaction
(Kumarasamy and Thorpe 1996), satisfaction of interpersonal relations with project team members or "soft measures" (Pinto and Pinto 1991) and absence of legal claims (Pocork, Hyun, Liu and Kim 1996) have also been identified as equally important. Different ideas have emerged in the large spectrum of research due to feedback from industry. The growing demand for good ethical practice in all forms of business has been highlighted numerously (Sharpe 1994, Rasberry 2000, Petrick and Quinn 2001 and Weymes 2005). In achieving professional excellence, it is important that construction practitioners not only concentrate on technological advances but also put ethics in action. It is important to reflect on ethical issues and unethical practices prevalent in the construction industry in order to overcome the problems prevailing in the industry. The way forward is towards improving ethical practices and it should come about from the way we educate construction professionals to the way we practice construction.

The objective of the study is to determine factors to improve ethical practices in the construction industry in Malaysia. Ethical practices were identified from previous studies in other relevant industries and the construction industry, from terms of reference, for example; systems and work procedure, and from industry experience. The factors considered were; individual and professional training, roles of organisation and industry, system and procedure during pre-contract and construction, legislation and regulation, and satisfaction and accountability to end-user.

LITERATURE REVIEW

Many organisations and writers have attempted to define ethics in their own context whether business, organisational, political or professional. Masserly (1994) asserts that ethics is that branch of philosophy which deals with the good and bad or right and wrong of human conduct. According to Lawton (1998) ethics is simply "what people should do"; it is a set of principles, which provides a framework for acting. Institute of Integrity Malaysia defined ethics as a set of moral values and principles, which form the standards guiding the code of conduct of individuals, organisations and professions (NIP 2004).

The five aspects affecting ethics is identified as; individual, leadership, systems and procedures, structure and institution, and culture (ibid, 2004). To further assist the management integrity of the administrative system of the Malaysian government, eight terms of reference has been set up. These are legislations, system and work procedure, noble values and ethics, code of ethics, recognition, internal control, investigative and punitive action and, rehabilitation (ibid, 2004). Lawton (2005) identified; individual, values in society, government roles and organisational practices as different spheres of ethical values and action which interact and reinforce each other. In order to raise awareness of corporate and individual responsibility, Paine (1994) outlined the prerequisite aspects of education, leadership, organisational systems and decision processes, auditing and controls, and penalties.

**Individual and professional training**

Knowledge has ethical implications and implies responsibility. Religious and moral education breeds and enhances individual knowledge and is a constitutive aspect of all social self-organisation. In social systems, individual values, norms, conclusions, rules, opinions, ideas and beliefs can be seen as individual knowledge (Fuchs and Hofkirchner 2005). Professional education and training have always been a major concern for our society, especially for academics and professional practitioners. There has been a dramatic increase in the interest in applied ethics to the construction
industry. Hence, ethics course should be an integral part of both the undergraduate and professional curriculum (Mortensen, Smith and Cavanaugh 1989). It should be focused on the introduction, examination and application of applied professional ethics as it relates to the construction education program (Robertson 1987). Chan and Chan (2002) emphasised that most would admit that professional value, integrity and competence of construction professionals is developed deeply and firmly during their professional education and training in universities.

Roles of organisation and industry

Effective leaders articulate a vision that includes ethical principle, communicate the vision in a compelling way, and demonstrate consistent commitment to the visions of the organisation over time (Rosenbach and Taylor 1998). This type of leadership correlates with integrity and the presence of integrity will improve organisational effectiveness (Storr 2004). It is an organisational responsibility to get employees respond positively to the moral values and obligations espoused by the firm leadership. Dainty, Cheng and Moore (2003) identified the criteria for measuring construction project managers’ performance and encouraging professional development, is, for the need for managers to be honest and to show integrity in terms of the management of internal team relations, and, also to externally to the client and to other project stakeholders.

Code of ethics should be framed in the particular business environment in which the organisation finds itself. It should include a consideration of not only the industry in which it exists, but the culture of the country or countries in which it conducts its business (Svensson and Wood 2004). A study on enablers to improve performance of construction industry in Singapore suggested that companies should formulate and institute codes of conduct for their professional employees to cover their responsibilities, obligations, competence and impartiality (Öföri, Dulaimi and Ling, 2004). In a survey of construction industry ethical practices and issues in the US, it was also recommended that there should also be in place a Code of Ethics or Code of Conduct that everyone in the construction industry has to abide, by adopting an industry-wide code conduct (FMI/CMAA 2004).

While codes of ethics are vital to ensure that a company behaves ethically, other measures are crucial too. The ethics office is concerned with the overall ethics program which reflects the organisations’ strategic plan and the values of its culture (Rasberry 2000). Woods (2000) promotes that, companies need to have in place measures that include ethics education, an ombudsman or ethics officer, ethics audits, and staff training. Proper implementation of ethics programs leads to increased trust among all stakeholders, improved customer and retention, increased productivity, employee commitment and retention, decreased legal problems and greater profitability (Leclair 1998). One of the ways to inform practice on dealing with ethical conflicts is the importance of 'voice', such as fair treatment of whistle-blowers (Townley 1994).

During recruiting and selection, looking for individuals who not only subscribe to the corporation’s values but who are also ethical is critical. Mortensen et al (1989) suggested that candidate’s ethics should be evaluated along with other criteria in making selection and promotion decisions. Contribution on values and behaviour should be measured as well as employee's technical competence for performance assessment.
System and procedure
A key trust for upgrading ethics in the construction industry is to improve existing industry practices or the system and procedure that ultimately affect performance. Government could support productivity by becoming involved, continually from within the process of tendering, project construction, delivery and use. This could be done by influencing, for instance, procurement practices, monitoring techniques and accounting procedures (Holt and Rowe 2000). Contractors who are technically competent and ethically responsible should be chosen to carry the above requirements. Contractors should be selected based on long-term sustainable value for money and not just on lowest price (House of Commons 2001). Consideration should be given to the quality and workmanship of the work from design through to construction and meeting health and safety performance.

Palalani (2000) emphasised that to ensure acceptable quality in the construction industry, we should insist on enforcement of standards. The standards are there in the form of specification and these should be enforced through adequate monitoring. Benchmarking tools can provide a means of monitoring progress towards quality improvement. In Singapore, the use of Construction Quality Assessment System (CONQUAS) to measure quality on all projects would motivate the industry to improve quality (Ofori et al. 2004).

The industry's heavy reliance on unskilled foreign workers in Malaysia has resulted in poor performance, low productivity and quality and irregular practices on construction projects. Asian Productivity Organisation (1983) stresses the need for training due to the shortage of skilled workers in developing countries. Accordingly, in Singapore, it was proposed that foreign workers should be properly trained to improve their performance (Ofori et al. 2004). It is also a long-standing policy of the Singaporean government to reduce the number of foreign workers in Singapore. Perhaps, Malaysia should emulate recommendations in tackling this problem from Singapore.

Legislation and regulation
Regulatory bodies and regulation is an essential tool to "check" unethical practises in the industry. In the case of public service, there is a perceived need to ensure uniformity in delivery; to control what might be seen as professionals who cannot be trusted to regulate themselves and to support a performance-oriented culture with penalties incurred for not meeting central targets (Lawton, 2005). For long-term vision and policy for the industry, Fox and Skitmore (2003) reflect the evidence of the crucial role of the government in legislating and regulating the behaviour of the industry stakeholders. Legality can play a part. For example, in a case when a client asks a professional of a consultant firm to do things illegally, which, can put the organisations licence and the employment of the professional in jeopardy. However, when the industry is bound by, a piece of legislation that gives a "good out", it can be a "backup" for professionals to say no to the client (Holian 2002).

However, private sector organisations have a duty to their shareholders and may compromise their concerns for public interest (Lawton 2005). Their ethical orientation is on the interests and needs of individual clients and their immediate colleagues and ultimately to make money. The emphasis of managers in the public sector is on cosmopolitan sources of ethical reasoning that rely on abstract concepts such as the citizen, the public or the profession (Rasmussen, Malloy and Agarwal 2003).


**Satisfaction and accountability**

Accountability is a rational practice to ensure responsibility by individuals and institutions, which should be implemented in all civil societies, economic institutions and organisations (Velayutham and Perera 2004). Stewart (1984) emphasizes that those who exercise the power of government or corporate office have to be publicly accountable for their actions. In their study of critical leadership in public projects in the UK, Holt and Rowe (2000) suggested ways to enhance the role of client project sponsor (the government). Their recommendations was for the project sponsor to set and employ clear targets such as target costs, key performance indicators and benchmarks arrived at in conjunction with a project team so that, whilst guidelines are used consistently, they would be sensitive to each projects’ unique demands. Measurement of effectiveness by using key performance indicators and benchmarking, and by undertaking post project reviews was identified as key strategy to achieve excellence by the government construction client in Northern Ireland (GCCG, 1999).

Customer satisfaction is perhaps one of the most talked about challenges of organisations, both in public and private sectors. There is a clear spread of benchmarking worldwide and across various industry sectors and organisational sizes (Jarrar and Zairi 2000). However, in a study on challenges on facing the construction industry in developing countries, Datta (2000) affirmed that the industry has no objective process for auditing clients' satisfaction clients. Murugavarothayan and Coffey (2000) reveals that customer satisfaction is an important performance indicator of professional services by construction consultants used by clients, but one that was poorly understood by the latter and rarely accorded the importance it deserved.

**QUESTIONNAIRE SURVEY**

Following literature review, questionnaire was developed to seek the views of practitioners on ethical practices for the construction industry. A targeted sample of 2,100 public clients, private clients, consultant firms and contractors in the states of Federal Territory of Kuala Lumpur and Selangor, Malaysia was selected randomly. A total of 329 (15%) valid responses were received, of which 94 (29%) were from public clients, 65 (20%) from private clients, 100 (30%) from consultants and 70 (21%) from contractors. The respondents had a wide variety of experience with an average industry experience period of 10 years.

**Individual and professional training**

The intention of this section is to validate that individual and professional aspects form the nucleus of any ethical practice. At the onset, religious and moral education is the core feature for an individual in setting high ethical standards towards the pursuit to improve ethical practice as agreed by 316 (96%) respondents. Another important factor is to start education in ethics at the elementary stage, that is, from school, which received equal number of response. Concerning professional training, 294 (89%) respondents felt that ethics related subjects in the present construction and engineering curriculum at college/university is inadequate and should be reviewed. The roles of professional institutions are also considered. 217 (66%) respondents felt that its present Codes of Ethics or Conduct is inadequate and should be reviewed. Also, 280 (85%) respondents thought that there should be more ethics training at industry level imposed by professional institutions, by attending a set number of hours/activities of CPD every year.
Roles of organisation and industry

This section of the survey attempted to realize the importance of Code of Ethics at organisational and industry level, and, infiltrate further, into the roles of organisation.

*Code of Ethics*

At industry level, 308 (94%) respondents favoured for a "Construction Industry Standard Code of Ethics" common, to all construction participants to cover responsibilities, obligations, competence and impartiality that everyone in the industry has to abide by. Correspondingly, within the organisation, 305 (93%) respondents thought that all construction related organisation should have a formal Code of Ethics. In relation to that, 300 (91%) respondents agreed that existing or new Code of Ethics should include specific anti-corruption provisions. Also, 285(87%) respondents agreed that these provisions should be stated in contracts and apply to anyone hired to design and construct a project.

*Role of organisation*

With regards to the organisation's leaders, 318 (97%) respondents felt that, the leaders are the main catalyst of the organisation and should serve as role models to act ethically. 304 (92%) of respondents believed that the organisation's cooperative approach towards subordinate concern must be considered. These include, ethics and social responsibility when determining an individual’s competence and reward criteria, for example for promotion or job reference, and, in order to reduce or curb bribery or corruption, better remunerations, incentives and working environment are necessary so as employees are comfortable and committed. With regards to whistle blowers, 269(82%) respondents felt that the former should be better protected. However, the survey results show a distinctive manner when it is the turn of the organisation to hold the reigns towards improved ethical practices. In total only 152 (46%), that is, less than half of respondents wanted an "Ethics Officer" or an "Ethics Department" created in the organisation for the purposes of compliance, implementing, enforcement of code of ethics, and for reporting ethical concerns, and for conducting ethics training programme.

*System and procedure*

*Pre-contract*

Essentially, the aim of this section is to determine ethical procurement and tendering practices. The results showed that the respondents were relatively satisfied with the present methods of procurement that is; for pre-qualification (273 respondents, 83%) and for negotiated tendering (230 respondents, 70%), as a means of setting a barrier for entry in limiting tenderers' who are not only capable but, also morally responsible. With regards to awarding of contract, 288 (88%) respondent felt that a declaration statement is necessary for any individuals who are on the side of the party awarding the contract, if, there exist conflict of interest towards any of the parties bidding for contracts (for example, a relative). A total of 282(86%) respondents believed that blacklisting companies practising unethical practice from tendering for projects can contribute towards improved ethical tendering practice.

*During construction*

The questions in this section of the survey attempted to identify ways to improve ethical practices during construction work with regards to safety at workplace, quality of work and workmanship of work.

*Safety at workplace*

297(90%) respondents agreed that safety culture and awareness of importance of workplace safety can be inculcated through campaigns and urging employers and
workers to take responsibility for workplace safety. Training and education in safety should be made compulsory for all concerned as reflected from 310(94%) respondents. It was also necessary to adopt a more tangible approach of strict rules and regulations to the construction players involved as agreed by 292(89%) respondents. These include stiffer fines and stringent regulatory procedures by relevant regulatory body for poor safety management and banning contractors with bad safety records from tendering projects.

**Quality of Work**
The notion that the client should be more involved in the design and construction process as an exertion to improve ethical practices in quality of work was considered by 253 (77%) respondents. In addition, 298 (91%) respondents acknowledged that ethical practices in quality of work can be improved by encompassing quality culture within each organisation and compulsory benchmarking tools as a means of monitoring and measuring quality of construction work on all projects.

**Workmanship of Work**
Foreign workers, mostly from Indonesia and Bangladesh are indispensable to the Malaysian construction industry. Therefore, only 224 (68%) respondents supported to reduce the number of foreign workers. Since they normally lack trade skills, 304 (92%) respondents supported in-house training in trade skills for all workers, including foreign workers.

**Legislative regulation and enforcement**
The intention of this section is to consider government roles towards improving ethical practices. 291 (88%) respondents felt that there should be specific laws imposed by the government to "check" unethical practises. 263 (80%) respondents agreed that an "ombudsman" service for the construction industry should be appointed by the legislative body. The function of "ombudsman" is to receive, investigate and report on complaints received of unethical practise within the construction industry.

**Satisfaction and Accountability**
This section attempts to gauge transparency and value with respect to public government funded and private projects. For projects carried out for general public 289 (88%) respondents agreed that a "Public Satisfaction Index" should be used to monitor satisfaction and accountability. For projects carried out for specific clients, 270 (82%) respondents agreed that "Customer Satisfaction Index" should be used to measure satisfaction and value.

**CONCLUSIONS**
Maintaining ethical standard is crucial to the continuing healthy development and growth of the industry. The results of the study identified education and professional training in ethics, the role of organisation and the industry in implementing codes of ethics, and, legislation and regulation as the key factors towards establishing ethical practices for the construction industry to ultimately improve project performance. Ethics education is considered significant for setting the foundation of a professional together with input from professional institutions later in his professional life. On the roles of organisation and industry, as a "check and balance ethics structure", all organisations should make a conscious decision to pursue the goal of having a corporate code of ethics. An industry wide Code of Ethics is considered necessary in order to foster an overall ethical environment, not only to be created, but more crucial, is the willingness and commitment by the legislative government body to enforce it.
Organisations should spearhead ethical practice through the organisation's leadership. Also, ethics and values of employees should be the criteria for rewards and promotions besides work related performance. The study revealed that efforts by the organisation towards ethical practice, with regards, specifically, to an ethics office or an ethics officer is less favourable. This is normal as it is human nature to be apprehensive on our own ethical practices, whilst, in reality improving individual employees' ethical practices will improve and reflect on the overall organisation's ethical practice.

The partiality towards legislative enforcement by government is an effective way to improve ethical practices as confirmed by the study, where, specific laws imposed by the government to "check" unethical practices and the creation of an "ombudsman" for the industry is found necessary. Hence, the trend is towards a compliance model, whereby professionals and organisations will be regulated, due to the perceived inability to regulate their own behaviour.

It is essential not to overlook other contributing factors in promoting good ethics, that is, the system and procedure in the industry. The decisive way towards ethical procurement and tendering practice is to implement strict rules and regulations to the construction players. This can be achieved by "blacklisting" companies practicing unethical practice and on the awards of contract, a declaration statement is necessary when conflict of interest exist. During construction, safety awareness, training and strict regulations during construction should harmonise together in order to improve ethical practices in safety standards at workplace. To achieve improvement of quality, a strategic and continuous approach should be adopted towards creating a quality culture and benchmarking strategies.

The results of the study also affirms that professional judgements on ethical practices stems from responsibility towards customer and public, through the endorsement of "Public and Customer Satisfaction" index to measure satisfaction and accountability. Benchmarking is the management tool for the future and the momentum it has gained over the years highlights the fact that benchmarking is applicable across organisations irrespective of their location, size or industry.

The research has indicated and confirmed the factors which contribute towards improving ethical practices in the construction industry. Future research can be carried out to explore in detail the implementation and policing of legislative enforcement of the government and code of ethics of organisations.

This study seeks to provide guidelines to construction professionals, organisations, industry and government as a step towards self-regulation and image improvement of industry players. These developments will have an impact upon the ethics of the construction industry, which is the leading role in economic development in Malaysia.

REFERENCES

Asian Productivity Organisation (1983) The construction industry in Asia: A survey, Tokyo,


Fan, C N L and Fox, P W (2005), Ethical Issues in the construction industry, Construction Industry Institute, Hong Kong.


