



A Assessment of Professional Ethics in Real Estate Construction Projects Msc Thesis in Civil Engineering Construction Technology and Management Submitted by: Tsegaye Tamirat Wossene Gsr / 0205/08

ABSTRACT

Professional ethics plays a vital role in the construction industry, for a country like Ethiopia clients are the major participants on the implementation of projects. Other stakeholders namely, the consultant involves on bid preparation and the contractor under take the construction work. On the process from the first phase to the last phase failing to implement ethical professional rules and regulations, guidelines and codes of standards will enhance lack of major quality performance problem, cost overrun and delay.

This paper appraises the assessment of professional ethics problems and unethical conduct influence performance in the construction industry, particularly in the housing and real estate projects. The impact on the construction industry at large and cost overrun and delay related disruption in few will be forwarded to use as an offer to assess the problem of professional unethical issues.

The study concepts had developed through literature survey that enables the assessment. In order to reinforce the research's specific objectives some, review of related literature has been made. And Questionnaires were prepared based on the past studies and used to assess the ethical factors. The research result shows that organizational commitments, work ethics, job involvement, job satisfaction factors can affect the ethics of the professionals in the construction industry. Finally, based on the analysis of the results, recommendations for contractors and other stake holders had been proposed that enables to reduce the impacts of un ethical behaviors.

Key Words: professional, code of conduct, job satisfaction, job involvement organizational commitment

I. INTRODUCTION

Background

Construction is one of the biggest industries contributing major share for the economic growth of a certain country. Construction has a number of phases. The first phase of construction is planning and bid evaluation. Next to bid evaluation, mobilization is the second phase of the construction project, then comes operation phase of construction. The last phase of construction is project close out. This paper is not endeavored to conduct deep research on each phase of construction but to make grasp knowledge about construction phases before proceeding to next step. Coming to the point, this big industry i.e. construction is falling under the rampage surplus ethical issues from planning phase up to project close out phase. In Ethiopia and other developing countries, the major problems related to quality, delay, and cost overrun directly or indirectly are attributed to professional ethics. In performing functions, accomplish projects at the right time and every time envisaged rework by professionals in construction industry, directly implies the key statement professional ethics which is the guide of moral principle and standard of conduct (Abdul-Rahman et al, 2010).

According to Abdul-Rahman et al, (2010) the reputation of the professionals and confidence of the client and the public are affected due to the lack of conduct of professional ethics in construction industry. The trust in the professionals of construction industry is placed on the presumption of the service provided and the benefit to the client and the public. In the interest for delivering value construction related procurement to clients and society and in their dealings with each other, the principles governing the conduct of construction players should be that :their behavior is equitable and transparent; they discharged duties and obligations in time and with honesty ,integrity and professional ethicality; they comply with all applicable laws, acts, rules, codes and standards, legislations and associated regulations and they satisfy all relevant requirements established in procurement contract documents. The hall mark of professional ethics in a construction industry is

what a construction professional should be or should not be in the work place. Project quality namely-adherence to specifications, drawings, completion of the projects within contractually agreed costs and time are the results of the direct impact of the standards of ethical conduct of the construction professionals. Some of the most professionally unethical practices that are followed in the construction industry are bribery, fraud, collusive tendering, withdrawal of tender bid, bid shopping,

Specific objectives

The specific objective of this research was:

- To evaluate each unethical behavior from planning stage to project close out in real estate construction projects
- To assess effect of professional ethics on construction industry particularly in real estate construction projects
- To develop professional ethics code of conduct in real estate construction projects

Scope of the Study

Construction is huge industry generating income for the economic growth of a certain country. In Ethiopia, there are a number of government and private construction companies which are engaged in numerous construction activities such as construction of housing development, real estate & mixed use buildings, dams, cross country railways, run ways and construction of highways projects and so on. Therefore, it is unlikely possible to study through all quality and delay problems attributed to professional ethics in all construction companies due to financial and temporal constraints. For the sake of convenience, the scope of the study of this thesis is limited to evaluating major tasks of ethics in real estate construction projects.

Organization of the study

The research comprises of five chapters. Chapter one is the introductory chapter, which provides basic information about the study, including background and statement of the research problem, research objectives and scope of the research.

Chapter two presents 'theories and discussions related to the major functions of key ethical indicators, on ethics, the impacts of contractors.

Chapter three covers the research methodology followed in order to achieve the objectives of the study. It presents an overview of the research design, sources of data and research instruments, research population and sampling, sample size distributions and method of analysis.

Chapter four presents analysis of the research data obtained from the questionnaire survey and the case study is discussed accordingly.

The last chapter, which is chapter five, is devoted to the author's conclusions and recommendations

II. Ethical Issues in the Construction Industry: Contractor's Perspective

The most common unethical conduct evidenced by the contractors are cover pricing, bid cutting, poor documentation, late and short payments, subcontractors' lack of safety ethics, unfair treatment of contractors in tender/final account negotiations, competitors' overstatement of capacity and qualifications to secure work, competitors' falsification of experience and qualifications and bureaucratic, government policy. To minimize the lapse of ethical issues in the industry, the suggested solutions are divided into short, medium and long term categories based on the project timeframe. The findings provide useful information to stakeholders on how to deal with the pressing ethical issues confronting the construction industry.

The construction industry is classified as the most fraudulent industry worldwide (Transparency International, 2005) providing the perfect environment for ethical dilemmas, with its low-price mentality, fierce competition and paper-thin margins (FMI, 2004) This industry is considered to be one of the most susceptible to unethical practices because it involves substantial capital investments, providing large scale opportunities for rent extraction as well as investment that usually cannot be redeployed after implementation. Unethical practices can take place at every phase of a construction project – during planning and design, pre-qualification and tender, project execution and operation and maintenance. Such practices can result in projects which when completed are considered unnecessary, unsuitable, overlay complex components, overpriced or delayed (Hamzah et, al, 2008).

The effects of unethical practices have lasting impact detrimental to construction and engineering companies such as wasted tender expenses, tendering uncertainty, increased project costs,

economic damage, blackmail, criminal prosecutions, fines blacklisting and reputational risk. The issue of professional ethics has sparked enthusiastic concern and pragmatic discussions among the general public and there is growing demand by the current literature for good ethical practices and professional behavior in the construction industry. In the face of its size and universality, the construction industry is often cited as plagued with graft and malpractices. Common issues highlighted are tendering practice, substandard 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 Ethiopian construction industry is no exception, where graft and malpractice are numerous reported in the media and regarded as synonymous with construction players.

Unfair conduct

Unfair conduct may occur in competition (unfair competition), in contracts (unfair contract terms), in staff promotion/dismissal/demotion (unfair labor practices) and in business practices (unfair business practice). The following features of unfair conduct have been noted (Common wealth of Australia, 1997):

- a) Little or no ability to negotiate terms of the contract (pro forma take it or leave it contracts are used).
- b) Inadequate disclosure of relevant and important commercial information which the weaker party should be aware of before entering the transaction
- c) Inadequate and unclear disclosure of important terms of the contract, particularly those which weighted against the weaker party
- d) The dominant parties seek to vary the nature of a long term relationship so that it is more favorable to them but which affects the viability of the weaker party
- e) When disputes do arise there is often no quick, cheap and market - sensitive way of setting them and, even where such interventions do exist, there is a reluctance by weaker parties to access any remedial action through fear of reprisal.

Conflict of interest

This is a situation in which someone in a position of trust, such as a lawyer, a political or an executive or director of a corporation, has competing professional or personal interests which could make it difficult to fulfill his or her duties impartially. Even if there is no evidence of improper action, a conflict of interest can create an appearance of impropriety that can undermine confidence in the ability of that person to act properly in his/her position. Conflict of interest involves a personal interpretation of whether or not certain behavior is commonly acceptable, rather than if it is illegal. The onus should clearly be placed upon individuals to declare all possible instances of potential negative interpretation, before proceeding with projects. Vee and Skitmore's (2003) study suggests that there is a high incidence of unacceptable behavior of this type in the Australian construction industry.

Ethics in business and in the Construction industry

Ethics in business is defined as being "legal behavior and a collection of moral principles or a set of values being shared not only with the business community, but also within society as a whole" (Ray et al, 1999). In the construction industry as being a business community which includes all of those involved in doing business this would also include all clients including public sector agencies who act as clients as indeed they are integral to the business community through their large transactions. Corporate activity has significant consequences for society, yet some researchers have argued that business and ethics do not mix (De George, 1990). This is a view that is now being challenged, with recent research (De George, 1990, Vee & Skitmore, 2003) arguing that business does serve society, meets collective and individual needs and the needs of the environment. Contrary to the idea that "business and ethics do not mix", business is in fact subject to moral rules since it involves social conduct, it prescribes what people do and it is concerned with values (personal and professional), as well as practice (Fan, et al, 2001). Managing ethical behavior requires an understanding of the individual and situational factors that influence the ethical behavior of employees (Stead, et al., 1990). While professional ethics is

necessary for managing ethical behavior in business, the ethical conduct of the industry is still dependent on the personal ethics of the employees. Business ethics will not change unethical business practices unless those engaged in the practices wish to change them. A business can only be as ethical as the people who own, manage and work for it. Yet its organization and practices can be more or less conducive to ethical activity which can be reinforced or impeded by the larger systems of which it is part. Business ethics can help people approach moral problems in business more systematically; however, in themselves they will not make an individual “moral”. In this sense, business ethics is true of ethics in general. Ethics presupposes that those who study it are already moral beings and that they wish to be more informed moral beings. Business ethics can produce arguments showing that a particular practice is immoral, but only those in a position to implement the changes will be able to bring about the changes. (De George 1990). In researching ethics in construction industry it is therefore necessary to take these complexities into account and identify the ways in which personal and business ethics are interrelated.

III. RESEARCH METHODOLOGY

INTRODUCTION

This chapter discussed the methodology which is used in this research. The methodology includes review of literature related to unethical practices, information about the research design, population, sample size, data collection, questionnaire design, questionnaire content, instrument validity, pilot study, and the method of processing and analyzing the data. The questionnaire was the main approach to collect the data and perspectives of the respondents. The objective of the study is to investigate the current status of unethical practices in construction industry with more concentrated on unethical conducts of contractors by administering a questionnaire survey, from the feedback of clients how has been dealt with contractors during construction projects.

IV. RESULTS AND DISCUSSIONS

INTRODUCTION

This study was attempted to examine the Professional Ethics in Construction Projects, Impact and Influence - Contractors, Employer Perspective. Therefore, the findings of the study were presented and analyzed in this chapter. The questionnaire was developed in five scales ranging from five to one; represented by strongly agree, agree, neutral, disagree, and strongly disagrees. These five scales are treated as interval scale to conduct statistical analysis. Harry and Deborah (2012) stated that Likert scale data, can be analyzed at the interval measurement scale. Likert scale items are created by calculating a composite score (sum or mean) from four or more type Likert-type items; the composite score for Likert scales can be analyzed at the interval measurement scale. Descriptive statistics recommended for interval scale items include the mean for central tendency and standard deviations for variability. They stated that data analysis procedures used for interval scale items would include the Pearson and regression procedures. The questionnaire was developed as Likert scale rather than Likert type therefore Likert items were calculated (sum or mean) for statistical analysis. Therefore, the questionnaire developed for this study was Likert scale in nature.

Response Rate

Table 41: Response Rate

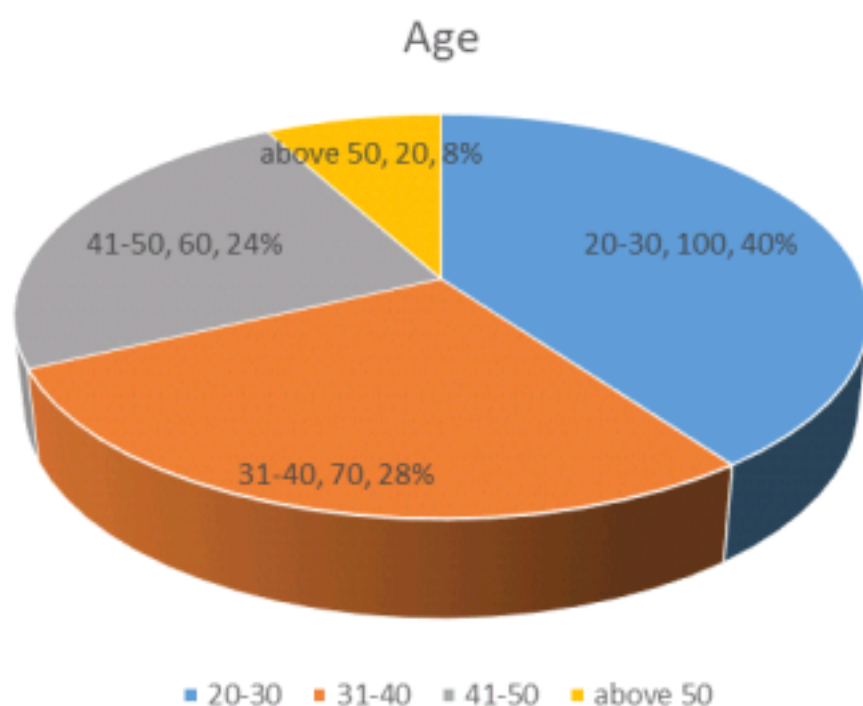
Item		Issued questionnaire	Returned questionnaire	Response rate
	Clients	95	90	$\frac{250}{268} * 100 = 93.28\%$
	Contractors	173	160	
	Sum	268	250	

Background of the Respondents

The demographic profile of the respondents was presented in this section. The personal profile of the respondents is analyzed as per their age, levels of educational achievements. Descriptive statistics was performed on the variables as a means of describing the respondents, and the discussions of each were held using pie chart figures and narration of each numerical values represented using the slices of the pie chart.

Age of the Respondents

Figure 41: Age of the respondents



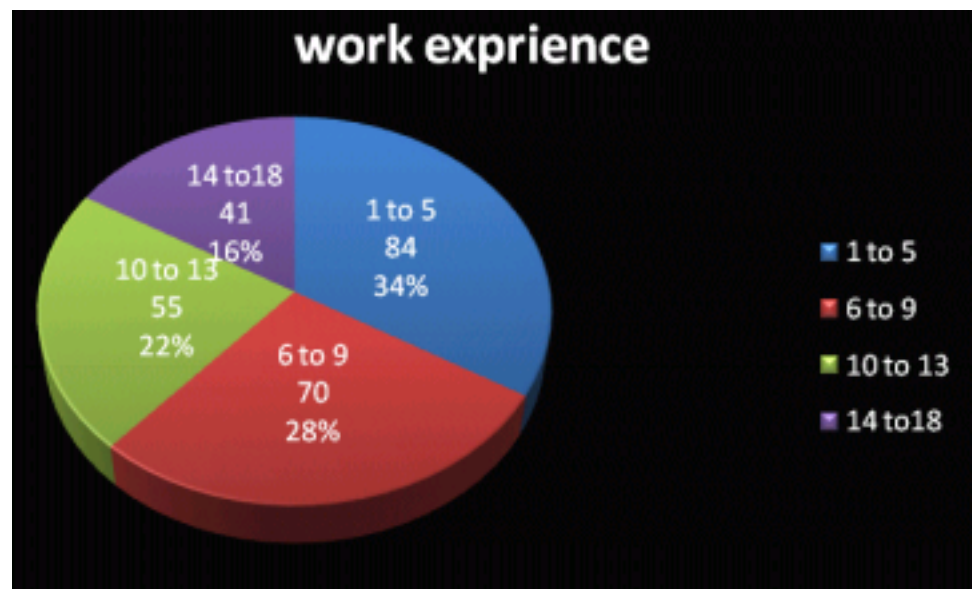
The age of the majority of the respondents found within the age between 20 to 30 age group followed by respondents aged 31 to 49. Therefore, most of the current sample employees of the contractors are less than age of 40 and considerably young and the rest employee are less than age of 50 years except those 8%.

Work experience of the respondents

Most of the employees have a work experiences ranging from one to five constituting 16%, and the next subgroups of experience 6 to 9 years are 28%. And as it can be seen from the pie chart,

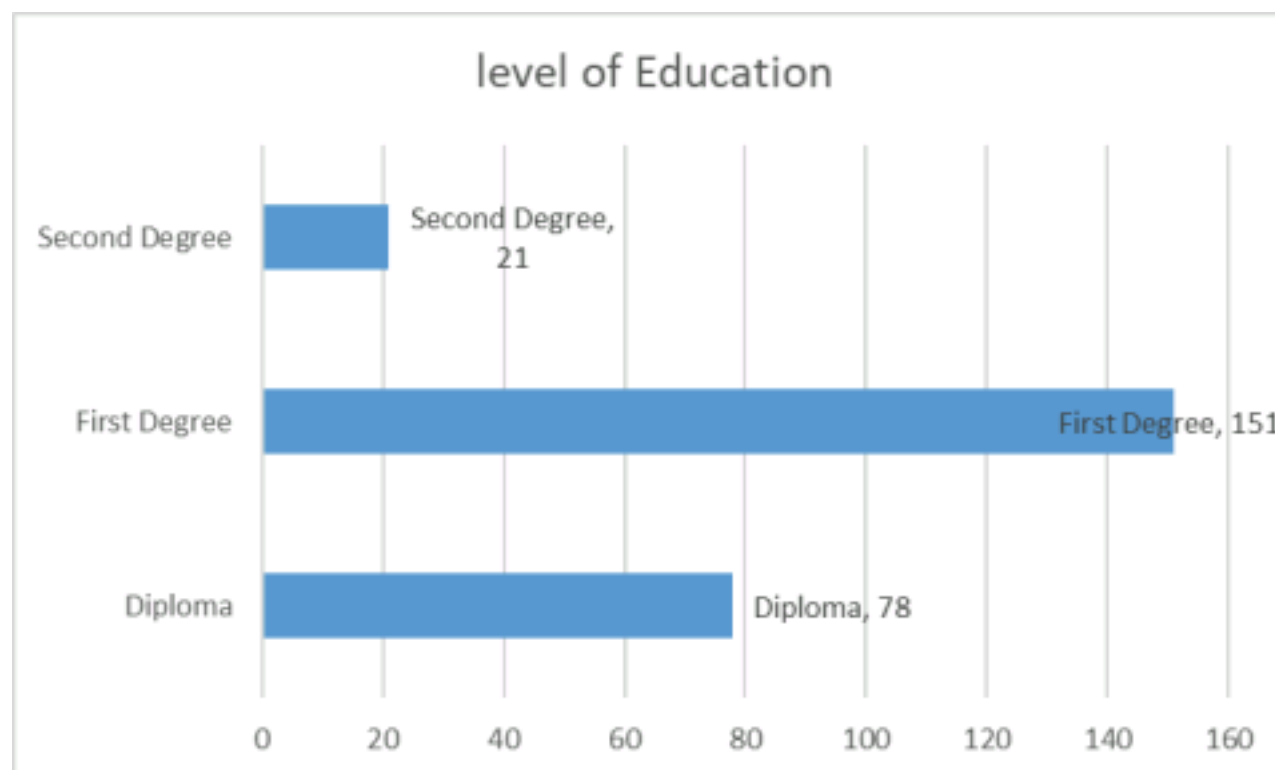
as the years of experiences increase the number of employees that fall in the given year category would decrease.

Figure 42: work experience of the respondents



Level of Education of the respondents

Figure 43 Educational certification of respondents



In this research, Demographical variables (age, level of education) and organizational variables (years of service) were discussed to identify possible subgroups. To compare these subgroups with

each other in terms of how they differ in respect of organizational commitment, Job satisfaction and work Ethics t-tests and analysis of variance (ANOVA) were used. To ensure that a total Work Ethics, organizational commitment and, Job satisfaction representative of all the dimensions were used; the mean score for each dimension was calculated.

V. CONCLUSIONS

The research however does provide future researchers with the basis to analyze professional ethics in detail. The research has indicated and confirmed the types of ethical impropriety that exist. Also confirmed is the continuing role of contractors as champions of unethical behaviors. What is new, however, is the emergence of clients and government bodies as contenders in the unethical stakes. This group of traditionally highly influential leaders in the development of construction industry practices, seem to have moved dramatically in recent years away from setting the highest ethical standards to a form of economic rationalism that is virtually devoid of any ethical considerations at all.

The main objective of this study is to investigate the current unethical practices prevailing among professionals in construction industry. This chapter includes the conclusions and recommendations to enhance methods to solve these problems appearing in the industry. This research had three primary objectives, which were achieved through the data collection using survey techniques and the detail analysis of the survey results. The first objective was to identify the most unethical behavior among professionals observed in construction projects with more concentrated on professional ethics, Major Challenges Associated with professional Ethics. The commitment of professionals, the second objective was to evaluate the Practice of Professional ethics in the construction projects Unethical conduct by professionals in construction industry, the negative impact of unethical behavior in life cycle of project in construction industry and possible improvement and the third objective was to evaluate Unethical practices and behavior in the construction projects Factors lead to unethical behavior. Which is the most serious phase in the project life cycle affected by unethical practices and the last objective was to Study the key factors drive to unethical behavior appearance in construction projects.

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