



HONOR ABOVE ALL

*Building a Solid Core Value System
for Your Organization and Project Team*

Moderator


Dan Silverman, PWCI

Panel Members

Bonnie Martin, McCarthy


Marcy Szarama, Destination Enterprises

Paul "Sonny" Marshall, PWCI






What would you do if...?

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- Three weeks later you receive your refund check from the IRS in the mail.
- Once you open it, you see that the check is made in the amount of \$2,100,000.
- What would be your first response?

What would you do if...?

- You received the refund check for \$2,100,000
- What would be your initial reaction?
- Decision making continuum (place an X)



What would you do if...?

- You received the refund check for \$2,100,000
- What would be your initial reaction?
- How many were to right of center (keepers)?



What would you do if...?

- You received the refund check for \$2,100,000
- What would be your initial reaction?
- How many were to left of center (returners)?



What would you do if...?

- Most people asked this question respond with:
- “Not Sure”
- “Need more time; more information” before deciding

What would you do if...?

- You decide to do some research and you find out that:
 - The penalties for keeping the money are severe—prison time and huge fines. There's no “innocent mistake” defense.
 - *Now, do you move your X?*

What would you do if...?

- You decide to do some more research and you find out that:
 - The IRS makes about 12,000 similar mistakes each year; yet only 200 are detected
 - *Now, do you move your X?*

What would you do if...?

- You decide to do some more research and you find out that:
 - The IRS only pursues about 100 of the 200 they are aware of
 - *Now, do you move your X?*

What would you do if...?


- You decide to do some more research and you find out that:
 - Of those 100, only 10 are actually convicted
 - *Now, do you move your X?*

What would you do if...?

- So based on these facts you decide to keep the money:
 - The IRS makes about 12,000 similar mistakes each year; only 200 are detected
 - The penalties for the 200 can be severe—prison and fines
 - But the IRS only pursues about 100 of the 200 they are aware of
 - And of those 100, only 10 are actually convicted
 - *(Now, where do you deposit the check?)*



Ethics?

- Difficult to define
 - Hard to differentiate from morals, values, principles
- 




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- Differentiate from morals, values, principles
- Often cynically seen as strictures standing between us and complete happiness:



Ethics?

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Unfortunately I have these ethical standards that get in my way."





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 - My definition:.....
- 



Ethics?

**“It’s what you do when
nobody is looking.”**




What would you do, if...?

- *You are the CEO of a medium sized, local CM firm, and your firm had been participating in a grueling review for a huge CM contract with a County agency. You have been a key member of the project team since the review began yet one of your firm's Vice Presidents has been leading the firm's participation in throughout the review. This VP is slotted to be the full-time Sr. PM for the project if it is awarded to your firm.*



What would you do, if...?

- *After making it through numerous phases of the review (which began two months ago and initially included over a dozen different firms), the County has narrowed it down to you and one competitor for final presentations.*
- 

What would you do, if...?

- *Ultimately, your firm outscores your competitor by a small margin, much of which came from your firm's superior score in the key rating category of "project team personnel—experience and capabilities". The review committee selects you as the primary firm; you successfully negotiate all contract terms; and all that is left to finalize the contract is for the County Board of Supervisors to officially approve the award at their next Board meeting in two weeks.*

What would you do, if...?

- *After much well deserved celebration, the firm is already actively involved in getting the project moving forward in anticipation of the Board's "rubber stamp" consent item approval of your contract the next week.*

What would you do, if...?

- *Five days before the Supervisors' Board meeting you receive a letter of resignation from the VP; he has given you one month's notice. Although cordially and respectfully written he has provided no other information that gives you any indication as to why, what, etc. He has no employment contract and is employed "at will", so he has the right to do as he wishes.*

What would you do, if...?

- *Your attempts to reach him to discuss the situation are futile; as the VP had put in for vacation time months ago so that he could spend a week doing volunteer work in a remote part of an underdeveloped nation. He was not due back to work until two days after the Board meeting.*



What would you do, if...?

- *What would you do?*
- 

What would you do, if...?

- *What would you do?*
- *What could you do?*
- ?
- ?
- ?
- ?

What would you do, if...?

- *What would you do if **you also knew** ...*
- *that without being awarded this contract you were going to be forced to lay-off 20% of your staff?*

What would you do, if...?

- *What would you do if **you also knew** ...*
- *That reliable sources told you that your VP had accepted a VP position with the runner-up in the County's competition?*




Today's Session

- How ethics-related dynamics play out within industry
- The relationship between ethics and financial performance
- Establishing/ delivering on a "high ethic" core value foundation
- Suggestions for inherently ethical organization to get to next level
- A self-test---your firm/project team's ECS (Ethical Core Score)
- A discussion of "why" as well as "how"



Ethics


Talking vs. Doing

- Ethical business practices receive a great deal of attention
 - More recent phenomenon
 - Media attention, high profile cases this decade
 - Clearly illegal, by knowing crooks---that's not what we're addressing
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 - Say one thing and do another, or
 - Rationalize, blind-eye, gray-area to justify the goal
 - Machiavellian Ethics
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 - Machiavellian Ethics
 - Little more than empty promises/"lip service" when real-world
 - Mostly well-intentioned, but significant oversights
- 




So what?
What's the relevance?



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It is simply
and
clearly
smart business.



So what? What's the relevance?


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Winning business
Keeping business
Profitable business





It's Simply Smart Business


- "*Do It Right*", Jeffrey Seglin: Practicing ethical business usually has significant positive impact on bottom line.
- 

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- "*Do It Right*", Jeffrey Seglin: Practicing ethical business usually has significant positive impact on bottom line.
- Companies that consider money, **and** people **and** the common good generally outperform those that consider only money




It's Simply Smart Business

- Study published by Harvard Business School professors Kotter and Heskett
 - 207 large US firms studied over 11 year period
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 - stock price (901% vs. 74%)

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 - stock price (901% vs. 74%)
 - net income (756% vs. 1%)




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 - Business Week's 500 largest public U.S. companies
 - Fortune's "200 Most Admired" large U.S. companies
- 

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- Results:
 - Regarding public disclosure of internal controls:
 - All had and communicated the typical public company controls (Board Audit Committees, banking/investment policies, etc.)

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 - 27%:public representation that ethics is part of their internal control system
 - 14% have explicit commitment to ethical accountability




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 - Results:
 - Companies publicly committing to follow an ethics code as an internal control strategy achieved significantly higher performance measured in both financial and non-financial terms
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 - Even higher average score for those with a more explicit ethics commitment
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 - Conclusions—Direct correlation between superior financial performance and:
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- Conclusions—Direct correlation between superior financial performance and:
 - Management perceived as ethical by customers/employees
 - A “Values-based” code vs. a “legalistic code” in motivating the kind of behavior that results in long-term profitability and success.

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- Conclusions—Direct correlation between superior financial performance and:
 - Management perceived as ethical by customers/employees
 - Values-based code is more effective than legalistic code in motivating the kind of behavior that results in long-term profitability and success.
 - Expression of commitment to ethics through actions and not just words.



It's Simply Smart Business

- Seglin: KPMG Consulting's 2000 Organizational Integrity Study
 - Conclusions: "Corporate directors and senior managers that are paying greater attention to the importance of intangible corporate assets (like a highly motivated workforce, trustworthy suppliers, a loyal customer base and, most important a reputation for fair dealing), are generally experiencing a positive financial performance impact."




It's Simply Smart Business

- Big Five Study: “Why Client’s Defect/Terminate Professional Services Contracts”
- 



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 - 28 attributes measured
 - 22 were “hard”/technical—skills, timelines, quality of thinking, credentials, experience, efficiency
 - 6 were “soft”/behavioral---lumped together as “something about the way they do business”—dispute resolution, trustworthiness, diplomacy accountability, honesty, kindness/supportive



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 - 72% discontinued relationships due to the soft stuff
 - “Something about the way they do business”



Saying One Thing and Doing the Other

- (Who Conducted The Study?)
- 



Say One Thing and Doing the Other

- (Who Conducted The Study?)

Andersen Consulting!





Andersen/Enron

- Differentiating: Not what we're discussing
 - Blatantly/ knowingly unethical
 - Crooks who got caught
 - Violated ethical standards **and** broke the law

Andersen/Enron


- Differentiating: Not what we're discussing
 - Blatantly/ knowingly unethical
 - Crooks who got caught
 - Violated ethical standards **and** broke the law
- Instead, our focus: more subtle, passive, legal
 - Can still be costly, messy, ugly, unpleasant, embarrassing
 - As much what *is not* done as what *is* done
- The Seven Inadvertent Oversights

Good business is staying out of trouble





Good business is staying out of trouble

- Claims, Litigation, and the other “lose-lose” scenarios
- 




Good business is staying out of trouble

- Claims and Litigation
 - Directly related to “trust”
 - Even more so than “competence”, “experience”, “size”, “qualifications”



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- Claims and Litigation
 - Directly related to “trust”
 - Even more so than “competence”, “experience”, “size”, “qualifications”
- So, who’s likely to get sued?
- What you can do to help avoid it happening to you and your firm?




Good business is staying out of trouble

- Claims in our industry: analogous to medical malpractice
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- Claims in our industry: analogous to medical malpractice
 - A study conducted by an insurance company that sells M.D. Malpractice Protection.
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- Interested in: finding out WHO, amongst all of the physicians, is likely to get sued.



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- Claims in our industry: analogous to medical malpractice
- A study conducted by an insurance company that sells M.D. Malpractice Protection.
- Interested in: finding out WHO, amongst all of the physicians, is likely to get sued.
- Challenge commonly held beliefs regarding propensity factors: experience, specialty, education, etc.

Good business is staying out of trouble


- The research study:
 - Medical researcher, Wendy Levinson, recorded 100's of conversations between a group of physician's and their patients.
 - Roughly 1/2 had never been sued and the other 1/2 had been sued at least twice.
 - Just by the conversations, she found clear differences between the two groups.

Good business is staying out of trouble

- The findings:
 - The “never been sued group” spent more time with their patients.
 - They used “concerned” comments like:
 - First I’ll examine you, and then we’ll go over your questions; we’ll talk the problem over; we’ll leave plenty of time for questions.
 - They used active listening ,responded to patients like
 - “Go on; tell me more about that...”
 - They also laughed and interacted with the patients.



Good business is staying out of trouble

- The conclusions:
 - There was no difference in the amount/quality of information they went over.
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 - Patients far less inclined to sue-- even when incompetence was evident—as long as they experienced genuine trust, honesty, respect, concern

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- The conclusions:

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- The difference was in how the doctors actually interacted with their patients.
- Patients far less inclined to sue-- even when incompetence was evident—as long as they experienced genuine trust, honesty, respect, concern
- Conversely, something goes even moderately wrong—with the “less caring” M.D.s, patients wanted revenge




Good business is staying out of trouble

- The lessons for us:

People that trust you, like you, and feel that you genuinely care about them aren't nearly as likely to sue you. Even when you mess up.


But, those that feel taken advantage of, disrespected, or not dealt with fairly, will be waiting to extract their pound of flesh when they see the opportunity.





HONOR ABOVE ALL

Now: Established a basis for Ethics ROI
Shift: Why aren't we all doing it?





The Seven Inadvertent Oversights






The Seven Inadvertent Oversights

- **I. The Temptation to Blame the System**
- 




The Seven Inadvertent Oversights

- I. The Temptation to Blame the System
 - II. Choosing the Not-So-Good Eggs
- 




The Seven Inadvertent Oversights

- I. The Temptation to Blame the System
 - II. Choosing the Not-So-Good Eggs
 - III. The Truth. The Whole Truth. And Nothing But The Truth.
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The Seven Inadvertent Oversights

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 - **IV. What You Allow, You Encourage**
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 - V. After the Ecstasy there is The Laundry
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- VII. Self Examination/Testing



The Seven Inadvertent Oversights

I. The Temptation To Blame The System



The Seven Inadvertent Oversights

I. *The Temptation To Blame The System...Sad, but true?*



The Seven Inadvertent Oversights

I. *The Temptation To Blame The System...Sad, but true?*





The Seven Inadvertent Oversights

I. The Temptation To Blame The System

- Common Beliefs
- 



The Seven Inadvertent Oversights

I. The Temptation To Blame The System

- Common Beliefs
 - “Just the way our business is”
 - Fight Fire With Fire mentality



The Seven Inadvertent Oversights

I. The Temptation To Blame The System



Michael Josephson/

Josephson Institute of Ethics:

“Ethics is not about the way things are; it's about the way they ought to be. Conduct doesn't become ethical because it's common. No matter what others do, the moral obligation to be honest, respectful, responsible, fair, caring and a good citizen are personal and perpetual. If you fight fire with fire, all you'll end up with are the ashes of your integrity”.



The Seven Inadvertent Oversights


I. The Temptation To Blame The System

- Common Beliefs
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 - American workers survey:
 - More than half—did something illegal or unethical due to “pressure”



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 - Bottom line: avoid playing the “everyone else does it card”




The Seven Inadvertent Oversights

I. The Temptation To Blame The System

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How Prevalent are these perceptions in our industry?





The Seven Inadvertent Oversights

I. The Temptation To Blame The System

- Abundance of ethics related research
 - Yet, scarce specific to our industry
 - Attempts that fail—lack of response, “who me?”
 - Plain and simple---don’t jump at chance to talk about
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The Seven Inadvertent Oversights

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- One recent study broke the mold; insightful data and observations
- FMI, Raleigh based management consulting and investment banking firm to construction industry
- “Survey of Construction Industry Ethical Practices”
 - In conjunction with CMAA
 - Anonymous on line survey



The Seven Inadvertent Oversights

I. The Temptation To Blame The System


- FMI Study on Ethical Practices in Construction:
 - 9 out of 10: industry needs more ethics training
 - 85% believe should have industry wide code of ethics





The Seven Inadvertent Oversights


I. The Temptation To Blame The System

- FMI Study on Ethical Practices in Construction:
 - 9 out of 10: industry needs more ethics training
 - 85% believe should have industry wide code of ethics
 - Yet only 30% thought it being enforceable is good idea (i.e., make it a 'straw man')
 - 70% said their firm has no formal ethics program in place
 - 58% said topic of ethics never comes up in meetings or negotiations
- 



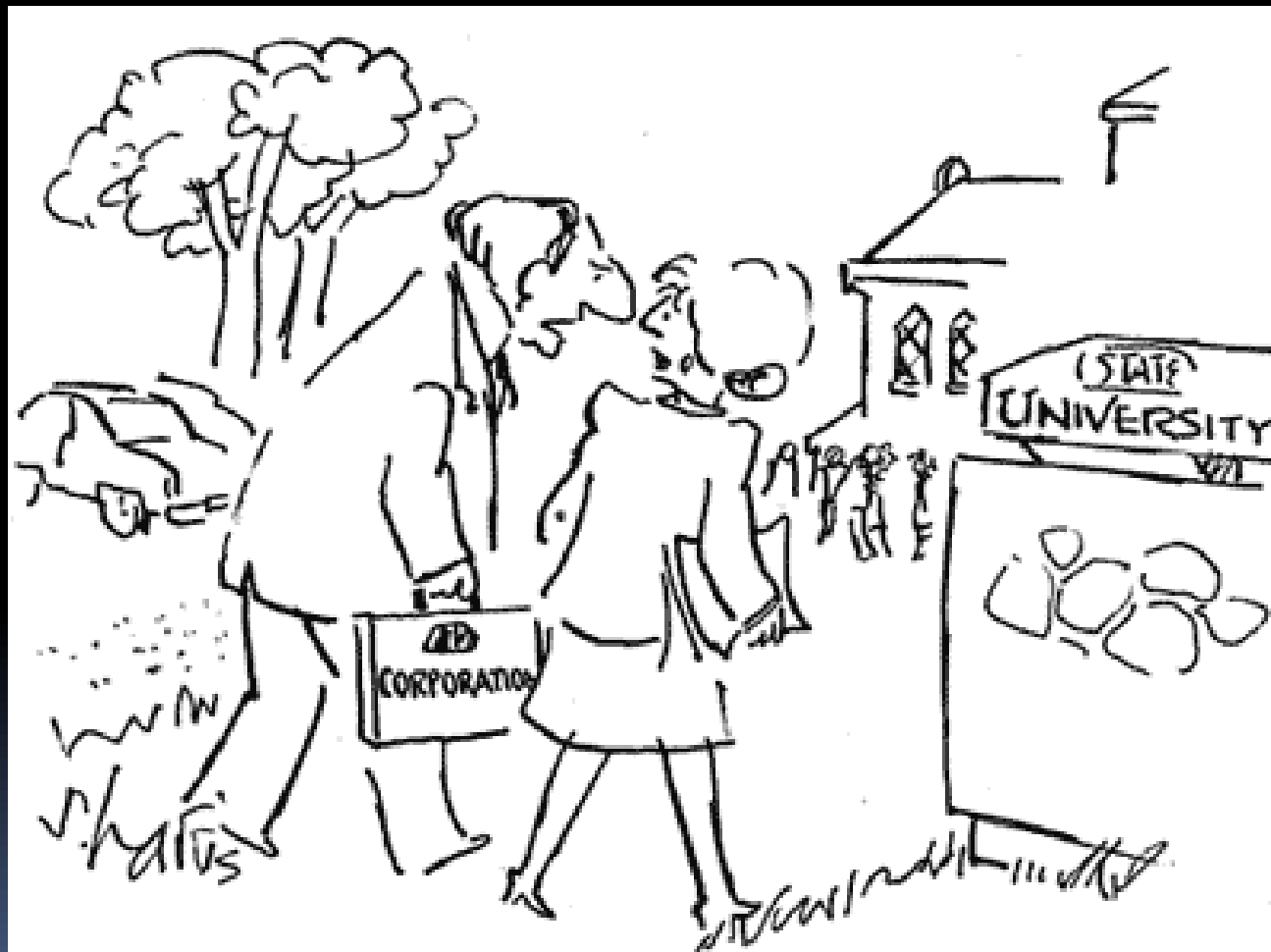
The Seven Inadvertent Oversights

I. The Temptation To Blame The System

- FMI Study on Ethical Practices in Construction:
 - Industry standards of practice/hot issues:
 - Bid Shopping
 - Change Order games
 - Over-billing
 - Questionable claims
 - Payment practices
- 

The Seven Inadvertent Oversights

II. Choosing The Not-So-Good Eggs




"NOW REMEMBER — WE WANT TO RECRUIT PEOPLE WHO HAVE FAILED ETHICS."



The Seven Inadvertent Oversights


II. Choosing The Not-So-Good Eggs

- “He’s (or She’s) a good-egg”
 - An egg—only see what is evident/presents to us
 - The shell—insignificant value
 - Critical—what lies beneath the surface
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The Seven Inadvertent Oversights

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- Same with people
- Hiring a new manager?-- what are the most important qualities?
 - Obvious: Knowledge, tech skills, experience, relationship building
 - What about: honesty, moral courage, accountability and fairness?
 - What ?s do you ask of interviewee, references?

The Seven Inadvertent Oversights


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 - What ?s do you ask of interviewee, references?
- Bottom Line: Who will hurt you more?



The Seven Inadvertent Oversights

II. Choosing The Not-So-Good Eggs

- ***"In looking for people to hire, look for three qualities: integrity, intelligence and energy."***
- 

The Seven Inadvertent Oversights

II. Choosing The Not-So-Good Eggs

- *"In looking for people to hire, look for three qualities: integrity, intelligence and energy. But if they don't have the first, the other two will kill you."*

---Warren Buffett



The Seven Inadvertent Oversights

III. The Truth. The Whole Truth.

And Nothing But The Truth.



The Seven Inadvertent Oversights

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"Act your age" is an expression,
not a loophole.



The Seven Inadvertent Oversights

III. The Truth. The Whole Truth.

And Nothing But The Truth.

***"We Won't Have A Fine Print Relationship With
Anyone"***



The Seven Inadvertent Oversights

III. The Truth. The Whole Truth.

And Nothing But The Truth.

***"We Won't Have A Fine Print Relationship With
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***--Herb Kelleher, Founder and CEO
Southwest Airlines***



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III. The Truth. The Whole Truth.

And Nothing But The Truth.

- “Fine Print” = Letter (vs. Spirit) of the Law
 - Point out/emphasize sensitive detail? Or bury it?
 - Owner contracts; employment agreements, other

The Seven Inadvertent Oversights

III. The Truth. The Whole Truth.

And Nothing But The Truth.

- “Fine Print” = Letter (vs. Spirit) of the Law
 - Point out/emphasize sensitive detail? Or bury it?
 - Owner contracts; employment agreements, other
- Fine Print = Wiggle Room
 - Legal compliance important but not enough
 - The clever can always find loopholes
 - Gamesmanship may be legal, but ethics not about “your legal right”
 - Lots of legal things are just plain wrong to do
 - Dispute resolution—hold them to it? Or empathy and understanding?



The Seven Inadvertent Oversights

III. The Truth. The Whole Truth.

And Nothing But The Truth.

Avoid adopting fine-print mindset; instead
good-as-gold handshake relationships



The Seven Inadvertent Oversights


IV. What You ALLOW You Encourage





The Seven Inadvertent Oversights


IV. What You ALLOW You Encourage

- We learn this one as parents of young ones
 - More difficult with employees
- 



The Seven Inadvertent Oversights

IV. What You ALLOW You Encourage

- The 95% Syndrome
 - Similar to the kids game “telephone”
 - Same holds true for demonstrating ethical standards
 - Strive for 100% compliance—Shoot for 110%
- 



The Seven Inadvertent Oversights

V. After the Ecstasy, The Laundry



The Seven Inadvertent Oversights

V. After the Ecstasy, The Laundry

- Introduce an ethics policy: cloud nine
- Flawless execution/priority is critical
- The long-term, sustainable
- Incorporate into performance reviews
- Encourage “free-speech”
 - Take the person that says “I messed up” over the one who “covers up”
- Measure performance beyond the traditional--incorporate the ethics related



The Seven Inadvertent Oversights

VI. Share/Communicate Your Commitment





The Seven Inadvertent Oversights

VI. Share/Communicate Your Commitment

- Market and communicate
- Internal and external
- Recognize and Reward
- For Recruiting—weed out and attract
- Criteria for selecting consultants, contractors, even owners
- Birds of a feather/the company you keep



The Seven Inadvertent Oversights

VII. Put Yourself to the Test



The Seven Inadvertent Oversights

VII. Put Yourself to the Test

- Take a hard look inward
- Honest self-assessment
- Set a standard and gauge how well is the delivery
- PWCI---self-examination questionnaire
 - Twelve minutes to complete and submit
 - Return it with your ECS (Ethical Core Score)

What would you do if...?

- *You are a junior-level administrator for a leading construction management firm. One of your top performers, Robert Jones, has been with your firm, GLP Partners, for less than a year, and he serves in a senior executive level capacity. A significant factor in his hiring was the fact that his resume stated that he was Executive Vice President of Business Development for McMillan Management, a prestigious and highly admired national construction management firm.*

What would you do if...?

- *Jones' resume stated that in his five years with McMillan he was responsible for generating \$650 million in new business---an annual growth rate of over 45%. He also included a list of Owner's and projects that he was intimately involved in, many of which were public agency's at the State and Federal level.*

What would you do if...?

- *About three months ago, Jones was instrumental in securing a major CM contract for GLP with a large State public agency; and Jones was assigned as Executive in Charge. This contract is McMillan's largest, and it represents 30% of GLP's revenues via a lucrative five year contract. The agency in awarding the contract to GLP stated publicly that much of the decision to select the firm was due to Jones' relevant experience at McMillan and that it was, in fact, the primary reason that AB&C hired GLP over the runner-up after a grueling competition.*

What would you do if...?

- *By all accounts, Jones is doing a fantastic job leading the new project; and has established an amazingly solid rapport with the agency's senior decision-makers. The State is so impressed that additional CM opportunities are being presented to Jones/GLP.*
- *Internally, Jones has established himself as the firm's "fair-haired boy", and GLP's Chairman/CEO even highlighted Jones' recent accomplishments in the company's annual report.*

What would you do if...?


- *Last week, GLP hired another person from McMillan and in passing you mentioned to the new person that McMillan has another GLP alum working there, Robert Jones. You sings Jones' praises, in particular about his stated achievements and experience at McMillan, and you go on to mention what a huge win it was for GLP to win the recent State agency contract.*

What would you do if...?

- *The new person is apparently perplexed responds that Jones' actually was in a much different position at McMillan, and that his accomplishments were much more modest—and as a matter of fact, he was actually demoted due to his participation in some “scam” that found McMillan fighting numerous civil charges for three years .*




What would you do if...?

- *What would you do next?*
 - *How would you like your firm to handle this situation?*
 - *Is there consistency?*
- 




Getting Started

- A number of methods and processes
 - A few that should be on everyone's list:
- 



Getting Started

- **# 1. Develop a code of ethics and code of conduct, and *stand behind them***
 - Enron's was extensive; execution and adherence?
- 



Getting Started


- **# 2. Recognize that an ethics code in addition to everything else, is just plain smart business**
 - Use data to convince the naysayers
 - Why it has a solid financial ROI

Getting Started

- **#3. Look for top-tier involvement**
 - A board-level ethics committee
 - An ethics management committee of senior executives
 - An ethics officer
 - An ombudsperson
 - Don't need all; but serious indicator of importance





Getting Started

- **#4. Make Ethics Decisions in Groups**
 - Varying viewpoints
 - Better buy-in
 - Spreads execution for policy and enforcement
 - Expands the corporate mouthpiece
- 



Getting Started

- **#5. Participate in an outside ethics program**
 - Requires expertise---beyond just “here’s what I think”
 - Josephson Institute of Ethics Business program
- 



**“PEOPLE ARE LIKE
TUBES OF TOOTHPASTE.
YOU SEE WHAT’S
INSIDE OF THEM WHEN
THEY GET SQUEEZED.”**



HONOR ABOVE ALL

*Building a Solid Core Value System
for Your Organization and Project Team*

Moderator

Dan Silverman, PWCI

Panel Members

Bonnie Martin, McCarthy

Marcy Szarama, Destination Enterprises

Paul "Sonny" Marshall, PWCI