



CONSTRUCTION ANALYSIS AND PLANNING, LLC

“Breeding” Ethics into the Construction Industry

This article is primarily comprised of excerpts from the book “Construction Management: Understanding and Leading an Ethical Project Team” (Available at www.ConTrainOrg.com).

Greatly improving the degree of ethics in the construction industry is not something we can do overnight, or even in the matter of just a few years. I’ll be very blunt; there are many unethical practices in our industry that have become generally accepted as the status quo and, in reality, the older generation of builders aren’t likely to change their ways. This means we need to focus this ethical movement on the younger generation of builders, most notably at the University level.

By focusing our efforts on the younger generation and emblazoning honesty and integrity into their souls we will “breed” ethics into the construction industry. We must teach the University students the difference between right and wrong while they’re still in school because their future bosses, the older generation of builders, are unlikely to ever instill these values in them after graduation. In the majority of cases the University level is our last chance to educate the future leaders of our industry before Corporate America begins corrupting them.

When asking someone from the older generation of builders if they believe they conduct themselves fairly and ethically the reply will undoubtedly be a whole-hearted “yes, of course!”. But our actions, not our words, are what we are judged by. Do they hide nuggets in their estimates? Do they “make buys” by demanding arbitrary reductions in subcontractor bids? Do they understand that they are personally, morally and ethically liable for “business decisions” just as they are for decisions made in their personal life? More often than not the people who claim to be fair and ethical actually perform a great deal of unethical acts. (*I’ll keep this short, but for more examples, as well as more thorough explanations of these examples, please review an excerpt from my book on the home page of www.ConTrainOrg.com.*)

My most recent book, which is titled “Construction Management: Understanding and Leading an Ethical Project Team”, is put together such that it is a “toolbox” for teaching ethics at both the University and Professional levels. Of course I hope general contractors and others in the construction industry adopt this book and the principals contained in it, but my personal focus is truly at the University level. My goal is to ensure each graduate has a solid understanding of what is and is not considered ethical business practices, again, before “Corporate America” ever gets an opportunity to corrupt them.

This isn't a promotional article for my book; it's a call for help from others who may be able to help this cause. I didn't write this book for the money, I wrote it to help our industry. Of course I'd like to sell a lot of copies, but what I'd like even more is for others to come forward and provide their ideas, teaching materials, examples and other "ethical ammunition" to better our industry. Of course to accomplish this we need a forum for sharing information, thoughts, ideas, teaching materials, etc. I thought the Linked-In program would be a great resource for this, so I've set up a group titled "Construction Industry Ethical Professionals" for this purpose. The Linked-In groups seem perfect for this type of collaboration, as they are well established, efficient and easily accessible by all around the globe. This group is for both industry professionals and university instructors, as we all need to work together in this movement. I hope that the university instructors will learn from the industry professionals, and vice versa.

The construction industry is well regarded throughout the world for being full of good, down-to-earth and honest people. Conversely, the construction industry also bears a reputation for unethical contractual dealings and adversarial relationships among the various project team members. The vast contradiction in these traits has puzzled me ever since entering the industry as a young project engineer. Over my career I have found that there are many sources for the unethical dealings and personal antagonism inherent with our industry, but I have also found that there are many ways to combat these futile and destructive characteristics. It is important to examine the origins of these traits and discuss management methods that will control and minimize their detrimental impacts. This is the primary focus of my book and the ultimate goal of the Linked-In group.

When I was a child, like most children, I constantly wanted my own way and needed to learn how to share and be friends with the other children. When I began to stray out of line there were two rhetorical questions my grandmother routinely asked me. First, when I said or did something mean to another child she would ask "how do you think that makes them feel?" Secondly, when I acted selfishly toward the other children she would ask "how would you feel if they treated you that way?" As an adult I have learned to ask these self-reflective questions of myself and to treat others as I would like to be treated. This is not merely a lesson for children on a playground or a lesson that solely applies to personal relationships. This important lesson is relevant to all aspects of life, including our professional relationships. In the construction industry these lessons are applicable to contract negotiations, preparation of change order requests, schedule expectations, quality standards and all other aspects of the business. Regardless of our individual roles and responsibilities, as project team members we are compelled to treat each other fairly and reasonably. In return we should expect to be treated fairly and reasonably by our teammates.

The construction industry is extremely complex, such that no one person could ever learn everything there is to know about this business within a single lifetime. This is why a construction project consists of so many highly skilled experts, such as the architect, various

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engineers, general contractor, multitude of subcontractors and countless manufacturers. Each and every one of these parties is an expert in their respective profession, but at the same time have only a general knowledge of other fields. One of the most prevalent causes of animosity among project team members is that we do not fully understand the roles of other parties. As a result, we do not fully appreciate the unique experience, skill, hard work and dedication each of our teammates bring to a project. This under-appreciation of each other must be combated. It is important for us to recognize the roles of each project team member, as well as their individual perspectives, needs and expectations. From this we will gain a greater respect and admiration for each other, which will in turn aid in reducing the animosity plaguing our industry.

Another important life lesson my grandmother emblazoned in me is that the decisions we make are our own and can never be blamed on others when something goes wrong. This is a lesson all children are taught and as adults we generally apply well to our personal lives. However, for some mysterious reason there is a general belief that this philosophy is not applicable to “business decisions”. The truth is that we are in fact personally accountable for each and every decision we make regardless of the circumstances for which they are made. We must dispel the widely held belief that “business decisions” entail little or no personal accountability.

For instance, when asked the simple question as to whether or not they believe stealing money is a moral act no one in the world would reply yes. On the contrary, for financial decisions in which we are able to place the label of a “business decision” this morality has a tendency to fall by the wayside. When the label of a “business decision” is used, people seem to feel far less personal accountability. The following examples will illustrate this statement.

A. Consider the scenario in which a general contractor’s project manager (GCPM) and subcontractor’s project manager (SPM) meet to negotiate three change order requests. The first change order request amounts to \$5,000 and is the general contractor’s financial responsibility. The second and third change order requests are the financial responsibility of the owner and amount to \$10,000 and \$12,000 respectively.

As a “business decision” the GCPM asks the SPM to increase each of their second and third change order requests by \$2,500. This raises the total value requested from the owner by a total of \$5,000. In exchange, the \$5,000 change order request for which the general contractor is responsible will be voided. In this case the total value requested by the subcontractor remains constant, but the source of the funds has changed.

The SPM may agree to this revision because he is not concerned with where the money comes from, only with the total amount he receives. In this example the GCPM has effectively stolen \$5,000 from the owner, but because he was able to place the label of a “business decision” on this accounting manipulation he may feel little or no personal accountability for his actions. In fact, the GCPM is fully and personally accountable for his decisions and the unethical results. Further, by knowingly agreeing to alter their change order requests, the SPM has become an accomplice to this theft.

B. As a second example, consider a GCPM who is in charge of two projects, both of which are negotiated contracts with traditional guaranteed maximum price agreements. The first project is going quite well and is expected to reach completion significantly under budget. The second project has encountered many problems and is expected to finish well over budget, thus creating a considerable financial loss for the general contractor.

In an effort to minimize this expected loss the GCPM has decided to charge costs for management time, field labor and supplies expended on the second project to the first project. The first project has a sufficient budget for these expenditures, so some may consider this a prudent “business decision” made by the GCPM in an effort to mitigate his company’s losses. By performing this accounting manipulation the savings returned to the owner of the first project are reduced. This diminished return equates to a theft from the first owner. Because the GCPM was able to place the label of a “business decision” on his actions he may feel little or no personal accountability. Once again, this is an ill-conceived feeling of contentment. It is an unwavering truth that we are all fully and personally accountable for the decisions we make, regardless of the circumstances for which the decisions are made.

People never like to make mistakes, but we all do. It can be extremely difficult to admit our mistakes and own up to the consequences, especially when the consequences will result in great embarrassment or a tremendous financial loss. An instinct for many is to immediately look for an excuse or someone else to blame when something goes wrong, but manipulating facts and making false accusations has never and will never be considered an acceptable practice. Just as we flourish in our own accomplishments, we must maintain responsibility for our own mistakes, no matter how difficult it may be.

The easiest way to keep people from discovering something you are ashamed of is to avoid doing things for which you are ashamed in the first place.

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