

Ethics and Leadership



All PMI credential holders and members agree to abide by the PMI Code of Ethics. However, many fail to appreciate the importance of ethics to effective project management. The primary enemy of ethics is not greed or dishonesty but unthinking practice. Almost every business decision is affected by your personal experiences and biases¹ and has an ethical component; in fact the practice of labelling a decision a ‘business decision’ of ‘financial decision’ in itself can have ethical consequences by reducing the influence of ethical considerations. Doing the right thing

and making the decision² for the right reasons are at least as important as getting the right outcome, probably more so.....

A strong ethical framework is vital for personal success, ideally supported by the organisation’s governance structures³. The best way to maintain high ethical standards is to think frequently about the far-reaching impacts of your work; on others, and on the environment and social well-being of the society in which you live and work. Conversely, appointing unqualified project managers who lack the skills to deal with ethical dilemmas is an organisational failure that will lead to ethical issues.

Values, Morals and Ethics⁴:

Values are the fundamental beliefs of a person or social group in which they have an emotional investment. They are the principles we use to define that which is right, good and just. They are our standards which provide guidance as we make decisions about right or wrong, should or shouldn’t. They also help us decide which are more or less important, which is valuable when we have to trade off meeting one value over another. Typical values include honesty, integrity, compassion, courage, honour, responsibility, respect and fairness. They are used to define and differentiate right from wrong, good from bad, desirable from undesirable, and just and fair from unjust and unfair.

Morals are values which we attribute to a system of beliefs, typically a religious system and are based on ideas of right and wrong. These values get their authority from something outside the individual - a higher being or higher authority (e.g. society). Morals have a greater social element compared to values and tend to have a very broad acceptance. Many of our values are strongly influenced by our sense of morality - what is right as defined by a higher authority.

Most of the values listed above (honesty, integrity, compassion ...) can be categorised as ‘moral values’ - values derived from a higher authority. Which is a convenient way to differentiate them from what are often called utilitarian or business values, such as excellence, quality, safety, service, which define some elements of right and good in a business context.

¹ We are all **affected by bias** and it is impossible to eliminate their effects, however, by being aware of the influence of bias the consequences can be minimised: http://www.mosaicprojects.com.au/WhitePapers/WP1069_Bias.pdf

² Download a copy of the **PMI Ethical Decision-Making Framework** from: http://www.mosaicprojects.com.au/PDF/PMI_Ethical_Decision_Making_Framework.pdf

³ For more on the **function of governance in setting an ethical framework** see: http://www.mosaicprojects.com.au/WhitePapers/WP1096_Six_Functions_Governance.pdf

⁴ For further discussion on **morals, ethics, values, principles and policies** see: <http://mosaicprojects.wordpress.com/2014/09/20/the-moral-underpinnings-of-good-policy/>

Ethics is about our actions and decisions. They are the rules or standards governing the conduct of a person or the members of a profession. When one acts in ways which are consistent with our beliefs (whether secular or derived from a moral authority) we characterise those actions as ‘acting ethically’.

However defining what is ethical is not an individual exercise; ethics are defined societally, not individually, and tend to be codified into a formal system or set of rules which are explicitly adopted by a group of people⁵. And, Western culture is built on conflicting values. Since the French Revolution concepts of equality and freedom have underpinned the Western democracies, but equality requires the limitation of freedom and unfettered freedom generates inequality. For example, taxes to fund programs to assist the poor and reduce inequality restrict the freedom of wealthy people to spend their wealth as they see fit. These inherent conflicts will be resolved differently by different groups and societies.

The PMI Code of Ethics⁶

Creating and fostering a culture of integrity and ethical behaviour is critical to business success⁷ and is equally important to project success⁸. The most effective tool for achieving this is your behaviour. Behaviours are based on values, and the *PMI Code of Ethics and Professional Conduct* frames those values for PMI members, other professional organisations have similar codes for their members; but any written set of rules and guidelines can only provide the framework. If you plan to be a successful project leader, action is required based on implementing the spirit and intent of the framework, rather than minimal compliance with the ‘letter’ of each rule!

As a project leader, it is your actions that set the ethical tone that the other members of the project team will follow. Your actions reflect your beliefs; your beliefs are based in your values, moral reasoning, and ethical framework.

Fortunately, there is a ladder of development in moral reasoning (determining how to apply the Code of Ethics in any situation). Prof. L. Kohlberg (Chicago and Harvard Universities) has identified six stages of moral development:

1. **Rules -v- punishment trade off:** there is a fixed, external set of rules and only one right answer to every moral dilemma⁹.
2. **What’s in it for me?:** ethical behaviours are focused on self interest.
3. **Expectations of others:** behaviour is based on the expectations of others; eg, the boss, co-workers or family.
4. **The good of the group:** individuals at this level see the business or team as a whole. They obey rules, laws and respect authority so that the social order and business structures are maintained.
5. **What’s best for society:** thinkers at this level seek to do what’s best for all stakeholders. Leaders at this level understand and balance the interests of everyone in a principled way.
6. **Universal human ethics:** behaviour is predicated on actions and decisions that demonstrate a respect for all.

⁵ The **evolution of ethics** is discussed in:
<http://mosaicprojects.wordpress.com/2014/10/17/the-evolution-of-ethics/>

⁶ Download a copy of the **PMI Code of Ethics and Professional Conduct** from:
<http://www.mosaicprojects.com.au/PDF/PMICodeofEthics.pdf>

⁷ For more see *The Adversity Paradox*, J. Barry Griswell and Bob Jennings

⁸ See **WP1014 – Leadership**, http://www.mosaicprojects.com.au/WhitePapers/WP1014_Leadership.pdf

⁹ **Problems can be solved, dilemmas are intractable.** For more on decision making see
http://www.mosaicprojects.com.au/WhitePapers/WP1053_Decision_Making.pdf.



Growth from one level to the next is achieved when a moral dilemma is encountered which cannot be managed at your current level of reasoning; grappling with the dilemma to achieve a more comprehensive viewpoint is the path to growth. Most people find the help of mentors invaluable at these points.

The PMI Code of Ethics works at all levels, breach the mandatory provisions and you can be expelled from the association (Level 1); whilst the aspirational sections of the Code provide inspiration and challenges to encourage Level 5 and 6 thinking and behaviours.

Which level is appropriate?

Employing ethical people is critical for project and business success. New, junior team members need to be operating at Level 3 as a minimum and should be expected to rise to Level 4 quite quickly. Effective project leaders should aspire to operate at Level 5 in the hierarchy, focusing on the good of society, the business and stakeholders as a whole. Only exceptional business and national leaders achieve Level 6 but every leader should aspire to achieving this ultimate level of ethical behaviour.

Ethical approaches

Ethical theories and principles are the foundations of ethical decision making because they are the viewpoints from which guidance can be obtained along the pathway to the decision¹⁰. Each theory emphasizes different points such as predicting the outcome and following one's duties to others in order to reach an ethically correct decision¹¹. There are many different approaches that may lead to different outcomes including:

- **Utilitarian approach** that seeks to do the most good for the greatest number in an attempt to generate the largest ratio of good over evil possible. The problem is that what's good for the majority may be bad for others. If there are no benefits, the decision should do the least harm possible and do harm to the fewest people.
- **Theory of rights** states that an ethical decision does not infringe on the rights of another person. The weakness is not all rights are equal and the same 'right' may be valued differently by different people, and many decisions involve choosing between two competing rights.
- **Theory of justice and fairness** requires an ethical decision to result in an equal distribution of benefits and burden. But does not consider other factors such as moral rights and society's welfare.
- **Virtue approach** requires the decision maker to be virtuous because a virtuous person is ethical and their decisions allow us to live up to our full potential.
- **The deontological theory** states that people should adhere to their obligations and duties when analysing an ethical dilemma.

There are challenges in using any of these theories to make ethical decisions. Many decisions involve dilemmas¹² with no 'right answer' and many involve the risk of personal disadvantage.

¹⁰ For a brief discussion on the **evolution of ethics** see: <http://mosaicprojects.wordpress.com/2014/10/17/the-evolution-of-ethics/>

¹¹ If you have time to spare, this video sets the framework between consequential moral reasoning (overall utility) and categorical moral reasoning (some actions are fundamentally wrong): <https://youtu.be/kBdfcR-8hEY>

¹² For more on **dilemmas** see: http://www.mosaicprojects.com.au/WhitePapers/WP1053_Decision_Making.pdf



Ethical Leadership¹³

Ethical behaviour is just as crucial as effective leadership in persuading stakeholders to cooperate and support the work of the project manager. And leaders play a crucial role in establishing the ethical culture of their organisations¹⁴.

Ethical leadership influences behaviours across the hierarchy, to peers of the leader, and there is a cascading effect, with the ethics of a senior leader influencing a subordinate leader's behaviours.

As with any cascade, the flow is downhill. An October 2012 study among more than 2,500 serving military personnel published in the Academy of Management journal supports two key findings from various business studies, including one published in the Harvard Business Review¹⁵ and one by Boston University professor Tamar Frankel¹⁶:

- The ethical culture of a team is unlikely to be any stronger than the standard set by the team leader, and is usually slightly less ethical.
- The ethical culture of a less senior leader is unlikely to be any stronger than the standard set by the senior leader, and is usually slightly less ethical.

In short, the ethical framework of an organization is set at the top and standards can be expected to be similar or deteriorate as you move down the hierarchy and out into the teams.

Note that these studies were not looking at extreme ethical behaviours, such as dishonesty or discrimination, breaching these standards would offend most people. The research above focused on subtle but important aspects of ethics, similar to those found in the "aspirational" sections of PMI's Code of Ethics.

The practical implications of these findings are that leaders need to "walk the talk" by engaging in ethical behaviour. They need to create a strong ethical culture in their teams by providing the tools needed to help team members behave ethically, on a reinforced basis.

Ethical leaders are pragmatic 'givers'. In a world made up of givers, takers, and makers; givers can be champions or chumps!

- Givers are 'others focused' and prepared to put the needs of others ahead of themselves.
- Takers tend to use others for their own advancement or benefit.
- Makers look to trade and balance needs and giving.

The difference between the champion giver and the chump identified by Adam Grant in his book *'Give and take'* is the champion givers know when they are being taken advantage of (usually by a 'taker') and focus their attentions onto fellow 'givers' and 'makers'. They remain focused on the needs of the team and avoid the pitfall of becoming a doormat for takers to walk over.

Some tools to inject ethics into the team culture include:

- Positive reinforcement, such as praising people for notifying you of a mistake they have made.
- Encouragement of open reporting of "bad news" in any form.
- Creating an ethical culture by:
 - Acting with reason;

¹³ **Leadership** is discussed in more detail in: http://www.mosaicprojects.com.au/WhitePapers/WP1014_Leadership.pdf

¹⁴ For more on **ethics in organisations** see: http://www.mosaicprojects.com.au/Mag_Articles/P012_Ethics_Integrity_and_Governance.pdf

¹⁵ See, *The Data's In: Honesty Really Does Start at the Top*: <http://blogs.hbr.org/2012/06/the-datas-in-honesty-really-do/>

¹⁶ See, *Trust, Honesty and Ethics in Business*: <http://www.tamarfrankel.com/support-files/financeandcommongood.pdf>



- Acting for a clear purpose;
 - Acting based on defined values;
 - Fostering meritocracy;
 - Fostering transparency;
 - Acting truthfully;
 - Ensuring viability;
 - Doing no harm; and
 - Protecting the future.
- Ensuring all decisions are made within a strong ethical framework¹⁷. The function of applying ethical tests to potential options to solve a problem or a dilemma is to remove the ‘unethical options’ leaving a range of ethically acceptable options to choose from. Two of the key tests include asking ‘what is the effect on society if everyone dose the same thing?’¹⁸, and ‘how would you feel if everyone knew about your choice of action?’.
 - Establishment of systems that strongly encourage ethical behaviours, such as refusing to allow derogatory remarks in any form (jokes included).

To be effective, these tools require backing by formal systems¹⁹, such as clearly defined and protected "whistle blower" procedures. But once created, an ethical culture in your team can be expected to have a strong effect sideways and downward within the organisation, and outward to the wider stakeholder community.

Leaders also need to stay connected - abstraction allows unethical behaviour. A lack of personal connection allows managers to inflict pain on employees by lay offs, cuts in wages, etc., based on accounts and numbers the suffering they cause is abstract; the managers don't know the people they are hurting. Ethical leaders invest in relationships and share the pain, but real relationships only possible with 150 or less people. In larger organisations a hierarchy of relationships is needed backed by ways to show you care such as the Marine Corp tradition where officers eat last. Keeping relationships personal and making everyone matter helps support ethical decision making (note: ethical does not mean ‘soft’). The alternative is summed up in a quote from Stalin “One death is a tragedy one million deaths a statistic”.

Leaders set the ethical tone for their team, and can drive ethical practices beyond the team, or organisational boundary into the organisations ‘supply chain’. The value created by any project or organisation is dependent on their supply, or ‘value’ chain. Creating an environment focused on ‘shared value’ by implementing policies and practices that focus on enhancing organisational competitiveness while simultaneously enhancing the conditions in the host community and supply chain drives value - a win-win outcome for everyone²⁰.

Buying influence

Most ethical people and many organisations refuse extravagant gifts (or require them to be documented) to avoid any perception of inappropriate behaviour or influence, however, most allow low-value tokens of appreciation to be accepted. Conversely in many cultures if you are in the situation where you need favourable consideration from a ‘powerful’ person the act of ‘giving a present’ is a time honoured way to

¹⁷ Download a copy of the **PMI Ethical Decision-Making Framework** from:
http://www.mosaicprojects.com.au/PDF/PMI_Ethical_Decision_Making_Framework.pdf

¹⁸ Proposed by German philosopher Nietzsche.

¹⁹ For a discussion on the **link between ethics and policy** see:
<http://mosaicprojects.wordpress.com/2014/09/20/the-moral-underpinnings-of-good-policy/>

²⁰ For more on the **links between stakeholder and organisational value** see:
http://www.mosaicprojects.com.au/Mag_Articles/SA1031_Governance_and_Stakeholders.pdf



seek a favourable decision, but there is a fine line between honouring a cultural tradition and unethical inducements.

The ethical dilemma²¹ is profound. Small tokens and personalised low-cost gifts have been shown to be far more effective than high value gifts in influencing decisions. Most people will refuse the overt gift, particularly as it edges towards a bribe (and differentiating between a gift and a bribe is often dependent on the perspective of the observer²²), whilst accepting and being influenced by ‘token friendly gestures’.

Then there is the issue of culture. In some cultures gift giving and receiving is an important ritual, a refusal to participate would be totally inappropriate. The key in these cultures is proportionality.

The gap between a gift and a bribe is probably one of intent and timing. A gift (eg, an invitation to a football match) given before a person makes a decision from which you could benefit is most likely a bribe; seeking to influence the decision in your favour. The same invitation given after the decision was made, or when no decision is pending, is likely to be seen as a gift and part of normal corporate hospitality designed to build and maintain effective relationships (and building and maintaining robust relationships with stakeholders is a key driver towards project success²³).

Ultimately it is the responsibility of the person receiving the gift to think carefully about what it means, and the more powerful you are the more careful you need to be about what you accept from whom. Receiving gifts has always been one of the perks of power, the more power you have, the greater the risk.

The value of ethics

Ethics has its roots in ancient Greek philosophy where Plato records his teacher, Socrates, as having asked the fundamental question of ethics, “*What ought one to do?*” In more modern times, ethics defined as ‘*doing the right thing even when no-one is looking!*’ and whilst the ‘right thing’ may at time be hard to define - ethical dilemmas are common - the wrong thing is usually obvious and is not influenced by culture.

For both moral and practical reasons, organisations are interested in decreasing unethical behaviour and the relationship conflicts unethical behaviours engender; however, the application of ethics has to be tempered by the concept of ethical responsibility, a person can only be ethically responsible for decisions they make and actions they control – you cannot hold a person ethically responsible for decisions and actions they have no control over.

Leaders play a pivotal role in reducing the negative effects of poor ethical decision making and unethical actions. They set the ethical tone for the organisation and are instrumental in encouraging ethical behaviour, ethical decision making and reducing interpersonal conflict between their subordinates. Leaders achieve this by overtly modelling ethical behaviour and by using reward and punishment systems to influence their follower’s behaviour.

An open, ethical organisational framework is essential for the formation of effective teams and the development of trust²⁴ between people within the organisation, both of which contribute to the organisation’s ability to function effectively²⁵.

²¹ For more on **dilemmas** see: http://www.mosaicprojects.com.au/WhitePapers/WP1053_Decision_Making.pdf

²² For more on **bribery** see: <http://mosaicprojects.wordpress.com/2011/07/03/project-management-ethics/>

²³ For more on **stakeholder relationship management** see:
http://www.mosaicprojects.com.au/WhitePapers/WP1083_Valuing_Stakeholder_Management.pdf

²⁴ For more on the **value of trust**: http://www.mosaicprojects.com.au/WhitePapers/WP1030_The_Value_of_Trust.pdf

²⁵ For more **thoughts on ethics** see: <http://stakeholdermanagement.wordpress.com/?s=ethics>



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