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Masterclass in Project Controls Ethics
Dr. Alexia Nalewaik CCP FRICS FAACE

About the Speaker

- ☐ **Dr. Alexia Nalewaik is President-Elect of AACE International, Immediate Past Chair and Research Chair of the International Cost Engineering Council (ICEC), and a former Governing Board Member of RICS Americas.**

- ☐ **She lives in Los Angeles, where she has her own consulting firm, focusing on project cost management, governance, audit, and organizational process QA/QC.**

- ☐ **Alexia has recently published her first book, "Project Performance Review: Capturing the Value of Audit, Oversight, and Compliance for Project Success".**

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About the Topic

- ☐ Many professionals in cost engineering, project controls, project management, and quantity surveying are members of professional institutions. As members of those organizations, they are bound by an aspirational and mandatory Code of Ethics - or several codes, if they are members of more than one organization.

- ☐ This paper explores key concepts and recurring themes in the ethics codes established by project-related professional institutions.

- ☐ The paper also identifies ethics lapses in project controls, reflects on recent surveys, raises questions about loyalty and good character, and discusses whether an ethics code is sufficient to achieve normative ethical behavior in today's workplace.

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What is a Code of Ethics?

- ☐ A code of ethics is a statement issued by an organization (such as a professional institution, government, or company), that codifies the expectations of that organization regarding behavior, decision-making, and core values to which employees and members are held

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Key concepts in ethics

Across all professions and industries, recurring tenets appear:

- ☐ **Confidentiality**
- ☐ **Honesty and integrity**
- ☐ ***Responsibilities to employers and clients***
- ☐ **Obligations to the profession**
- ☐ ***Independence and / or objectivity***
- ☐ ***Legal and / or technical compliance***
- ☐ **Discreditable or harmful acts**

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	AACE	APM	ASPE	FIG	ICEAA	ICEC	ICES	IESC	IPMA	PMI	RICS	SCSI
Integrity	X	X	X	X	X	X	X	X	X		X	X
Trustworthiness, reliability, good faith, confidence			X	X				X	X	X	X	
Honesty, truthfulness	X	X	X	X		X		X	X	X	X	X
Avoid bias, conflict of interest, or undue influence	X	X		X				X	X	X	X	X
Do not accept bribes, gifts, hospitality, or services	X	X	X					X	X	X		
Fair treatment, equity, fairness	X		X	X		X		X		X	X	
Accountability									X	X	X	
Take responsibility	X	X	X	X		X		X		X	X	
Avoid deception and fraud	X	X	X	X		X		X	X	X		X
Respect others			X						X	X	X	
Understanding consequences, impact of behavior									X	X	X	
Fulfilling obligations							X		X	X	X	
Transparency								X	X	X	X	
Confidentiality, discretion	X	X	X	X				X	X		X	X
Competence, necessary skill	X	X	X	X	X	X	X	X	X	X	X	X
High standard of service				X			X	X		X	X	X
Duty of care		X		X							X	X
Act in public interest	X	X	X	X			X	X	X	X	X	

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	AACE	APM	ASPE	FIG	ICEAA	ICEC	ICES	IESC	IPMA	PMI	RICS	SCSI
Due diligence		X		X							X	X
Critical questioning, protect the truth									X	X	X	
Independence, objectivity, impartiality	X		X	X	X	X		X		X		
Accuracy		X	X	X	X				X	X		
Timeliness		X								X		X
Sound judgement		X	X									
Protection of client moneys							X			X		X
Professionalism, dignity	X	X	X				X			X	X	
Be courteous and polite			X						X		X	
Anti-discrimination	X		X	X					X	X	X	
Good conduct, both professional and personal	X	X	X	X	X					X	X	X
Cooperation	X		X		X					X		
Do not cause injury to others	X		X	X			X			X		
Professional development and education	X	X	X	X	X		X		X			X
Protect and advance the profession	X	X	X	X	X	X	X	X	X	X	X	X
Practice safety	X	X				X	X		X	X		
Protect the environment, sustainability	X	X		X			X	X	X	X		
Obey the law, standards, regulations			X			X	X	X	X	X		X
Protect public health, social responsibility	X	X				X			X			

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Ethics in Project Controls

- [ ] A core concern in ethics codes is the avoidance of deception, whether that is achieved through false or misleading statements, half-truths, and information withheld, incomplete, or unsubstantiated

- [ ] Project controls focuses on the development of project budgets, estimates, schedules, and reports

- [ ] How easy is it to misrepresent project controls information, and how often does it happen?

- [ ] Ethical dilemmas on projects usually present themselves in shades of grey, not black and white

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Survey Results

New Zealand, 2003

☐80% of the respondents encountered ethical dilemmas in the practice of their job

South Africa, 2011

☐100% of the construction managers, 59% of the architects, and 88% of the quantity surveyors had either witnessed or experienced collusive tendering

United Kingdom, 2006

☐51% of the respondents thought that corruption was a common occurrence on projects

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Survey Results

United States, 2004

☐ **When asked if they had experienced, encountered or observed construction industry related acts on transactions that they would consider unethical in the past year, 84% answered yes and 34% said they had experienced unethical acts many times**

☐ **61% said that the construction industry was 'tainted' by unethical acts**

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Questionable Ethics - Scheduling

- Preferential sequencing
- Duration padding
- Duration compression
- Hiding slack
- Abusing project logic
- Excluding scope from the IMS
- Inflating schedule margin
- Misusing project calendars
- Frequent re-baselining
- Inappropriate use of constraints
- Multiple schedules

- Forcing success-oriented schedules / end date
- Manipulating performance metrics
- Under-reporting schedule risk
- Misrepresenting schedule status
- Manipulating performance metrics
- Delayed reporting of change
- Failure to document assumptions

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Questionable Ethics – Cost Management

- Understating project cost
- Overstating return on investment
- Under-reporting cost risk
- Misrepresenting expenditure status
- Under-reporting cost forecasts
- Manipulating performance metrics
- Excluding scope from project total budget
- Re-establishing cost baseline

- Overstating progress made or percentage complete
- Hiding available contingency and allowances
- Shifting funds between cost codes
- Bundling of change orders
- Delays in reporting expenditures or change
- Skewed representation of cash flow requirements
- Failure to document assumptions

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What Enables Ethical Issues?

- Optimism
- Dual loyalties
- Power and influence
- Sales and profit
- Performance measurement
- Concerns about image
- Expectations of obedience
- Lack of incentive
- Lack of privilege
- No appropriate channel for conveying issues

- Lack of independence
- Bribery
- Level of experience and confidence, courage
- Unintentional bias
- Shooting the messenger
- Lack of QA/QC
- Lack of moral character
- Conflicts of interest

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What is Missing?

- ☐ Development of moral character
- ☐ Internalization of the code of ethics
- ☐ Willingness to question authority
- ☐ Subjugation of individual needs
- ☐ Doing what is best for the project
- ☐ Professional institutions unwilling to penalize members
- ☐ Company support for identifying ethics issues

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Creating a Culture of Ethics

1. Ensure constant visibility and discussion of ethics
2. Publish (in magazines, blog posts, or websites) articles about real-life ethical challenges and how they were addressed
3. Enable in-depth discussion of core concepts specified in the code of ethics
4. Create ethical learning programs, workshops, and training
5. Develop examples of questions professionals can ask themselves, about situations and personal ethics stance
6. Practice socialization and normalization of ethical behavior
7. Include ethics questions in certification exams

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Creating a Culture of Ethics

8. Require annual reaffirmation of ethics code compliance, when renewing membership

9. Develop a close relationship between the ethics code and core values of the institution

10. Create codes of ethics for use by companies, and specifically on project teams

11. Supplement the ethics code with professional conduct expectations

12. Developing a "just culture" free from punishment for errors, creating psychological safety

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Q&A