Demonstrating integrity in a complex world
The importance of ethics in professional life
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Foreword

APM has just become a Chartered body, which is something to be celebrated. It is a recognition of a major step change for our profession. But with this higher profile and status come greater responsibilities for both practitioners and the profession as a whole (and rightly so). This transition offers us the chance to review the component parts of our profession and ensure we modernise and reform where needed.

For most professions there are three component strands to professional standards – usually described as knowledge, competence and behaviours (we describe it as the APM FIVE Dimensions of Professionalism but they map well to the three strands). Put simply, qualifications equate to the development of knowledge, with CPD providing the keeping up to date and staying competent elements. But the third leg of this professional tripod, arguably the ‘Cinderella’ part, is that of ethical conduct and behaviour.

In the court of public opinion and the modern age of professional standards this third element of ethical conduct and behaviour can no longer be assumed, like a ‘my word is my bond’ handshake, to be sufficient. No, the public interest and transparency of the modern world require professionals to be more overt in demonstrating their integrity. In an age of decreasing deference, and in some cases, downright suspicion of experts, it is important to have – and been seen to have – exacting ethical standards of behaviour. Knowledge and competence without integrity is a dangerous combination.

This increased emphasis comes at the right time. I would argue that many believe they know right from wrong, and are aware they are subject to a professional code - so job done? Not quite.

The management of ethics in projects is increasingly important for a number of reasons. First, an increasing public spotlight. There is a growing public intolerance of corporate misdeeds, whether perceived or actual. Regulatory and legal mechanisms, such as the UK Bribery Act or whistleblowing, have become more prevalent. What is acceptable or not acceptable as society norms continues to evolve. Increasingly projects are global in nature and attempt to span different norms of behaviour, creating more complex dilemmas. All these trends point to ethical conduct becoming more challenging as an issue.

This provides a major challenge to any project manager who needs think about an ethical approach to a project as an asset to be managed, not simply as a project to be delivered on time, on budget.

You only need to look around at other industries to see ethical or moral problems and conflicts of interest abounding. Project managers operate across a variety of sectors and are increasingly going have to deal with ethical dilemmas on issues with shades of grey, which require professional judgement and the active management of an issue. It is no longer enough just to do the right thing.

This Chartered paper looks at different aspects of ethical behaviour and hopefully can be part of the process for individuals, and the profession as a whole, to engage and understand better the increasing importance of ethics and integrity. This is the starting point for a debate about how APM can develop ethical support and frameworks beyond the Code itself.

We are grateful to the Institute of Business Ethics – who have done such pioneering work in this field – who have provided much of the content for this paper.

Alistair Godbold
APM Board member
About this paper

This paper is one of a series of Chartered thought leadership papers (‘The Road to Chartered’) being prepared by APM to help build its capacity as a chartered body. The series will be published over the next 12 months. This paper (the third in the series) focuses on the importance of ethics in professional life.

We are grateful to the Institute of Business Ethics (IBE), and to Simon Webley and Katherine Bradshaw in particular, for the bulk of the content for this paper. APM is a subscriber member of the IBE and we welcome their support in developing this paper.

As this series progresses it will provide members with an insight into how their professional body will develop and what this will mean for them, and crucially how you can be involved in this evolution. It will also signal to the wider public the intent of the project management profession to play its part in developing the social and economic well-being of the country – a contribution which we believe has for too long been under-appreciated.

This series of papers will also act as a springboard for debate – surely an essential role for a professional body – and will help explain the transformation the APM is experiencing as it evolves as a Chartered body.

It also provides a backdrop to the essential and detailed work being undertaken throughout 2017 and into 2018 when the APM develops the new standard for the profession and the establishment of a register. Despite the granting of the Charter at the end of 2016, this essential benchmarking work needs to be as thorough as possible to ensure the APM establishes the appropriate standard for a fully constituted Chartered body that will inspire public confidence.

We hope you will find the series informative, and whether you are a member, prospective member or an interested external stakeholder, provides a proper context to this important phase in the development of our profession.
Introduction

Project managers – like any profession – need trust in order to operate effectively. Whatever kind of project you are working on, you are being trusted to conduct yourself ethically. This is because you are dealing with projects which may have other’s livelihoods at stake and which communities may depend upon. A project manager, by definition, manages the relationships involved in undertaking a project. They need to have the trust, not just of the client, but of suppliers, contractors, partners and other stakeholders.

In this ‘post-truth’ era, trust is a precious commodity. Having a reputation for honesty and ethics can differentiate your business and make you more successful in the long term – by enhancing your reputation and increasing customer loyalty.

As a professional body, APM requires you to have high ethical standards, just as it requires you to have high professional standards. Developing ethical acumen is not only an essential personal skill; it is also a vital business skill. Clients are attracted to project managers who offer the very best, both professionally and ethically. High standards of ethical behaviour in the profession benefit everyone – the status of the profession itself is enhanced; the quality of the delivery of projects is raised; society benefits because project managers have completed their work to a high standard, not just on schedule or within budget, but with ethical responsibility.

What is business ethics?

The Institute of Business Ethics defines business ethics as the application of ethical values (such as fairness, honesty, openness, integrity) to business behaviour. It is about how business is done. Are colleagues treated with dignity and respect? Are customers treated fairly? Are suppliers paid on time? Does the business acknowledge its responsibilities to wider society? Put simply, business ethics is ‘the way business is done around here’.

Ethical values are the compass by which we live our life. They are what is important to us. APM’s ethical values include integrity, respect and empathy. What does applying these values mean in reality? For example, would you give an honest quote, even if that means losing out to the competition (who may not be so honest)? Would you stand up to a client if you felt they were asking you to do something unethical? Do you consider how a project will impact on the wider community? Business ethics applies to all aspects of business conduct, from boardroom strategies, sales techniques and accounting practices to stakeholder relations and issues of product responsibility. Business ethics concerns discretionary decisions that organisations, and the individuals who work for them, make in the day-to-day situations they face.
Project managers must lead by example, with ‘ethical sensitivity’—an understanding of fairness, openness, transparency, integrity, responsibility to others and the ability to recognise such issues as conflicts of interest as they appear.

The mis-selling of PPI (payment protection insurance) is a classic example of the downside of the pressure to reach targets. A lack of empathy for stakeholders, compounded by poor systems and controls, meant that those tasked with overseeing operations did not understand what was going on in the organisation.

Why is it important?

Reputations are based not only on a company’s delivery of its products and services, but on how it values its relationships with its stakeholders. Few will deny the importance of trusting relationships with clients, employees, suppliers and the community. Indeed, the success of any organisation depends on it.

The Institute of Business Ethics believes that all organisations should ‘do the right thing’ because it is the right thing to do. However, there is research demonstrating the benefits that businesses can enjoy who take their ethical values seriously can enjoy.

- An open culture improves morale, with possible benefits of increased productivity and loyalty—vital ingredients in the current climate when employees may be pushed to the limit. An organisation that is based on sound ethical values is likely to attract and retain high quality employees, enhance its reputation and generate trust amongst customers. Seventy per cent of graduates take note of a company’s ethical approach to doing business. For most it is the determining factor when they are assessing potential employers.¹

- Good relations with customers leads to an enhanced reputation. Demonstrating sound ethical practices can often generate ‘word of mouth’ goodwill which attracts more customers. Demonstrating sound ethical practices has become a condition for tendering for contracts, with large customers needing to ensure the integrity of their supply chain. Good relationships with customers based on a commitment to honesty and transparency will enhance a company’s reputation. Businesses that are familiar with these demands will have a competitive advantage.

- Ethical companies outperform their peers financially in the long term. Research suggests that, where there is a culture of doing business ethically, there is a consequent improvement in overall reputation and subsequent improvement in financial performance.²

For individuals, having a reputation as someone who takes their ethical responsibilities seriously will enhance your reputation, as well as that of the business. Developing ethical acumen is not only an essential personal skill, it is also a vital business one.

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If, as a project manager, your team can depend upon you to act with integrity, you will be setting the tone for the whole project. The importance of leadership should never be underestimated. The culture of an organisation is set by the ‘tone at the top’, whether that is senior management or team leaders. Leaders who talk about ethical issues, support their staff and behave in an open and transparent way, send the message to all employees—and the wider world—that ethics is taken seriously. Leaders lead by example. Fine words are all very well, but these need to be properly broadcast and visibly backed up by actions.

Any ‘say/do gap’ of leadership impacts on middle management. Top leadership generally espouses ethical behaviour, but often fails to ensure that there are sufficient systems and controls in place to support that behaviour. The result is that middle management, tasked with delivering business goals and targets set by senior management, have little incentive, or inclination, to deliver them in an ethical manner. A spiral of unethical behaviour can start from this pressure at the top. Obedience to authority is ingrained in our culture and workplace. When someone in a position of authority asks an employee to do something unethical or illegal, they can find it difficult to say no. It’s easier to justify bad behaviour if you are the instrument of another’s wishes.

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¹ https://www.theguardian.com/money/2006/jul/15/careers.graduates
² http://www.ibe.org.uk/List-of-Publications/67/47/pb24

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Ethical values play a critical role in building the right, sustainable relationship between business and society. Putting the customer first while recognising the interests of all stakeholders, operating reliably and honestly, being open both in explaining a company’s own position and in a willingness to listen to others, are all part of that.

Research by Muel Kaptein, of Erasmus Research Institute of Management, shows that in organisations where the management sets a good example, significantly less unethical behaviour is seen in the rest of the organisation than when the management sets a bad example. Thirty-two aspects of unethical behaviour were measured, including examples such as cheating consumers, squeezing out suppliers, deceiving shareholders, competing unfairly and violating human rights. Kaptein says: “Ultimately, ethical leadership should show people that they are not the product of their environment, but are capable of creating an environment in which they can get the best out of themselves and others.”

Benefits to the public of business ethics

Our lives as a society are inextricably linked to business: we rely upon the business community for jobs, products and services. Ethical business behaviour has the power to enhance our lives, but the opposite is also true.

An example of how responsible business practice that is in line with ethical values benefits society can be seen in a zero-tolerance policy towards bribery and corruption. The effects of corruption on a grand scale are well documented: politically, it represents an obstacle to democracy and the rule of law; economically, it depletes a country’s wealth, diverting it to corrupt officials’ pockets; environmentally, it often leads to the depletion of natural resources or their pollution. However, these effects, though powerful, may seem remote when, for instance, you need to secure a contract.

Some might say that facilitation payments are perfectly harmless – we get our contract and the official gets his small kickback; it’s just a way of doing business in some parts of the world. But there are social impacts of corruption: it can, for instance, lead to decisions being made for the wrong reasons. Contracts that are awarded because of bribes are not the best value for many in the community.

The challenge for business now is to develop a new relationship with society from which both will benefit. The 2008 global financial crisis toppled the old notion that business exists simply to provide short-term returns to shareholders. To earn its licence to operate, business must also provide something of value to society on which it depends for its franchise.

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Professionals have specialist skills and training, and how they use this knowledge is governed by codes of ethics. Such codes prevent clients being exploited and, as a result, protect the integrity of the profession, thus maintaining public trust.

History and development of ethics and ethical codes across the professions

Professional values are those defined by a professional body and govern how the members of that profession (for example accountants, lawyers, medics, etc.) are required to behave in carrying out their professional duties.

One of the earliest examples of a professional code of ethics is the Hippocratic oath, which has at its core the requirement for doctors to have “utmost respect for human life from its beginning” and dates back to Ancient Greece in the fifth century BC.

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Trust in the professions is vital; it is the reason you go to a doctor rather than the village witch; the reason you trust your accounts to an accountant rather than your teenage son who’s good at maths; the reason you commission an architect to design your house rather than draw the plans yourself. You employ a professional over an amateur because you can be sure that their professional body holds them to the highest standards of qualifications and conduct.

Professional bodies provide guidance to their members in what is required of them. This means that professional ethics takes precedence over what may be required by the company or the client.
Codes of ethics are developed to provide guidance in making the best decision; without them, choosing what to do can be a matter of instinct, simply hoping it is the right thing to do. Codes of ethics support decision-making. If values are a compass to guide our behaviour at work, then a code of ethics is a map which helps us to navigate the ethical dilemmas in the workplace.

Professional ethics in practice

Ethics starts where the law ends

The boundaries of right and wrong, as defined in legal statutes, are clear. However, behaving ethically, or choosing how one wants to undertake business and achieve business goals, is discretionary.

Ethical dilemmas can arise in many ways – from those related to strategy and policy as determined in the boardroom, to those faced by managers or by individuals in the course of their work. Dilemmas can occur at all levels.

Quandaries arise when the boundaries of right and wrong are not clear; when an individual is faced with two options – the choice between making a better choice, or the least wrong one; or when the needs of different stakeholders are conflicted. For example, by refusing to work with an unethical client, a company may lose business and, as a result, may need to make staff redundant.

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Ethics in decision-making

Making ethics an integral component across all aspects of business decision-making is a long-term skills and systems issue. For instance, including the use of ethical decision trees in the governance of decision-making opens up an opportunity for organisations to reflect more meaningfully on how the seeds of ethical failures develop. Encouraging project managers to consider the ethical dimensions of their decisions will not only minimise ethical risk, but will also maximise the benefits of effective ethical culture.

However, no decision is made in a vacuum. There will be times when taking an unbiased, objective and sufficiently informed decision will be very difficult. Individuals may often feel that they are doing the right thing (e.g. saving money for a client or the company; meeting a deadline; hitting a target; falling in line with the way something has always been done), and it’s only when removed from the situation that they are able to see a very different interpretation. This is because personal and cultural contexts – consciously and unconsciously – have an impact on our judgment and reasoning and, more importantly, our propensity to act on it. These can include bias from our own past experiences, ingrained beliefs, cultural norms, and the economic and physical environment. There will also be common workplace factors limiting rational decision-making, such as time pressure, complexity and authority.

Recognising that we are all susceptible to such influences challenges the prevailing arguments about why ethical lapses happen. They are not always because of ‘bad apples’ but can equally be the result of good people making poor choices or the pressures put upon them from other sources. The results of the IBE’s 2015 Ethics at Work Survey underlines this. While the majority (81 per cent) of British employees and 70 per cent of those in continental Europe feel that honesty is practised in their organisation, eight per cent in Britain and 13 per cent in continental Europe have felt pressure to compromise ethical standards, citing unrealistic business objectives and the boss’s orders as the two main reasons.

Dashboard of 2015 findings: Continental Europe

Dashboard of 2015 findings: Britain

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4 http://www.ibe.org.uk/list-of-publications/67/47#pub79
5 http://www.ibe.org.uk/List-of-Publications/67/47#pub2220
Companies overly focused on short-term profit become short-sighted and fail to deliver value to their customers. Scandals around remuneration, taxation and fraud are not the cause of the problem but often symptoms of deeper cultural issues within the business.

Reputation risk management

The risk of losing a reputation of integrity should be a main consideration of why doing business in line with ethical values is important.

Scandals reported in the media exemplify how the corporate culture of ‘how business is done’ can have a negative effect on a company’s integrity and, once exposed, its profits. Volkswagen had a reputation for reliability, but in the wake of the emissions scandal – where it was revealed that VW had been rigging tests of its diesel vehicles – that reputation was in tatters. Wells Fargo, which had managed to escape the ethical pitfalls which had affected other big banks during the 2008 financial crisis, ended up firing more than 5,000 employees and losing a CEO after it was found to have inadvertently incentivised its staff to create fake accounts on a massive scale, and then tried to cover up the problem.

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The same principle applies to project management. Good practice would include a risk assessment before ‘green lighting’ a project. Integrity risk should be included in any assessment.

The IBE has a simple ethics test which can help:

- **Transparency**: Do I mind others knowing what I have decided? (Also known as the ‘grandmother test’ or the ‘newspaper test’)
- **Effect**: Who does my decision affect or hurt?
- **Fairness**: Would my decision be considered fair by those affected?

The role of APM in embedding ethical values

APM’s code of professional conduct sets out the standards of ethical behaviour which the association requires of its members. Integrity is another dimension of professionalism, just as much as appropriate skills and knowledge. By becoming a member of APM, you agree to act with integrity in all your relationships.

The APM’s Professional Conduct Committee may hear cases of an alleged breach of the code in line with its procedural rules. This allows APM to build public trust and reassurance in the project management profession.
Conclusion

The IBE’s regular survey of public attitudes to business ethics shows that less than half of the British public believe that business is behaving ethically.6

Increased focus by the media, the public, regulators and governments on how companies undertake their business has made it critical that companies examine their ethical culture. Professional bodies such as APM play a crucial role in promoting trust in society by demanding high standards from their members who, in turn, promote ethics within their businesses and organisations.

Many companies make the mistake of only tackling ethical behaviour once a problem has arisen. A reputation takes years to build but can be lost overnight following an ethical lapse. Talking about ethical issues and training staff can help to encourage an ethical culture, where companies do the right thing because it is the right thing to do.

A healthy, trustworthy culture is the basis of a sustainable business in the long term. All project management professionals should feel this is clearly good management sense.
CPD reflective questions

- Reflecting on this publication, what observations might you make about the implications for your own conduct in the future?
- What ‘conflicts of interest’ are most likely to arise that might impact on you and your role?
- Does your own organisation or company have a code of ethics or conduct? Assuming yes, have you read it?
- What might be the benefits to the public of better business ethics?

APM – Continuing professional development

Continuing professional development (CPD) is part of the APM FIVE Dimensions of Professionalism and fundamental to business today. It ensures that you have the breadth of knowledge to illustrate your commitment to lifelong learning in a rapidly changing environment.

APM expects professionals to undertake 35 hours of formal and informal professional development every year. This is a professional obligation to clients and employers. As a committed project management professional, you are responsible for your own CPD activities, and you are expected to complete the required hours every year.

This publication counts towards one hour of CPD using the reflective questions.

APM is pleased to be a research partner of the Professional Development Consortium, which exists to support all those involved with CPD. A link to what APM classes as CPD can be found at apm.org.uk/qualifications-and-training/continuing-professional-development

Ethical guidance

For further reading and information about APM and ethical guidance, visit apm.org.uk/resources/find-a-resource/ethics-in-project-management
Appendix 1 – About the Institute of Business Ethics

APM is grateful for the co-operation we have received in the production of this paper. Here are some details about the principal IBE authors – Simon Webley and Katherine Bradshaw – as well as some brief information about the IBE as a body. APM is a corporate subscriber of the IBE.

IBE Team

Simon Webley, research director

Simon has been research director at the Institute of Business Ethics in London since 1998. He has published numerous studies on all aspects of business ethics, the most recent being: Codes of Business Ethics (2016): a guide to developing and implementing an effective code, Towards Ethical Norms in International Business Practices (2014) and Corporate Ethics Programmes Survey, UK & Continental Europe (2013). He has lectured and facilitated training on applied business ethics issues for organisations in many countries. Simon is a member of the ICC’s Commission on Corporate Responsibility and Anti-corruption and the British Standards Institute’s (BSI) Anti Bribery Standards Panel. Simon has a Master’s degree in Economics and Political Science from Trinity College, Dublin.

Katherine Bradshaw, head of communications

Katherine has more than a decade’s experience with IBE projects, including writing and editing the IBE Good Practice Guides on Developing and Using Business Ethics Scenarios, Speak Up Procedures and Surveying Staff on Ethical Matters. Her most recent publication is Communicating Ethical Values Internally. She devised the IBE E-Learning Tool, Understanding Business Ethics, and creates the scenarios for the IBE’s ethics training. Before joining the IBE she had a career in the music and comedy industry, with roles as general manager and press officer for, among others, Eddie Izzard, Robert Newman and the Guildford Festival. She has an MA in Creative Writing and Personal Development from Sussex University.

The Institute of Business Ethics was established by business in 1986 to encourage high standards of business behaviour, based on ethical values, to:

- raise public awareness of the importance of doing business ethically;
- help organisations strengthen their ethics culture through the sharing of knowledge and good practice; and
- assist in the development, implementation and embedding of effective and relevant corporate ethics and responsibility policies and programmes.

The IBE is a registered charity, funded by corporate and individual subscriptions.

Subscriber support, both financial and intellectual, helps us research, publish, provide training and tools to assist in the development of ethical business practice. www.ibe.org.uk
Appendix 2 – APM Code of Professional Conduct

The Association for Project Management, the Chartered body for the project profession, is committed to the highest standards of professional conduct and ethics for all project professionals. All APM members commit to the APM Code of Professional Conduct, which sets out the standards of conduct expected by those working in the profession in line with the APM FIVE Dimensions of Professionalism.

How it works

The code is approved by the Board and was developed in consultation with people both within and outside the profession. It was first approved by the APM membership in the general meeting. A professional conduct committee may hear cases of an alleged breach of the code in line with the procedural rules. This allows APM to build public trust and reassurance in the project management profession.

When to use the disciplinary process

The disciplinary process relates specifically to apparent breaches in the Code of Professional Conduct. A record of the decisions of the committee can be found on the APM website.

Appendix 3 – IBE e-learning tool: Understanding Business Ethics (an offer to APM members)

This short introductory training course is designed to raise awareness of what business ethics is about and to provide an understanding of why ethical standards in the workplace matter. Four interactive modules guide users through realistic challenges such as gifts and hospitality, conflicts of interest and health and safety.

This course will help employees recognise and confidently resolve ethical dilemmas that can arise as part of their day-to-day work. The training course is designed to support employees at all levels, in organisations of any size and in any sector, to ‘do the right thing’. Optional content is provided for those in managerial roles. The course is available online in English, French, German and Spanish.

www.ibe.org.uk/e-learning-tool-understanding-business-ethics/65/49

Please use the link via the APM website to get the discount (and code) for this offer.
Appendix 4 – Further information and reading from other professional bodies and publications

Institute of Business Ethics publications provide practical guidance to those involved in developing and promoting business ethics, including senior business people and ethics practitioners. Many of their publications are free to download – just click on the ‘view description’ button of the publication you are interested in and select ‘Download’. See the IBE link below for more details.

www.ibe.org.uk/list-of-publications/67/47

Recent titles include:

- Ethics Ambassadors: promoting ethics on the front line
- Surveys on Business Ethics 2016
- Corporate Ethics Policies and Programmes: 2016 UK and Continental Europe survey
- Attitudes of the British Public to Business Ethics 2016
- Stakeholder Engagement: values, business culture and society

Chartered Management Institute papers


Royal Academy of Engineering papers

www.raeng.org.uk/policy/engineering-ethics/ethics
Chartered Insurance Institute papers

- Ethical culture materials: www.cii.co.uk/knowledge/policy-and-public-affairs/articles/ethical-culture-cii-materials/40380
- Ethical Culture: building a culture of integrity (2013) www.cii.co.uk/27326
- Ethical Culture: developing a culture of responsibility in a regulated environment (2016) www.cii.co.uk/39598
- Ethical Culture: changing the story – reasons to believe (2014) www.cii.co.uk/32573
- Speaking Up: information for members about whistleblowing (2016) www.cii.co.uk/31018
The APM Road to Chartered Series

Previous papers in the series can be accessed by visiting apm.org.uk/resources/library/