

Example of term paper on business ethics and the construction industry

[Business](#), [Industries](#)



\n[toc title="Table of Contents"]\n

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1. [EXECUTIVE SUMMARY](#) \n \t
2. [Introduction. What is Ethics?](#) \n \t
3. [The Relevance of Business Ethics](#) \n \t
4. [Ethics in Construction Contracts](#) \n \t
5. [Conditional Payment](#) \n \t
6. [Other Areas](#) \n \t
7. [Conclusion:](#) \n \t
8. [REFERENCE:-](#) \n

\n[/toc]\n \n

EXECUTIVE SUMMARY

Although every year at stock taking time, we find that we have gone a considerable distance in so much as knowledge is concerned, we also invariably lose out as regards Ethics and Morality. We need to reverse this trend, which, if extrapolated beyond reason, will lead to someone like “Darth Vader” having all intergalactic missile systems fitted with thermo-nuclear warheads, under his control.

Although our first reaction will be to contemplate such a scene with amusement, the metaphor is appropriate in the author’s opinion. If we do not guard our values and the values of those we love, but allow them to fall steadily, there will be a continuous degradation until we reach a stage where we will fail to discern the right path among the plenty. This is obvious because without Ethics and Morals, humankind will not be able to discern the

difference between fact and fiction, truth and myth.

Construction is an industry where the unethical radical has a much more say.

To stop him, we have to know him first. This paper is therefore, based on ethical failings in the construction industry and where the failings exist in the process of implementation of a construction contract.

Introduction. What is Ethics?

The concept of ' Ethics' does not make much sense without taking the significance of the word " values" into consideration. Ethics can be said to be the proper way to carry out some activity. But here, some contradictions surface. For instance, if we conclude that ethics is the way to carry out activities and I do that activity this way. Then, if you carry out the activity in a different way but still reach the goal, then are both the methods ethical? To avoid eventualities like these, combining ethics with value will tell us that both ways are ethical provided both are value based that is, if the completion of the job decreases the overall value linked to the completion of the act, than there has been deterioration of value-based ethics. On the other hand, if nothing leading to negativity of values can be seen in the completion process of both jobs, than both are ethical.

Ethics comprises of a set of guidelines These guidelines are based upon a huge mass of philosophical thinking and logical premises, the process having been started from the times of Plato and Aristotle. As with constant endeavor this knowledge mass has increased in size, so also have humankind been able to look to horizons further away and in this matter, the study of Ethics has also been made expandable as the boundaries have grown on increasing

and encompassing larger areas of human thought. As human knowledge grows in any subject, so also does our definitions and views of that subject become more logical and focused. Similar is the case with Ethics. As new thinking comes with every generation of humankind, by rhetorical warfare, new hypotheses have been conceptualized and ethics has become more meaningful in our lives.

Best of all, as fresh thoughts have been debated and included while obsolete thoughts have been discarded, it has now become possible for social scientists to classify Ethics into different types and make the main subject itself simple and made easier for comprehension.

Ethics is a huge encompassing subject and business ethics is a part of this whole. In today's times as the earth has shrunk and distances are no longer a factor. As markets are opening up in this trend of globalization, international business operations are at all-time highs and increasing at a flourish. It is precisely because of this where the concept of 'business ethics' is of paramount importance. This is because business ethics can be defined as the recommended ways-by which an organization and the people running it, .. should work for the purpose of self-interest enhancement, without affecting other people, the flora and fauna, the environment etc. which are not benefitted directly by the organization's work but are in co-existence with it

The Relevance of Business Ethics

In today's world, companies and organizations have found that a way for ensuring survival is to go multi-national or global, the relevance of Business

Ethics have never been more important. This is because of (1) the development of the internet as a medium of instant information (2) Development of Education and Wealth levels in most developing countries leading to the formation of a formidable middle class having intellect to think and reason, in addition to having considerable buying power. In earlier times people did not have the foresight or the hindsight to analyze events and the possible consequences there-of but today times-they are a changing. We are today aware of business ethics and because of the fact that the boundary lines of the same are not very strongly defined, it is easy for opposing groups to stretch the definitions toward them and incorporate their self-interest inside “ ethical” boundaries. Legal suits concerning Business Ethics are today the norm rather than the exception. To avoid this negative aspect of Business Ethics, it is today necessary to strengthen and universally recognize the base pillars upon which the edifice of business ethics stand. For the purpose of this paper, it will be enough to conclude this soliloquy on Ethics by mentioning the two different theories of business ethics as follows.

1. Stakeholder Theory: This theory originated first and suggests that the main function of an business organization should be to look after the interests of the stakeholders. This is the main function and is the reason for its existence. Everything else comes secondary.
2. Corporate Social Responsibility or CSR: The basic premise behind CSR is the guide, which explains how a business can be run so that it can gratify its own self-interest, maximize profits, and at the same time maximize value addition to the surroundings all around it, by being non-flexible at the

attacks on morality. CSR brings up fundamental moral issues like bribery, corruption, racism, prejudice, etc. into the open.

Ethics in Construction Contracts

Construction in any industry suffers from a lack of depth. People who know next to nothing about contracts feel that corruption breeds only in the atmosphere, which welcomes it. That is however, an impractical statement. In no other industry, there is interaction between the client and the contractor to the extent, which exists in the construction industry. This closeness makes it easier for the villain to unknowingly steer the novice who lacks experience in construction, towards the forbidden fruit. Drafting of a construction contract is an art and so is its reading and interpretation. It is a pity that even in this age; contractors are often seen to put order reference in their invoices as “ Verbal”. So too can the naivety of the customer be cited as in most meeting, the fact that the contractor’s representative often lacks POA. Their acceptance or refusal of contract terms can be officially done twice as the contractor can claim that the representative lacked the authority to decide on such matters.

Here, we should note that whether such claims have been made by the contractor or not, is not the point. The point is that contracts should not contain back door entrances which can encourage unethical activities. The fact that theft never occurs in a certain area should not lead to everyone in the area keeping his or her door open. Some areas where the boundaries of fair and unfair advantage are hazy are as given below

Conditional Payment

This clause implies a condition where the contractor pays the sub-contractor after a receipt of the payment by the contractor from the owner. Unless explicitly said so, such clauses are not ethical since the owner-contractor's contract and contractor-sub-contractor's contract are two completely different contracts and should have no connection with each other.

Contractor payments may be held up for various reasons and the contractor is required to have enough solvency to manage the show for at least two months. This is precisely the reason for which owners seek solvency certificates from banks as to the solvency of the contractor. For such a condition to be legally enforceable, the words “condition precedent” should be present in the agreement.

Other Areas

1. Change or extra order: This type of order amendments can be entertained only if there is no financial implication of the same or if the owner pays the same extra. To overcome any anomalies against this clause, it is recommended that the battery limits be clearly and unambiguously defined. The definition should be such that the exact interface where the contractor's work ends and the owner's scope starts is easily located.
2. Deduction of Security deposit and/or deposit against performance only at the rate of the same being deducted from the main contractor's bills by the owner is ethically correct. In many cases, we see that the security deposit is deducted from the running bills of the subcontractor as lump sum amounts. This is not ethical. The risk of the sub-contractor should be in proportion to

the portion of the total work, which is to be executed by the sub-contractor.

3. Handing over of site by the contractor may lead to delay on the part of the sub-contractor. This is also a common factor often seen.

4. Delay in processing of Bills & approval of drawings. In many cases, certain activities can only take place after the proposal, drawing or /an

5. Price Variation Clause, with respect to base price and the price index differential the formula of the compensation can be found out by multiplying a constant factor to the ratio of this differential and the original price index.

Calculation of the Price variation can also be done by employing more complex formulae, which are often claimed to be more accurate. However, the level of accuracy that the ordinary common formulae gives is enough to suit both the owner and customer.

6. Block on payment delays in other works being executed by agencies separate from the subject sub-contractors.

Ultimately, it all comes down to the amount of risks the contractor is prepared to take. If the contractor wants the sub-contractor to accept more risk that what he will profit, then such a move is clearly unethical.

Conclusion:

The Construction Industry today has a bad name as regards ethics. The onus is now on the players in this segment to improve things. The figure below shows what a sample group taken from the industry thinks about ethics and its presence or absence, in the industry.

As we can see from the figure, the percentages of respondents who strongly agree about the presence of corruption is about 6%. while those who agree

and the fence sitters are about 32% and 19% respectively.

Unethical construction practices are all the more serious as they involve the lives of innocent people. For instance, let us consider a concrete and steel bridge constructed which is a simply supported structure. Now if we consider the grade of concrete used on the pillars to be of insufficient strength, then after a short time the weak pillars will fail. This will not only be a waste of the taxpayer's money but can lead to innocent casualties too. Let us hope that in the coming years we can bring down such malpractices to the barest minimum level.

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