Project-Based IT Companies and Three Corporate Moral Dilemmas

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Project-Based IT Companies and Three Corporate Moral Dilemmas

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ABSTRACT

The aim of this study is to develop understanding of moral issues in project-based IT companies. Three corporate moral dilemmas, the dirty hands dilemma (balancing between the corporation’s efficiency needs and stakeholder interests), the many hands dilemma (integrating individual members’ actions into a cohesive whole), and the entangled hands dilemma (individual members’ responsibility for given assets), are studied in project-based IT companies. Experienced project managers and supervisors (n=16) were interviewed about the moral challenges of project-based IT companies, and the transcripts were analyzed through the three dilemmas. The results show how each dilemma is present in project-based IT companies. Most of the moral concerns were related to the dirty hands dilemma. Based on the findings, the implications for practice and research are presented.

Keywords

IT projects, business ethics, project management

INTRODUCTION

Companies have to continually come up with new creative and competitive products, services, and business models. Indeed, to attain this goal, there has been a shift away from functional organizations to project-based organizations (Kodama, 2007). In the former organizations, effectiveness was achieved by developing work processes and integrating IT solutions; but in the new era, businesses—IT and other fields—have to respond to the growing competition by organizing themselves to be more efficient and effective (Kodama, 2007). A project-based organization is defined as “an organization in which the majority of products made are against bespoke designs for customers” (Turner and Keegan, 1999, p. 59; see also a detailed definition of project-based company in Koskinen 2009, 14). The structure of project-based organizations is applied in a range of industries such as construction, communications, media, consulting and professional services, and IT (Kodama, 2007). What is characteristic of project-based organizations is that every customer’s requirements are different, unique, and novel and that job roles cannot be defined precisely as the work constantly changes and people with a variety of competencies have to be found. In addition, for every project new command and control structures need to be created (Turner and Keegan, 1999).

I argue that we need studies examining project-based companies in the IT field from a moral perspective. There are two reasons. First, Hodgson and Cicmil (2008) argue that project management (PM) literature neglects the political, social, and ethical dimensions of PM. They argue critical research that increases sensitivity to possible oppression and exploitation in a project setting is needed. Second, business, as such, is perceived as inherently morally dilemmatic (e.g., Kaptein and Wempe, 2002); therefore, we may presume that participants in IT businesses confront similar issues as business participants in other fields. This should not be a surprise as IT project managers and their supervisors confront a multitude of challenges in IT project businesses (cf. Aiyer, Rajkumar, and Havelka, 2005; Jurison, 1999).

I argue that by using business ethics frameworks we might better understand IT business and its moral challenges. A promising framework is developed by Kaptein and Wempe (2002). They identified three moral dilemmas of corporation that are present in contemporary Western corporations, the dirty hands dilemma (balancing between the corporation’s efficiency needs and stakeholder interests), the many hands dilemma (integrating individual members’ actions into a cohesive whole), and the entangled hands dilemma (individual members’ responsibility for given assets).

Using the following research question, this study attempts to increase the level of knowledge on moral issues in IT project management: How are the three moral dilemmas of corporation present in project-based IT companies?

The contributions of this study are as follows. First, this study reveals how the three corporate moral dilemmas (Kaptein and Wempe, 2002) are present in project-based IT companies, and in this way, the study contributes to research on IS,
business ethics, and PM. Second, this study provides implications for practice to confront the moral dilemmas and for research to increase the knowledge base.

For the reader, I would like to emphasize that as this study is focused on challenges, problems, and dilemmas, the results may provide the reader with an overly negative view of the IT field. I do not consider the IT field an especially morally hazardous field, and during my fieldwork, I sensed that IT professionals have real concern about the effects of their work. Following this introduction, the related literature on PM and IS is reviewed and the business ethics framework, the three corporate moral dilemmas, is presented. The research design is subsequently presented, and the results are reported. In the discussion, a comparison of the results along with the three moral dilemmas and the implications for practice and research are all presented.

RELATED LITERATURE
To the best of my knowledge, there are few studies on the moral aspects of IT project management in the PM and IS literature. The available studies briefly reviewed the closest issues:

Despite criticism by Hodgson and Cicmil (2007) concerning the absence of critical research on projects, the research community has not been silent on the critical position toward project management. In PM, conferences taking a human point of view regarding project management have been arranged (e.g., Kähkönen, Kazi, and Rekola, 2007). In the educational PM perspective, some researchers have considered the ethical aspects of educating future project management professionals (e.g., Helgadottir, 2008; Turner, Huemann, and Keegan, 2008; Vartiainen, 2010).

IS project management has been studied from a number of different perspectives with close connections to moral issues. Project success and failure have been popular topics in information systems development (ISD; e.g., Nelson, 2007; Yeo, 2002; Lyttyinen and Robey, 1999). In many IT projects, decision-makers put additional resources into a project facing failure and hide negative information from managers and project sponsors, or, alternatively, the superiors ignore such information. This morally charged phenomenon is called project escalation (e.g., Keil, Mann, and Rai, 2000).

Perhaps the closest IS studies are those conducted by Smith and Hasnas (1999) and Collins, Miller, Spielman, and Wherry (1994). Smith and Hasnas (1999) review the three normative theories of business ethics and apply them to an IS context. Stakeholder theory holds that managers have an obligation to maximize profits, because in that way stockholders gain the greatest value from their investments. Stakeholder theory holds that a corporation has to take into account all those who are affected by its actions: employees, consumers, suppliers, the surrounding community, and society at large. Social-contract theory posits that managers should consider not only consumers’ and workers’ interests but also the canons of justice. With these theories, Smith and Hasnas contemplate IS-related quandaries and managerial challenges in the corporate domain. Although the authors recognize that ISD occurs in projects, their study does not take a project management point of view. Similarly, the study by Collins et al. (1994) does not take a project management perspective either, although they rigorously contemplate software construction and use from the viewpoint of Rawl’s theory of justice.

My argument is that the lack of studies taking a moral standpoint regarding business project management in the IT field calls for research in this area. Hence, I will next introduce a theory describing three inherent corporate moral dilemmas. The theory explains why a corporation is formed and what kind of moral dilemmas inevitably emerge in a corporation’s practices. Similar dilemmas are expected to emerge in the case of project-based IT companies.

CORPORATE SOCIAL RESPONSIBILITY AND THE THREE DILEMMAS OF CORPORATION
A corporation depends on its efficiency (Coase, 1937): Corporations are created because they efficiently produce goods and deliver services. To this end, focused and coordinated teamwork is the key. Entrepreneurs set up activities based on efficiency because of the potential profitability in basing their efforts on efficiency. Similarly, this is why society accepts the phenomenon of the corporation. Efficiency is achieved by the division of labor, specialization, and cooperation (Kaptein and Wempe, 2002). Corporations consist of people who work together in an organized fashion to achieve collective objectives and to coordinate their collective and individual activities. However, there are contradictions in the functioning of a corporation, and Kaptein and Wempe (2002) call these contradictions the three dilemmas of contemporary Western corporations. The dilemmas emerge because of external specialization, internal specialization, and the corporation’s tasks. The dilemmas are as follows:

The dirty hands dilemma is based on the tension between stakeholder interests and efficient functioning of the business. Corporation stakeholders (e.g., clients, employees, vendors) must be convinced of the corporation’s importance as a long-term partner. Their interests and rights have to be taken into account, and they have to receive compensation for their collaboration. Only in this way will the stakeholders contribute to the corporation. Notwithstanding, stakeholder demands have to be met at minimal cost; otherwise, the corporation will not function efficiently (cf. Carroll, 1999 on profitability as a fundamental value of business). Therefore, to simplify, to act responsibly (ensuring the existence of the corporation), one has to act immorally (regarding individual stakeholders). Firing employees to increase returns is a classical example of this dilemma.
The many hands dilemma is based on the challenge of integrating the actions of individual members of a corporation into a cohesive whole. More unity is expected of the corporation while greater responsibilities make the coordination difficult. This dilemma can arise in corporations in different ways. Multiple employees may have separate and uncoordinated perspectives on the aims and responsibilities of the corporation. Each employee may view his or her interpretation of the future of the corporation as accurate. It may reach a point where individual employees lose sight of the corporation’s goals and do not take responsibility for the bigger picture. Hence, individual responsibility is diffused.

The entangled hands dilemma relates to the reality that the corporation has to delegate responsibility. Consequently, as people are given access to corporate assets, the likelihood that they will act irresponsibly increases. Employees’ private responsibilities and interests could also be at odds with the corporation’s interests.

Within the organizational context, the dirty hands dilemma relates to the corporation’s stakeholders, the many hands dilemma to internal functions, and the entangled hands to representatives’ private interests (Kaptein and Wempe, 2002). Based on the framework, research on project-based IT companies is expected to reveal instantiations of such dilemmas. Next, the research design will show how to achieve this information.

RESEARCH DESIGN
To understand how the three corporate moral dilemmas are present in project-based companies, sixteen experienced supervisors and IT project managers were interviewed about the issue. They were currently working or had been working in project-based companies in the IT field in Finland. The subjects’ age and gender are as follows (F=female, M=male): M/50, M/59, M/48, F/42, F/46, F/48, M/49, F/40, M/57, M/63, M/45, F/45, M/37, M/63, F/47, and M/50 (coded S1…S16). They were given the following task: “Describe the moral challenges faced in a project-based IT company.”

During the interview, the researcher asked probing questions and encouraged the subjects to describe the issues. In addition, when the subject described a moral challenge, the researcher further asked, “What makes this morally challenging?” During the interview, the researcher refrained from using business ethics terms such as corporate moral dilemma as those concepts should have been explained in detail for the subjects.

The analysis proceeded as follows: The author used Atlas.ti (Muhr, 1997) to code the interview transcripts and produce tentative memos. After organizing codes, the author recognized major themes and issues in the data. Then it was possible to identify how the three moral dilemmas are present in the issues. Next, the results are presented.

RESULTS
Next, each dilemma and moral issues that in my interpretation relate to that dilemma are presented (see Table 1 for a summary of the results).

The dirty hands dilemma
In the following issues, it became evident that balance-seeking between the interests of the project-based IT company and its stakeholders is present. The stakeholders are the clients and project staff (or project workers). The issues are as follows.

**Acquisition and management of multiple projects.** A project-based IT company typically attempts to acquire new projects, clients, and contracts. This means a company can acquire so many projects and contracts that there are not enough resources available to implement all the projects. In addition, in some negotiations, a certain skillful person may be promised for the project, and this may function as an incentive for the client to make a contract. At the same time, however, the same skillful person is used as an incentive for other prospective clients. In this scenario, there are several potential moral challenges: the company needs clients to survive, promises made to clients should be upheld, and the individual skillful project workers should not be overburdened. The client may also prohibit the use of sub-contractors on the project; but because of the lack of resources and the overload of staff, sub-contractors are nevertheless used. The following extract exemplifies these issues:

S5: “We buy this from you, but only if we can have Pekka for our project. And then this Pekka is sold to seven clients at the same time. He has many times the usual workload, and it is impossible for him to get all the work done. So, Pekka goes to the client three times, and after that a younger person is sent.”

**Upholding promises and honesty toward client.** There is a moral challenge in upholding the promises given to a client when business circumstances change. A client may be falsely told that the organization has competent staff and that certain deliverable results will cost more than is realistic. A client may be promised a warranty; but after the software is put into use, the skillful project workers are assigned to other projects. When the need for fixing the bugs emerges, the project workers are not motivated to fix the bugs as they are now involved in other more motivating tasks, such as planning a new IS. In the next extract, the subject discusses seeking reasonable coverage in business:

S7: “I have to think about the coverage being in the right relation to the whole production. Well, one aims to get good coverage, but you should not be deluded in the way you charge for work that was not done.”

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S7: “I have to think about the coverage being in the right relation to the whole production. Well, one aims to get good coverage, but you should not be deluded in the way you charge for work that was not done.”
Altering the organization affects client relations. When the support functions of a project-based IT firm are downsized, project workers have to perform the administrative tasks as well. Although the client has not agreed to it, these work tasks may be billed to the client. In reality, this means that project workers bill hours to client projects that were not agreed upon.

Confidential information should not leak. Project workers may work on more than one project. In this case, the question whether confidential information about a client is accidentally transferred to another client, possibly a competitor, emerges. In addition, because of staff turnover, there is a risk of confidential information leaking outside. In the next extract, the connection between safeguarding confidential information and turnover becomes clear:

S8: “Well, turnover of staff. So, how you take care on client satisfaction and safety, on concealment of confidential information, and in data security in general, the quality of backups, for example. . . . Turnover is also a positive thing. It gives a person a diverse work history.”

Treatment of project staff to advance the firm’s beneficial objectives. The balance-seeking between the interests of the client and project workers emerged in four ways: By allocating employees to projects, locating project workers on the client’s premises, treating employees who have failed, and continuously recruiting and firing employees.

In project work, people who have not worked together are joined together as a project team. They have differing backgrounds and histories; but they are still supposed to work together with mutual ideas and common workplace practices. Some subjects considered this a difficult moral challenge while others expressed the attitude that project workers are used as pawns or “resources,” which are located to projects without taking into account the project workers’ individual preferences (e.g., skills). Allocation is based on business needs, and if the project worker does not have competencies for the project he or she has to acquire them somehow. The next extract exemplifies this issue:

S6: “If we have this kind of a clear project-based IT-firm in which there are no constant project teams. People are Lego bricks, which are moved from one place to another place.”

A moral challenge was identified in locating project workers physically in the client organization. This was considered a moral challenge since in this way the project workers might lose contact with their employer and thus become “homeless” workers. Therefore, in addition, where do these workers identify themselves?

Since many projects in the IT field fail, how should a supervisor react? If a project manager fails, the supervisor has to take into account how to empower and support the project manager to go on in his or her career.

Constant firing and recruiting of employees became evident from the subjects’ descriptions. This is perceived as a moral challenge as it opposes the idea of taking care of employees and developing them. The next extract exemplifies this idea.

S10: “It seems that in these [project-based] firms people are more easily fired than in companies in which there are their own IT departments. Typically, we live for the projects, and when we have many projects, we have many people, and when we have only a few projects, then we have a small number of employees. This means that the will to develop staff is less. It is a more short-term activity. People are moved from one project to another, and when there are no more jobs, they are fired.”

The many hands dilemma

The many hands dilemma is present in project businesses at least in two ways: how to integrate the parts of a project-based company into an effective whole when there is no responsibility for issues falling between the silos. In addition, as sub-contracting is typical in IT businesses, responsibility seems to vanish in the sub-contracting network. These two issues are considered next.

Responsibilities in a matrix organization. Project-based companies are typically matrix organizations, and with this form, efficiency is being achieved. However, there seems to be an inherent problem in which those issues fall between silos—there is no one to take care of and be responsible for those issues. In addition, separate silos might compete with each other by selling solutions to the same client. An example follows:

S1: “Marketing sells the services, which the previous level offers them, and it is no one’s responsibility to watch whether it is a so-called near-shore issue or not. This is to say that this is such a specialized area that falls between everything. . . . it is a grey area.”

Taking responsibility in the chain of sub-contractors. When there is a chain of sub-contractors, the worker at the lowest level does not see the whole and is not able to take responsibility over the whole. Responsibility seems to vanish in the chain. In the following example, the subject contemplates who is able to fix the problems if one is not able to reach the person who implemented the sub-contracted tasks:

S13: “[T]hen one gets not-so-lasting solutions. And then the question of reclamation emerges. . . . If one has to fix it, who is able to fix it? Do we ever catch the guy? And which firm is responsible?”

The entangled hands dilemma

With respect to this dilemma, only one issue emerged. Project workers are tempted to overbook the hours used, because the workers’ salaries are hour-based, and more hours mean more salary. It may also occur that one aims to keep one’s job and show that one is needed by overbooking hours. An example follows:

S5: “It may be so that the way of working at the provider or at the project-based IT firm is that each consult is expected to make 20 or 18 invoiced work days. Period. Otherwise, you are in special control—so quite easily you book four hours [when the real amount of hours is smaller]. Okay, there are many sides in this matter. Generally people have too much work.”

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Table 1: The summary of how the three corporate dilemmas exist in a project-based IT company

DISCUSSION

The contributions of this study are next considered.

The dirty hands dilemma (i.e., attaining efficiency while upholding minimal stakeholder demands) is present in a project-based IT company as a constant balance-seeking in a web of vested interests among the company, clients, and the project workers. Project-based IT companies make contracts with clients to acquire profits and to keep themselves in business (cf. Koskinen 2009), but—in the extreme case—the number of contracts may subsequently become so large the company is not able to fulfill all of its obligations. In such a case, the company may be forced into sub-contracting even if the contracts with the clients prohibit such an activity. In addition, in some cases skilled employees are used as an incentive for clients to make the contract: clients are guaranteed that the skilled employee will take part in the project. The motivation for all these behaviors is profit-seeking (cf. Carroll, 1991, 1999) and, as a result, if there are too many such clients, the promises cannot be upheld, and particular project workers may be over-burdened. Indeed, with respect to the employees, balance-seeking is found in how employees are treated. On the one hand, it became evident that employees are in some cases purely a means for the company. However, on the other hand, some managers aim to promote strengths and uphold good spirit among employees. In these results, the controversy between the stockholder and stakeholder theory (Smith and Hasnas, 1999) is clearly visible: the company attempts to maximize profits when dealing with clients and employees; nonetheless, by maximizing profits, the company may inadvertently cause a dwindling of the quality of work, and in extreme cases, employees resign to find a better place. However, the situation in the IT field is not so black-and-white: the subjects described that companies invest in long-term partnerships with clients and employers by planning projects carefully and by investing, for example, in project worker development; that is, companies take stakeholders’ interests into account.

The many hands dilemma (i.e., integrating actions into a cohesive whole) became evident in the case of large project-based companies working in a matrix form: when for the sake of efficiency, silos were established noting that issues that fall between the silos are not handled, as no one is responsible for those issues. This is not atypical as project-based companies tend to be strongly decentralized and loosely coupled (Koskinen 2009). In addition, the same phenomenon emerges in sub-contracting chains: at the lowest level, where the particular work is done, the responsibility for the whole vanishes. When the time comes to fix the bugs, it is difficult to identify a specialist who is competent to fix a given bug. To sum up the many hands dilemma, efficiency demands produce a complex organization and long sub-contracting
chains, but at the same time, it is difficult to recognize who is in charge of a given issue, which nevertheless should be dealt with.

The entangled hands dilemma (i.e., delegating responsibilities, means a potential increase in irresponsibility) emerges in cases such as when employees overbook the hours that will be used to either get more salary or to safeguard their position in the company.

To summarize the contribution of this study, it revealed how the three corporate moral dilemmas are present in project-based IT companies. The saturation of the empirical data was high in the case of dirty hands dilemma whereas the many hands dilemma and the entangled hands dilemma were given lesser importance among the subjects. This finding suggests that the most challenging moral problematic in project-based IT companies are found in the relations with its stakeholders. Next, the implications for research and practice are presented, and the study is evaluated.

Implications for research

More critical studies are needed. The results revealed unwanted behaviors toward employees and clients of project-based companies in IT in Finland. Other types of immoral or antisocial behaviors likely occur as well, and therefore, more critical studies are needed.

PMBOK as a framework in future studies on moral issues in IT project management. Project Management Body of Knowledge (PMBOK 2004) describes the knowledge areas of project management (e.g., project integration, project scope management, project time management). The future research could consider what moral challenges or moral dilemmas are experienced with respect to the knowledge areas of PMBOK. This information would benefit in more detailed identification of moral conflicts of IT projects.

Practical implications

Moral management for project-based IT companies. The results suggest that there is need for developing how stakeholders of project-based IT companies such as staff and clients are treated. The business ethics literature offers practical guidelines to business managers for ethical management (see e.g., Carroll, 1991; Kaptein and Wempe, 2002, 230). Carroll (1991) provides guidelines for so-called moral management in business: In moral management, employees should be treated with dignity and respect with a consultative or participative leadership style, which should result in mutual confidence and trust. In all decisions, employees’ rights to due process, privacy, freedom of speech, and safety should be maximally considered. With respect to the customers in moral management, according to Carroll (1991), they should be viewed as an equal partner in transactions. Customers bring their expectations and needs to the exchange transaction and should be treated fairly. Although there might be a large gap between the results of this study and the idea of moral management, from the morals viewpoint the ideal is however worth striving for.

Raising awareness of IT firms’ moral dilemmas. Moral sensitivity, i.e., capability of identifying moral issues, is the first step in successful moral behavior (Rest, 1984). To develop this capability, it is important to offer students a framework concerning IT business. Therefore, the three corporate dilemmas (Kaptein and Wempe, 2002), the three normative theories of business ethics (Smith and Hasnas 1999), and the results of this study could all be introduced to IS/PM students. In this way, students will be able to gain an understanding of the moral complexity facing project-based companies in the IT industry.

Evaluation

The weaknesses of this study are i) not all hierarchical levels were interviewed (e.g., project workers), ii) the interviewees represent one nationality, and iii) an overly negative view of the IT field may have been given.

The strengths of this study are i) interviewees were experienced IT project managers or supervisors, ii) interviewing gave rich descriptions of the reality in IT firms, and iii) the interviewees took into account how people at other hierarchical levels (e.g., project workers) are treated.

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