Ethical Predisposition of Project Managers in the Delivery of Construction Projects in the NHS

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The National Health Service (NHS) is a major client of the construction industry with cost of the healthcare estate estimated to be over £8 billion and capital investment of £2 billion in 2015/16. The aim is to investigate if project team members are ethically predisposed to make decisions based on rules or outcome and to examine its relationship with governance and project outcome. A two-stage approach was used based on survey and interviews with senior project managers. Out of 51 participants, formalism predominated regardless of age or gender with 45 formalists (‘rules followers’), and 4 utilitarians (‘outcome driven’ or ‘ends focused’). The NHS culture is rules and protocol-driven for patient safety and for its duty of accountability to the tax payer. Project governance was more effective as the corporate governance layer did not have sufficient knowledge about construction projects, risk mitigation, and are often perceived to be uninterested in project details. The findings suggest that NHS projects are managed by people with high ethical standards and the governance process whilst acknowledged to be important was sometimes perceived to be ineffective due to difficulties at the interface between corporate and project governance which needs to be addressed for project ‘success’.

Keywords: ethical predisposition, governance structure, NHS, project outcome.

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Introduction

In 2015/6 the cost to the UK’s NHS of running the healthcare estate was over £8 billion whilst capital investment was approximately £2 billion (NHS Digital, 2017). The importance of project delivery to time, cost and quality for the NHS is explicitly identified in the Capital Investment Manual (NHS Executive, 1994), which sets out the requirements that hospital trusts must meet to justify expenditure on healthcare infrastructure projects. The importance to the taxpayer of the successful delivery of projects is important because overspends result in cost pressures to the NHS or other government departments and delays mean that improved healthcare provision is delayed (NHS Executive, 1994).

Ethical predisposition affects decision-making on healthcare projects. The APM (2018) states that ‘integrity, respect and empathy’ are attributes of ethics in project management. Ethics is ‘how to do it best’ which is defined as ‘honesty, responsibility, respect and fairness’ (PMI, 2018). These qualities are not ends in themselves but are important because they give confidence in the profession and the delivery of projects. Ethical theory explains how people judge what is the right and wrong. There are two main schools of thought: formalism and utilitarianism (Brady & Wheeler, 1996).

Formalism is the judgement that an action is right if it is based on following rules. It is not concerned with outcome, so it is ‘a moral system built not around the notion of some goal that is to be attained but rather around the notions of rules or principles of actions or duties or rights or virtues, or some combination of these’ (Mackie, 1977, p. 149). Utilitarianism on the other hand is concerned with the outcome of an action. ‘There is nothing intrinsically good or bad about the actions themselves. An action is morally right if doing it would bring about the best possible consequences if everyone performed that action whenever he or she were in that sort of situation’ (Miles, 2012, p. 106). Formalism underpins corporate and project governance, which are both concerned with following rules and principles, such as those set out in The Cadbury Report (1992) or Nolan’s Standards for Public life (1995). The UK government has taken an active part in writing guidance and supporting corporate and project management techniques to promote good practice based on processes, roles and structures, to help ensure successful project delivery, including HMT Green Book (HM Treasury, 2003) the CIM (1994), (NHS Executive, 1994) and advocating the use of PRINCE2® (NHS Executive, 1994) and Gateway™ (DH, 2006).

The need to identify what makes projects successful has been researched for decades and several factors have been identified. However, the role of ethical predisposition and project governance have not been adequately addressed in the NHS. The CIM (1994) made it clear that poor project performance would result in increased taxes or reduced service (NHS Executive, 1994). Building on previous studies of applied business ethics, one strand of this study examined whether ethical predisposition leads to successful project outcome. The second strand builds on the work of Pinto, Slevin and Covin from the 1980s and 1990s on critical success factors (CSF) and the work of the APM (2015), which are things that need to be in place to help projects succeed.

Following on from the introduction, the paper is divided into a review of the literature focusing on ethics, corporate and project governance and project success; an outline of
the research methodology; the findings from the surveys and face-to-face interviews with senior managers in NHS construction projects; an analysis and discussion of the findings and the conclusion.

**Applied business ethics**
The research in this field has mainly examined whether people are formalists or utilitarian based on their age and gender. Measurement was carried out using vignettes (scenarios) whereby participants were asked to indicate what course of action they would take in each scenario based on a set of choices presented to them. Each choice was categorised as formalist or utilitarian. Alternatively, Brady and Wheeler’s (1996) MEV (Measure of Ethical Viewpoints) was used, which is a list of 20 traits that respondents were asked to grade based on a 7-point Likert scale. This grade respondents as formalist or utilitarian based on a sliding scale, so someone could be more or less predisposed to formalism or utilitarianism. It is argued that rules following results in more ethical behaviour is more ethical than utilitarianism (Fritzsche and Becker, 1984, Schwartz, 2007)

Amongst business managers, there appeared to be a tendency toward utilitarianism and this caused Fritzsche and Becker (1984) to question whether this tendency was good for society. This view was contested by Brady and Wheeler (1996) who found more evidence of formalism in their subjects than Fritzsche and Becker (1984) had. In relation to gender, the results were mixed. Betz et al (1989), Ruegger and King (1992) and Schminke and Ambrose (1997) suggested that women may be more formalist than men, whilst others could not find a discernible difference (Beltramini, et al., 1984 an Kidwell et al (1997). Results for age seem to be more conclusive with Fritzsche and Becker (1984) and Brady and Wheeler (1996) finding that older people were more likely to be formalists than younger people.

**Corporate and project governance**
The OECD defines corporate governance as ‘procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders – and lays down the rule and procedures for decision making’ (ECB, 2005). Corporate governance is underpinned by principles of honesty, integrity and openness and is important because poor corporate governance is harmful to confidence in business. These included high profile corporate failures such BCCI and as Maxwell Communications, BCCI, and others undermined confidence in business (Sir Adrian Cadbury, 1992).

The consequence is lack of trust, unwillingness to take risk, reduction in company value and the reduced availability of capital (Witherell, 2002). In the public sector, poor performance and behaviour also threatens public confidence in the legitimacy of governments. In the UK scandals such as the 2009 expenses scandal, which Gordon Brown called the ‘biggest parliamentary scandal for two centuries (van Heerde-Hudson, 2011). Tony Benn MP argued that this threatened democracy itself (The Independent, 1994). The rules and processes of corporate governance provide openness and transparency in the dealings of the private and public sectors to uphold trust and confidence. Reports such as the Cadbury Report (1992), the Nolan Report (1995) and the Combined Code (1999) set out the principles, structures and processes which must be complied with to show the best possible standards of behaviour.
The term project governance was not widely used before 2000 but it is now more commonly used. Project governance flows from corporate governance (HM Treasury, 2007). The definitions of project governance are similar to those of corporate governance. “Project governance is a set of formal principles, structures and processes for the undertaking and management of projects, applicable in the context of individual projects, programs or portfolios of projects. It involves appointing a governor (or governing body) for a project, defining and regulating roles, accountabilities, decision making and boundary management, and coordination’ Hazard & Crawford (2004); Patel & Robinson (2010). The need for project governance is the same as the need for corporate governance. The outcome of projects needs to be legitimate and relied on by stakeholders, both internal and external. ‘Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’ (Suchman, 1995 cited in Muller, 2009, p88). The principles of project governance are created through process and structure, like those identified by Hazard & Crawford (2004) and are linked into the corporate governance arrangements.

**Project Success**

Project success is traditionally measured as the delivery based on the parameters of time, cost and quality at the end of the project management phase. This is widely used model evidenced by its inclusion on the website of the APM and in the 2006 British Standard on project management (British Standards, 2006). However, its usefulness has been contested for its narrowness of definition of project success, the timing of when success is measured and who measures success. Other alternatives have been suggested, such as the ‘Square Root (Atkinson, 1999) which adds three other measures to that of the iron triangle. Joslin & Müller (2016) suggested that the iron triangle should be expanded from the traditional measure of time, cost and quality to include benefits such as project efficiency, impact, benefits to the organisation, stakeholder satisfaction and potential’. Despite these alternatives the iron triangle persists as a model perhaps because of its flexibility and simplicity.

**Research methodology**

A two-stage mixed methods approach was used to address the research questions. An e-survey was developed to establish ethical predisposition, the effectiveness of corporate and project governance the way that project personnel judged project success. An electronic survey was developed using commercially available software to establish the ethical predisposition of respondents, demographic information, information about the projects, views about project outcome, the effectiveness of corporate governance, project governance and opinions about what factors make project successful. An email containing a link to the e-survey was sent to 138 email addresses. Of 203 approaches (138 emails and 65 LinkedIn requests), 51 usable surveys were obtained, giving a success rate of 25%.

The first stage was followed by the second stage face-to-face interviews. The results were examined and the findings that emerged were taken forward for further exploration with six face-to-face interviews with industry experts (shown in Table 1).
Table 1: Profile of Experts

<table>
<thead>
<tr>
<th>Experts</th>
<th>Position and Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expert A</td>
<td>Senior manager and has worked on several NHS projects as an NHS employee</td>
</tr>
<tr>
<td>Expert B</td>
<td>Senior manager and an external supplier with extensive experience of working for the NHS on NHS construction projects</td>
</tr>
<tr>
<td>Expert C</td>
<td>Worked on major NHS projects as a senior manager employed by the NHS</td>
</tr>
<tr>
<td>Expert D</td>
<td>Senior manager and an external supplier with extensive experience of working for the NHS on construction projects</td>
</tr>
<tr>
<td>Expert E</td>
<td>Senior manager and has worked on several NHS projects as an NHS employee and in the private sector</td>
</tr>
<tr>
<td>Expert F</td>
<td>Senior manager and an external supplier with extensive experience of working for the NHS on construction projects.</td>
</tr>
</tbody>
</table>

Responses were coded into themes and were used to further explore the issues identified from the e-survey.

**Findings**

The findings are presented in three themes: ethical predisposition, governance and the measure of project success. In each theme, the results from the e-survey are given first, followed by discussions from the face-to-face interviews.

**Ethical predisposition**

Of the 51 usable surveys analysed, formalism predominated regardless of age or gender. There were 45 formalists ('rules followers'), 4 utilitarians ('outcome driven' or 'ends focused') and the remaining 2 who were equally formalist / utilitarian (Table 2).

<table>
<thead>
<tr>
<th>Ethical predisposition</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formalist</td>
<td>45</td>
<td>88</td>
</tr>
<tr>
<td>Utilitarian</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Equal</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100</td>
</tr>
</tbody>
</table>

The predominance of formalism was striking and was further explained by experts in face-to-face interviews who suggested three reasons: NHS culture, the project process and personal values. The organisational culture of the NHS was said to be protocol and rules driven partly because of the significant focus on patient care and safety with significant consequences for non-compliance. Rules and processes in the approvals process need to be followed because the NHS is risk averse and accountable to the public. This culture also flows into senior managers involved in construction projects as part of the NHS capital development programme.

The second theme was the project process itself and the needs to follow it. The process is perceived to be strict, well-defined and rules driven. It is broken down into...
stages which must be completed so approval and funding can be given and projects can progress from one stage to another. Breaking the rules or derogating from guidance is considered risky for individuals and for the progression of projects, so it is rare that this happens. It is safer to follow the rules than to break them. As Expert C commented ‘the whole process, the project outline and the project delivery, is based on an approval process so that means you are reading the rules, looking at the rules and following the rules to make sure you are able to actually get the project done.’

The third theme was personal values. If you are someone who can accept the rules and follow them then it is a culture that you can work in. If you are someone who cannot, then it will be difficult to survive. However, the professions within the NHS and the construction industry are governed by codes of conduct for the protection of the public. There are a variety of punishments for breaching these codes, for example, being struck of the professional register, which prevents an offender from practicing for a period. Expert A noted ‘we tend to do things the right way and we’ve got a code of ethics and we want to adhere to it and know that all the decisions are made correctly, and everyone is consulted and that we will be true to our word about outcomes.’

**Corporate and project governance**

The relationship between corporate and project governance, and the effectiveness of corporate governance was examined based in the opinion of project personnel in the e-survey and further explored in the face-to-face interviews. For *project governance*, there were 7 elements (1) project sponsor, (2) project board, (3) risk management, (4) quality management, (5) financial management, (6) user groups and (7) stakeholder groups. Each of 51 respondents was scored using a Likert scale from 0-5 (where 5 is very effective was 4; quite effective, 3; quite ineffective, 2; very ineffective, 1; don’t know, 0). The responses were organised into three categories: ‘effective’, not effective and ‘don’t know’.

For *corporate governance*, there were 8 elements – (1) Trust Board, (2) Chairperson, (3) non-executive directors, (4) Chief Executive, (5) Executive directors, (6) Trust risk committee, (7) Trust remuneration committee and (8) Trust audit committee for each project. Each of 51 respondents was scored using the same Likert scale from 0-5 and the responses were organised into the same three categories.

The averages (mean) of project governance and corporate governance scores were calculated. Project governance was perceived to be considerably more effective than corporate governance with a mean score of 41.29 for project governance effectiveness and 21.38 for corporate governance effectiveness. It was also evident that there was less knowledge amongst project personnel about the corporate governance level with a mean score of 8.63 (Table 3).
Table 3: Mean scores for project and corporate governance effectiveness

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Effectiveness Mean scores</th>
<th>Not effective Mean scores</th>
<th>Don’t know Mean scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>project governance</td>
<td>41.29</td>
<td>7.86</td>
<td>1.86</td>
</tr>
<tr>
<td>corporate governance</td>
<td>21.38</td>
<td>21</td>
<td>8.63</td>
</tr>
</tbody>
</table>

Explanation for the differences between corporate and project governance were given by experts. Themes that were identified were related to the behaviour of key actors in the process.

**Project Team/ Board**
This group is concerned with positive message upwards to the corporate governance level to reassure the Trust Board that everything is under control and to protect colleagues from the possible repercussions of giving bad news. Expert A noted the tension between reporting problems upwards and protecting colleagues by encouraging a perception that everything is going well in the project. Expert D said that ‘Anybody with a certain amount of experience knows how to deal with a board, very much you give them what they want to hear until it’s far too late probably which I think is one of the issues with corporate governance approach.’

**Project Director**
The Project Director sits between the Project Board and the Trust Board and is seen, by some, to have a pivotal role. The Project Director is the person in the project who is closest to corporate governance. He or she are more likely to know and understand the priorities of the Trust Board. They were thought to be the person that decides what information goes up to the Trust Board and when information goes up to the Trust Board. They were also thought to have their own priorities in the project. The Project Director manages upwards to the corporate governance layer. This takes the form of deciding what information is communicated and the timing of communication to the Trust Board. The key role of the project director as the main interface between corporate and project governance was identified. Expert F noted that ‘The Project Director will decide what they think corporate governance needs to know about.’

**Trust Board**
The corporate governance level (the Trust Board) was perceived to be operationally focussed rather than project-focussed. Their main role is to manage the running of the Trust. The wide role of the Trust Board was acknowledged but respondents identified some apparent limitations in this layer of governance. Like project teams, Trust Boards also engage in positive messaging. Parts of Trust Board meetings are held in public and it was thought that Trust Boards did not want to say that a project was not progressing well. From the point of view of project personnel, Trust Boards do not fully understand how large capital projects work. They are inexperienced in such projects, which are infrequent, but this means that whilst they may understand the risks of such projects they do not know how to mitigate them. Trust Boards want complex and detailed information presented in a simplified way, perhaps through dashboard reporting. This lack of understanding of detail, or even willingness to engage with the detail, means that they base their decisions about the project on potentially over simplified information. The Trust Board is seen to delegate to Project...
Teams but not to understand what this means or what the implications are. They are not always seen as informed clients and this, in the opinion of respondents, makes them less effective than they should be. Finally, Trust Boards are seen to want solutions, not problems and project personnel suggested that it was not advisable to present a Trust Board with a problem unless there was a proposed answer to it. Expert C said ‘I thought there was a disconnect between the reality of what was going on day to day and governance right at the top at Board level….I think the people on the project board understood, but when it got to the next level, corporate governance, I don’t think they had an understanding of what it meant, what they were actually involved in.’

Communication
Communication was not always thought to be effective and communication between the project team and the Trust Board could be reduced to sterile reporting rather than a positive discursive activity. Furthermore, informal networks were used, such as ‘corridor conversations’ to help smooth the governance of projects. Expert D noted that project governance does not always achieve very much because of the ‘sterile reporting structure’ and Expert A noted the difference between performing governance and achieving it.

Measurement of Project Success
Of 50 respondents to this question, 45 ‘claimed’ that their project had been successful. Only 5 respondents caveated their answer to suggest that project success had been partly, not completely, achieved. No project was identified as being an outright failure (Table 4). The comments for the partly successful projects were: that the project was delivered but there were significant issues during delivery and construction; the project was only partly successful because of procrastination of the client and Trust Board; the facility was superb but the build quality is poor, the performance of the contractor was poor and that the project would be successful if teething problems could be overcome.

Table 4: No. 'claimed' success projects

<table>
<thead>
<tr>
<th>Claimed success</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>90</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

All 51 respondents answered the supplementary question about performance to time, cost and quality. Of these only 11 projects met all three - time, cost and quality criteria, representing 22% of all projects. The APM (2015) also study found the same or similar level of success in all three criteria. Across the whole sample, 43% projects were completed on time, 47% achieved cost targets and 80% met quality targets (Table 5).
Table 5: Projects meeting time, cost and quality criteria

<table>
<thead>
<tr>
<th>Sample</th>
<th>Achievement of time Nos. (%)</th>
<th>Achievement of Cost Nos. (%)</th>
<th>Achievement of Quality Nos. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>51 projects</td>
<td>22 (43%)</td>
<td>24 (47%)</td>
<td>41 (80%)</td>
</tr>
</tbody>
</table>

Experts explained that quality was the most important criterion in judging project success. Expert B noted the following: ‘I would mainly evaluate it against my concept of quality - time and cost would not be a massive factor for me, I don’t think… If a healthcare building gets through that complex process we have already spoken about, that is a success on its own…If this building reaches financial close even a year late I think most people would say you made it, that was a success, you got there in the end. Not, “why has it taken a year?”…If we’re benefiting from it, it was painful but we got there, so it was a success.’ This sentiment was repeated by several experts (Experts A, B, F) and the concept of quality was extended beyond the quality of the building into the operational phase and the delivery of benefits to the NHS and to patients. Expert F was strongly of the view that the quality of the product is the most important thing: that it is the right size, that patients are getting a better experience, that you are getting the efficiencies you planned for. It’s more than getting a hospital built, it’s delivering what you said you were going to deliver. Missing cost targets or time targets by a few weeks, is not as important because the build period is short compared to an operational phase of maybe 60 years. That is not to say that time and cost are unimportant, but they are not equal to the quality of the product.

Conclusions

The study found that ethical formalism underpins construction project delivery in the NHS with the prevalence of rules and processes which govern the delivery of construction projects. The NHS is a rules-based, protocol-driven organisation based on the imperatives of patient safety and the fact that it has a duty of accountability to the tax payer to ensure money is spent properly. Approval rules set out by HMT Treasury and corporate governance rules underpinned by the principles in Cadbury (1992) and Nolan (1996) to ensure high moral standards are based in ethical formalism. It showed that project personnel’s own ethical predisposition was formalist and suggested two reasons. First, to get projects through the approvals process the rules have to be followed and second, utilitarians might find it too difficult to work in such a predominantly formalist culture. The study also showed that project governance was thought to be more effective than corporate governance based on the experience of project personnel. However, some difficulties were found at the interface between corporate and project governance which needs to be addressed. The corporate governance layer did not appear to have enough knowledge about construction projects to be able to monitor them nor did they have sufficient knowledge about risk mitigation, even though they knew about the importance of risk management. The corporate layer was also perceived to be uninterested in the detail of projects and preferred to be given solutions rather than asked to solve problems. Project teams and in particular the project manager/director were able to control the content and timing of information that passed to the corporate layer and this resulted in a formulaic reporting of the project to the corporate layer. The project team also
controlled the flow of information to the corporate layer to protect team members from censure. Finally, the study identified the continuing problem with the definition of project success as project personnel overwhelmingly identified their projects as being ‘successful’ even though most projects did not meet the three criteria of time, cost and quality. Project personnel identified other measures including performance of the project in the operational phase in terms of improved quality of both the buildings and of the service. This emphasis on quality was reinforced by the fact that 80% of projects were thought to have met quality criteria compared to 22% that met time and 24% that met cost criteria.
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