Professional Ethics in Managing Projects

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Abstract

During the first part of the 21st century the business and accounting worlds in America were rock by historic scandals. The fall of business titans such as Enron, Worldcom, Hollinger International, Tyco and Yahoo dominated not only business news but the global news as well. The term “big business” became synonymous with greed and fraud. While these giants fell from grace over felonious activities. The accounting firm Arthur Andersen became collateral damage when it was revealed that they destroyed documents related to the Enron investigation. Once recognized as a leader in business accounting an analysis of its fall reveals how diversity, lead to conflict of interest, then to ethics miss behavior and finally to Federal charges, disgrace and business failure. Arthur Andersen’s early reputation was for impeccable ethics. Its founder Arthur Andersen was known to put reputation ahead of profit. The fall of his namesake leads this examination of professional ethics, how ethics affects project management and how professional organizations are a key in monitoring, exposing ethical issues and encouraging ethical behavior are the bases of this paper.

In December 1989, Arthur Anderson, a well-respected accounting firm, split into two entities; Arthur Andersen, the accounting side, and Andersen consulting. Part of this split was a profit sharing agreement. Shortly afterwards, auditing profits fell due to competition and consulting profits began to climb; the earnings imbalance caused a squabble between the two Andersen companies. To improve the situation a policy was put in place to encourage auditors to generate business.

The performance evaluations for Anderson's auditors began to be based on the amount of new business they generated. No longer was providing accountant services and accurate audits enough. According to Ken Brown and Ianthe J. Dugan of *The Wall Street Journal* (2002), Richard Measelle Arthur Andersen top auditing partner thought these steps would help the company increase sales while maintaining high auditing standards. But, it soon developed into a conflict of interest; upsetting the delicate balance of providing honest accurate audits for the investing public verses pleasing the client. A happy client is a returning client and potential advertiser by word of mouth. These were the first steps down a slippery slope. Drawing on ever more aggressive salesmanship talent, soon profits and pleasing the client began to take precedence over accounting integrity.

In the mid 1990's Arthur Andersen began its spiral into ethical and legal purgatory. As the demands for profits increased overlooking creative and questionable account for higher profits began to be part of the norm. Arthur Andersen was involved in several accounting failures. Top accountants began encourage more creativity to allow clients to show greater profits which increased the payoff to the Arthur Andersen and in return provide greater pay to the accountants. Brown and Dugan point out that this is when the infamous Enron Corporation started performing internal audits for Arthur Andersen as Andersen staff members began meeting with Enron to develop new businesses. At this same time internal oversight groups began to pressure accountant to accept client's creative book keeping habits to increase revenue. (2002)

In Erik Larson and Clifford Gray's, *Project Management the Managerial Process* (2014), we learn that in October of 2001 Andersen came up with a new policy for handling Enron's audit "supporting documents"(p. 356). Although document retention was require to support accountant's opinions during an audit. The law allowed for leniency on interpreting what was considered secondary supporting documents which could be destroyed. The new policy was to destroy all the documents viewing secondary documents as a broadly as possible. None of the employees challenged the directive; they had been groomed to obey orders. The document shredding began and was halted a month later by the Securities Exchange Commination who issued a subpoena for them. Eventually Andersen was found guilty of obstruction of justice. This was the final blow to the company started by Arthur Andersen who once told a local railroad President "there wasn't enough money in Chicago" (Brown & Dugan, 2002) to make him overlook a questionable transaction to boost company's earnings.

Ethics Defined

Although the Andersen story sounds like legal intrigue and by today's standards much of what was done would be illegal; at the time being a self-regulating body, accounting relied on high ethical and moral codes to keep the business world honest. The story is the antitheses of professional ethics. So what are professional ethics, why are they critical to managing projects and who holds project managers accountable for ethical behavior?

The Institute for Global Ethics has settled on five traits which are commonly viewed as ethical, compassion, fairness honesty respect and responsibility (2017). In December 2016 the *International Ethics Standards An ethical framework for the global property market* was published which expanded their list to include: Accountability, Confidentiality, Financial Responsibility, Integrity, Lawfulness, Reflection, Standards of Service, Transparency, Trust and a lack of Conflicts of Interest. They also state that when finding yourself dealing with conflicts between two or more of these principles, the professional should lean towards the principle that "best serves the public trust" (International Ethics Standards, 2016).

The Project Management Institutes' *Code of Ethics and Professional Conduct (2006)* breaks down each principle into a separate chapter to further identify what are excepted ethical practices for Project Management professionals. These principles are responsibility, respect, fairness and honesty. Used as a guide these standards apply to all Project Management Institute (PMI) members, people holding PMI certifications, those seeking certification and volunteers who serve in the organization.

Importance of Ethics to Projects

One of the most critical attributes of a Project Manager (PM) is leadership. With good leadership the project can follow the established time, quality and cost standards barring any mishaps. When mishaps happen quality leadership will inspire honest reporting, evaluation and corrective action to mitigate the problem without undo blame or tension. Ethical leaders are trusted to make the right decisions. James Kouzes and Barry Posner write in *The Leadership Challenge*, "It's clear that if people anywhere are to willingly follow someone; whether it be into battle or into the boardroom, the front office or the front lines; they first want to assure themselves that the person is worthy of their trust"(as cited in O'Brachta, 2016).

Leadership isn't the only place in a project ethical behavior is crucial. Project Managers should be in tune to those involved in the project to spot ethical breaches. Falling behind or unusual anomalies in project schedules, costs, or quality reports can be indicators. These can be a case of reports being too good to be true or updates which constantly show a lack of progress. One of my favorite leaders Ronald Reagan said “trust but verify.”

Project Managers need to be approachable. People tend not to report ethical misbehavior more often than they do. This happens for a variety of reason. The PM needs to be open about what the ethical standard are; be willing to train and encourage those behaviors and listen when approached them with an ethical problem. They should also act appropriately to reported ethical infractions. Over reaction can set the stage for a lack of trust in the leader; under reaction will encourage more bad behavior.

Accountability for Project Ethics

Regardless of its ill affects ethical malfeasance is common in the work place environment. Often it is simply a laziness or unwillingness to uphold standards. Coworkers will let things go unchallenged because it easier, they don’t want to be confrontational, or perhaps they are concern for their job, especially if the unethical party is a supervisor. Without reporting infractions the project, company or work crew could fail, lose credibility, and or employment. It’s in everyone’s best interest to correct ethical malpractice.

The responsibilities for ethics in projects belong with everyone involved, but more especially to the project manager. Michael O’Brochta (2016) regaled us with a situation where he had to inform a client he was withdrawing from a major project because of unethical activity by the client. Instead of being upset the client corrected the situation, increased his business affiliations with Mr. O’Brochta. Taking an ethical leadership role is always the right thing to do; it may not turn out this well all the time; for instance in the introduction, the Founder of Arthur Andersen was terminated after refusing to allow questionable accounting with the Chicago

Railroad. If you believe in karma it may have been in effect, because a few months afterwards the railroad company folded.

Part of the *PMI Code of Ethics and Professional Conduct* (2006) places the responsibility on all to report complaints or knowledge of unethical and illegal behavior or to the appropriate management or sanctioning body. It goes farther to say that only facts that can be substantiated be reported and accusation should be withheld until the facts are known. This implies that if an infraction happens, we as members of the profession of Project Managers should look into it to find resolution. We can't just blow it off because it's easier, or we don't want confrontation, or we might lose our jobs. Those who fail to uphold ethical standards are in jeopardy of losing more than personal credibility they may be sanctioned and lose certification.

Conclusion

Throughout our many discussions on ethics during this course there have been very few if any long term ill effects of acting ethically responsible. There are lots of examples of how bad things happened or bad things were made worse by ethical infractions; if for no other reason that should be enough to steer people towards ethical behavior. However as a professional we should hold in high regard the integrity of the profession, and all those who operate with in it. We must be accountable and hold others to the same. We must educate and correct teams and report infractions while maintaining ethical standards above reproach.

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