The Interrelationship of Governance, Trust, and Ethics in Temporary Organizations

Ralf Müller, Erling S. Andersen, Øyvind Kvalnes,
BI Norwegian Business School

Jingting Shao, Chinese Academy of Social Sciences

Shankar Sankaran, University of Technology, Sydney

J. Rodney Turner, Kingston Business School and SKEMA Business School,

Christopher Biesenthal, University of Technology, Sydney,

Derek Walker, RMIT University, Melbourne, Australia

Siegfried Gudergan, Newcastle Business School, Australia

This is the original article as published by PMI, in

***Project Management Journal,* 44 (2013) 4: 26-44**
DOI: 10.1002/pmj.21350

Published online at www.pmi.org/PMJ

PAPERS

The Interrelationship of Governance, Trust, and Ethics in Temporary Organizations

Ralf Müller, *BI Norwegian Business School, Oslo, Norway*
Erling S. Andersen, *BI Norwegian Business School, Oslo, Norway*
Øvind Kvalnes, *BI Norwegian Business School, Oslo, Norway*
Jingting Shao, *Institute for Industrial Economics at the Chinese Academy of Social Sciences*
Shankar Sankaran, *University of Technology, Sydney, Australia*
J. Rodney Turner, *Kingston Business School and SKEMA Business School, Lille, France*
Christopher Biesenthal, *University of Technology, Sydney, Australia*
Derek Walker, *RMIT University, Melbourne, Australia*
Siegfried Gudergan, *Newcastle Business School, Australia*

ABSTRACT

This study investigates the variety of ethical decisions of project managers and their impact from corporate governance and project governance structures. The roles of personal trust and system trust as a mechanism to steer ethical decision making in different governance settings is explored. Nine qualitative case studies in Europe, Asia, and Australia show that ethical decision making is contingent on trust, which in turn is contingent on the fulfillment of personal expectations within a given governance structure. The findings show the prerequisites for ethical decision making and the consequences of lack of trust. Further managerial and theoretical implications are discussed.

KEYWORDS: project governance; trust; ethics; temporary organization

Project Management Journal, Vol. 44, No. 4, 26–44

Published online in Wiley Online Library (wileyonlinelibrary.com). DOI: 10.1002/pmj.21350

INTRODUCTION

Ethical decision making has become a popular subject over the past decade. Many of the well-known scandals, such as Enron, have been traced back to ethical issues and questionable ethical decision making by managers, enabled by lack of transparency emanating from the corporate governance structure. Corporate governance encompasses all work done in an organization, and thus governs the work in traditional line organizations, plus the work done in temporary organizations, such as projects. Corporate governance, therefore, interfaces and overlaps with project management governance (Association for Project Management, 2004) and sets the boundaries for the governance of projects (Müller, 2009); thus, the governance of projects is a major influence for ethical decision making at the project level. The ways in which projects are governed by their related governance institutions (e.g., steering committees, program and portfolio managers, project management offices) have an impact on ethical decision making in projects. Decisions on ethical issues should therefore be understood within the context of project governance (Müller, 2009).

The mechanism through which governance is executed is the governance structure, which includes formal procedures, processes, policies, roles, responsibilities, and authorities. Governance structure is a materialized or "lived" form of governance. Recent research has identified more informal mechanisms, especially trust, as a further mechanism for governance (McEvily, Perrone, & Zaheer, 2003; Sydow, 2000). The particular strength of trust as a governance mechanism is that it creates economic value by lowering transaction costs (i.e., the administrative costs for agreeing and following up on contracts) between the parties in business exchanges (Dyer & Chu, 2003), so governance sets the context. Trust is one of the mechanisms to execute governance in projects, and within this context, ethical decisions are made by project managers.

This article investigates some ethical issues raised in temporary organizations and explores them in their particular context of governance and trust. Projects are understood as temporary organizations in the sense of

Turner and Müller (2003), that is, as agencies for change and resource utilization, embedded in an otherwise functional organization. The investigation covered industry projects, as well as military and aid and relief missions and other temporary endeavors. For ease of reading, the term *project* is used synonymously with *temporary organization* in the remainder of the article.

The topic is of interest for two reasons: One is the understanding of the nature of ethical issues in projects, which allows issues to be addressed more effectively. The other reason is the understanding of the impact of governance context on project managers' ethical decisions, which allows for adjusting of governance structures to potential ethical issues, but also to prepare for possible issues in given governance structures.

Background

In the aftermath of a number of international corporate scandals, researchers and managers have been keen on finding ways to include ethics in the training and development of managers. Business communities and organizations have come to see the ethical competence of managers as a key component in avoiding future crises and scandals. Understanding the effects of organizational environment on conduct has also become a priority, which raises questions about the nature of ethical issues in projects.

Recently, a few studies have looked into related questions such as (mis) reporting and the moral predispositions of project managers. For example, Smith, Thompson, and Iacovou (2009) showed that intentional misreporting is less often found in organizations in which project managers are expected to follow the rules strictly, whereas more of this occurs in organizations with a culture of personal self-interest. Smith and Keil (2003) link the propensity for misreporting to the dyadic level of trust that the sender of the report has in the receiver of the report. Park and Keil (2009) investigated organizational silence (i.e., an individual's reluctance to report bad news) in information technology (IT) projects. They showed how the combination of organizational structures/policies, managerial practices, and degree of demographic dissimilarity between the hierarchies creates a climate of silence, which then impacts an individual's willingness to report bad news. Managerial practices, especially managers responding negatively to bad news, were found to be the most influential, followed by structures/policies that foster centralized decision making and lack formal mechanisms for upward feedback. The smallest impact on organizational silence came from demographic dissimilarities in terms of age, gender, and ethnicity.

The impact of a project manager's moral philosophy on the decision to discontinue a project was investigated by Huang and Chang (2009). They found that managers with absolute moral principles (low ethical relativists) have a stronger tendency to discontinue a possibly failing project than those with high relativism. Similarly, they showed that those managers who decide on the basis of least harm for others (high idealists) are more likely to discontinue projects than those low on idealism.

The need for a better understanding of the variety of ethical issues that emerge in projects forms the first research question:

> Research Question 1: What are the ethical dilemmas that projects are experiencing today?

Brien (1998) argues that direct approaches to instill ethical behavior through *codes of ethics* and other policy-like measures often fail, and that self-regulating approaches at the professional level are more successful because they build a culture of trust. Within this culture, ethical behavior is regulated through the members of the society that share this culture. Hosmer (1995, p. 399) links ethics even into the definition of trust: "Trust is the expectation by one person, group, or firm of ethically justifiable behavior—that is, morally correct decisions and actions based upon ethical principles of analysis—on the part of the other person, group, or firm in a joint endeavor or economic exchange." Puranam and Vanneste (2009) approached trust from the governance perspective and showed different relationships between governance and trust, which may coexist: (1) trust may enhance the impact of governance on performance, (2) governance may reduce the level of trust between exchange partners, and (3) ex-ante trust in projects may influence the level of governance complexity. The preceding indicates that trust is a mediator between the governance as executed in an organization (i.e., the governance structure) and ethics in a project, which forms the second research question:

> Research Question 2: What are the ethical implications of different project governance structures?

Answering the first two research questions will inevitably raise the question of what to do with the new insight; therefore, the practical relevance of the study is addressed with the third research question:

> Research Question 3: How can project governance structures be used to build trust between the governance structure and the project managers?

Figure 1 illustrates the three research questions in our conceptual model. The project manager potentially faces ethical dilemmas (Research Question 1). The governance structure needs to trust that he or she will respond in an appropriate way (Research Question 3). If the project manager feels unable to respond, he or she may refer the dilemma to the governance structure

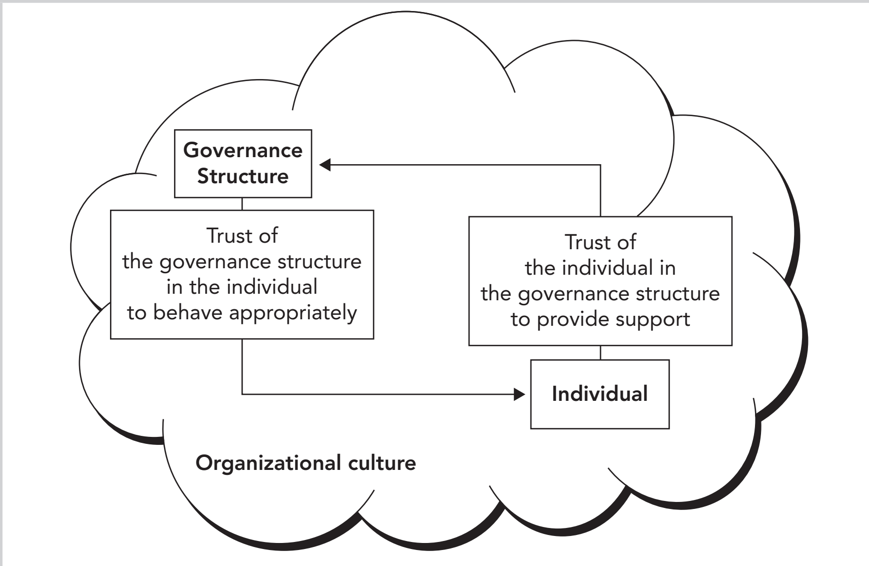

Figure 1: Conceptual framework.

and needs to trust that the governance structure will respond appropriately. This bipartite relationship is dependent on the nature of the governance structure; thus, there are three elements to our conceptual framework: the ethical dilemmas that project managers face, the governance structure, and the trust between these two actors.

The unit of analysis is the ethical dilemmas project managers face and their link to project governance structures.

The study takes a project management perspective toward the phenomenon. The aim is to create awareness among project stakeholders about the ethical dilemmas to be addressed by temporary organizations, such as projects and within project-based organizations, and the influence of governance structures and mechanisms, including trust, on those dilemmas. This follows Clegg, Kornberger, and Rhodes's (2007, p. 11) research agenda for ethics-as-practice, which assumes that ". . . acceptance and discussion of ethical dilemmas is one step towards more ethically informed management." The results provide value for companies by making them aware of the impact of governance structures on the ethical behavior of people working on projects. The results also provide value for individuals in organizations by making them aware of the implications of the impact of governance structures on people's ethical behavior and the trust between projects and their stakeholders.

This article is structured as follows: In the next section, the key literature on ethical action, trust in organizations, and project governance is reviewed. The methodology section then describes the empirical case study research that was done to develop propositions. The report continues by describing the analyses of these empirical tests and subsequently develops a research model that can be tested in a future study. The article ends with a conclusion on the findings, the answers to the research questions, and an outline of the article's contribution to knowledge.

Literature Review

The three research questions indicate three main literature categories, which are relevant for this study: trust, ethics, and governance (Figure 1).

Trust and Its Relation to Governance

Trust is a frequently addressed topic in management literature. The most popular definition of trust is by Mayer, Davis, and Schoorman (1995, p. 712), who define it as "willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party." The same authors further define trust as a function of the trustworthiness of the trustee (i.e., the party being trusted). The authors conceptualize trustworthiness as a combination of:

- *Ability.* The skills, competencies, and characteristics that allow a party to influence within a specific area of competence.
- *Benevolence.* The extent "a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive" (p. 718). This belief is typically based on a relationship or prior experience. It implies a perception that the trustee has a positive orientation toward the trustor, such as that in a relationship between a mentor (trustee) and a protégée (trustor).
- *Integrity.* The extent "the trustee adheres to a set of principles that the trustor finds acceptable" (p. 719); thus, it is a measure of the personal integrity that is found acceptable in a given circumstance.

This is primarily a cognitive-based view of trust, based on an actor's reliability and dependence on other actors (McAllister, 1995), and that is the focus of this article. For the purposes of this research, we do not consider an affective-based view based on the emotional bond between actors. Trust is hereby reduced to the dyad of trustor and trustee, which is seen by some writers as rather narrow and not acknowledging that "trust has been used to describe at least five different types of characteristics: individuals, groups, broad social entities, relationships between individuals, and relationships between individuals and groups" (Wekselberg, 1996, p. 333). Others criticize the exclusion of unequal or equal power balance between the trusting parties (Husted, 1998) or the lack of guidance for an optimal level of trust, especially when the circumstances of the dyadic relationship change (Wicks, Berman, & Jones, 1999).

Trust is seen as a psychological state that influences attitudinal, perceptual, behavioral, and performance outcomes (Dirks & Ferrin, 2001). Trust develops, starting with a person's initial propensity for trust and experience and is fostered through proactive collaboration among parties (Clases, Bachmann, & Wehner, 2003). Trust is not limited to human beings. Several classifications of trust exist, with system trust and person trust being the most often cited types. System trust stems from trustworthiness of, for example, the organizational processes or management systems, that is, the trust people have in the organization as a system. People trust relates to the trust in individuals or groups (McKnight, Cummings, & Chervany, 1998; Sydow, 2000). There is a two-way relationship between the two types of trust, where on one side the system trusts the people to conform to their role (e.g., they have the ability, benevolence, and integrity to fulfill their role). This is typically gained through professional certification or experience (Grey & Garsten, 2001). On the other side, people trust the system by expecting that the creators had the ability, benevolence, and integrity to design and implement, for example, a governance structure that is appropriate for coping with an organization's challenges.

In this respect, Luhmann (2000) distinguishes between trust and confidence. Trust is interpersonal, depends on experiences and local milieu, and requires activity to be established. A lack of trust leads to withdrawal from activities. Confidence is an attitude toward a system, not a person. A lack of confidence leads to feelings of alienation and retreat into other "life worlds." For the present study, this translates into trust as being the interpersonal relations of project managers in their work and confidence as being the governance structure within which project managers and others have to make their ethical decisions. For the remainder of the article, we will use the terminology of McKnight et al. (1998) and Sydow (2000) and refer to confidence as *system trust.*

Together with its supplement, control, trust is seen as a major mechanism for governance in organizations. The two concepts are often seen as being parallel and supplementary to each other; however, the balance between control and trust must fit to the situation within which they are used as governance mechanisms. For example, too much control can lead to an erosion of trust (Clases et al., 2003) because it signals to an employee that he or she is not trusted and that opportunistic behavior is expected (Kadefors, 2004). This balance is also reflected in Agency Theory and Stewardship Theory; here, the former explains the control and the latter explains the trust as governance mechanisms (Schoorman, Mayer, & Davis, 2007). Interestingly, the earlier studies on Agency Theory used either the contract between the principal and agent or financial results as their unit of analysis, whereas later studies included the level and nature of trust, thus moving the unit of analysis closer to Stewardship Theory (Müller, 2011).

Numerous studies have shown that trust, when used for governance, reduces transaction costs in organizations and improves performance (Das & Teng, 1998; Dyer & Chu, 2003; Gulati & Nickerson, 2008). Transaction cost reduction stems from lower levels of control and less hierarchical and more informal relationships, leading to a higher propensity to collaborate (Gulati & Nickerson, 2008). This is supported by the information processing capabilities of the organization, where higher information flow capabilities lead to the development of high levels of trust (Carson, Madhok, Varman, & John, 2003).

Despite the importance of trust, there are also risks associated with trust. These are mainly found in the increased possibility for opportunistic behavior or fraud in trusted relationships (Nooteboom, 1996) and inadequate team monitoring, especially for self-managed teams, which bears the risk of long-term harm to the organization (Langfred, 2004).

Quantitative and conceptual studies on trust in the context of project governance showed a nonlinear negative relationship between trust and control, thus permitting a substitution of one by the other, within limits. Research found that too rigid governance structures reduce trust for the reasons mentioned earlier under too much control, which impacts project results negatively (Turner & Müller, 2004). Focusing on the governance of enterprise resource planning (ERP) projects in Taiwan, Wang and Chen (2006) identified trust as one of the four dimensions of governance (together with explicit contracts, implicit contracts, and reputation) that need to be in equilibrium to be successful in these types of projects. Hartman (2002) also identified trust as an antecedent for project success, but with differences in meaning of trust contingent on contractor or owner role in projects. In both roles, trust varies in its impact on satisfaction with relationships in projects and positive project outcomes (Pinto, Slevin, & English, 2009).

In summary, the link between trust and governance has been addressed extensively at the organizational level, but relatively little is published in the context of projects. The relationship between the combination of governance and trust with ethics has not been addressed in the project management literature thus far.

Ethics

Contributions to research on ethics and management come from a range of academic disciplines. Researchers from philosophy, theology, and the related disciplines develop links between traditional moral philosophy and management, in what can be called *normative ethics* approaches to the topic, whereas work from social psychologists and other social scientists can be put under the heading of *behavioral ethics*. The literature on project management has thus far aligned with the former direction in ethics (Godbold, 2007, 2008; Godbold & Turner, 1996) and can benefit from further exploration of research within the latter.

Within *normative ethics*, the focus is on what a person or organization ought to do in a given situation. What are the principles and norms the agent should take into account when making a decision? Contributions to clarify these questions fall into three main categories: emphasizing process, outcome, and character, respectively. Table 1 indicates the main features of each category and their corresponding management concerns.

Orientation	Category	Management Perspective
Process	*Deontological ethics* explicates the rules, maxims, norms, and principles to govern conduct. Moral obligations concerning justice and fairness. Social contract theories.	Management's responsibility is to make sure processes are just, fair, and reasonable and do not violate human rights.
Outcome	*Consequentialism* defines the right conduct in terms of the alternative likely to produce the best overall outcome for the stakeholders.	Management's responsibility is to maximize the overall utility for the stakeholders.
Character	*Virtue ethics* focuses on the moral virtues of honesty, integrity, fairness, courage, care, and so forth, and how they are developed and nurtured.	Management should exhibit exemplary conduct stemming from stable dispositions to act.

Table 1: Ethics literature categories

Orientation	Focus	Explanation Factors
Bad apples	Individual	Cognitive moral development, idealism or relativism, Machiavellianism, locus of control, job satisfaction, demographics, age, education level
Bad cases	Moral issue	Moral intensity, magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, concentration of effect
Bad barrels	Organizational environment	Ethical work climate, ethical culture, ethical codes

Table 2: Reasons for unethical behavior (after Kish-Gephart et al., 2010).

Contributions to the normative ethics approach to management tend to map the respective traditions. The process orientation can be found in Micewski and Troy (2007). Ciulla (2009) develops a character-oriented approach by emphasizing care as a core element of management. Helgadottir (2008) presents an overview of normative ethics similar to the one above, without favoring one orientation.

Research within *behavioral ethics* attempts to determine why individuals behave unethically in the workplace. A wide range of empirical studies has shown that a dispositional approach (partly overlapping with virtue ethics) needs to be supplemented with a situational one. In a meta-analytical study, Kish-Gephart, Harrison, and Trevino (2010) distinguish among three areas of inquiry for behavioral investigations into why people behave unethically (Table 2).

The research on *bad apples* has shown that promoting a belief in determinism can increase cheating (Vohs & Schooler, 2008), that otherwise honest people may act unethically under specified circumstances (Shalvi, Handgraaf, & De Dreu, 2011), and that performance goal individuals tend to cheat more than mastery goal individuals (Van Yperen, Hamstra, & Van der Klauw, 2011). The "bad cases" research focuses on the moral issue construct developed by Jones (1991) to explain unethical behavior in situational terms. The concepts and categories it introduces help to pinpoint how factors beyond the person's dispositions to act can affect behavior. *Bad barrels* and organizational environment have been investigated in terms of perceived ethical climate (Victor & Cullen, 1988) and perceived ethical culture (Trevino, 1986, 1990). Tseng and Fan (2011) found indicators that ethical climate affects individuals' knowledge management participation.

All three orientations within behavioral ethics offer important insights concerning ethics and management because they provide a background for understanding why individuals engage in unethical conduct. All orientations are present in the general literature on ethics and management but not in the more specified literature on ethics in project management, which still applies the normative ethics approach.

The growing interest in the ethical aspects of management has also come under criticism for instilling the wrong remedies to avoid future scandals. Ghoshal (2005) argues that ethics in itself is not enough, because traditional management theories have contributed to the bad management practices leading to the corporate scandals. It is not a lack of ethics that has caused the scandals, but rather the assumption that human beings can be characterized as *homo economicus*, self-interest maximizers. Even more skeptical to the role of ethics in management is Donaldson (2008), who claims that teaching ethics to management candidates can be ineffectual and counterproductive.

Ethics in project management is a relatively new research area. It needs to link up with the development in behavioral ethics to supplement the current approaches based on normative ethics. The use of vignettes and dilemmas in preparations for ethically challenging situations in project management has been explored by Loo (2002) and is also an area where there is a need for further research.

Governance in a Project Context

Governance has been gaining increased attention in recent years and entered the field of project management about a decade ago (Turner & Keegan, 2001). "Governance is ultimately concerned with creating the conditions for ordered rule and collective action" (Stoker, 1998, p. 155); however, governance is a form of regulation where the regulator is part of the system under regulation.

Project governance links the principles of corporate governance to projects. Project governance aims to ensure a consistent and predictable delivery of projects within the limitations set by corporate governance or the agreed-upon subsets of corporate governance in contracts with external partners. Governance "coexists within the corporate governance framework. It comprises the value system, responsibilities, processes, and policies that allow projects to achieve organizational objectives and foster implementation that is in the best interest of all the stakeholders, internal and external, and the corporation itself" (Müller, 2009, p. 4). Governance defines the objectives of a project, and provides the means to achieving these objectives and controlling progress (Müller, 2009; Turner, 2009).

Early research in project governance focused on the identification of different organizational structures, contingent on project size and number of customers in an organization (Turner & Keegan, 1999) and then went on to identify the roles in governance, described as the broker and steward model (Turner & Keegan, 2001). Many of the studies on project governance were industry or project-type specific and developed frameworks for their particular setting (Clegg, Pitsis, Rura-Polley, & Marosszeky, 2002; Klakegg, Williams, Magnussen, & Glasspool, 2008; Miller & Hobbs, 2005; Pryke, 2005; Shenhar et al., 2005).

A more generic model defined project governance paradigms through integration of governance theory and organization theory (Müller, 2009). Four project governance paradigms were identified (Figure 2) by combining the shareholder versus stakeholder orientation of governance (Clarke, 2004) with the twin control mechanisms of outcome versus process compliance (Brown & Eisenhardt, 1997; Ouchi & Maguire, 1975).

The *conformist* paradigm represents organizations with a shareholder orientation (precept is the maximization of shareholder value) with a strict behavior control (i.e., process compliance). This aims for lowest project costs in organizations with relatively homogeneous sets of projects. The *flexible economist* paradigm is used in the context of shareholder-oriented organizations with a control focus toward expected outcome. The aim is to keep project costs low through careful selection of project management methodologies, which ensure economic delivery by only marginally compromising other success criteria. The *versatile arti*st paradigm is used in organizations with a stakeholder focus and output control. The precept here is to balance the multitude of requirements stemming from the many different stakeholders of the organization. Stakeholder benefits are maximized by optimizing the diverse set of requirements arising from a number of different stakeholders. Organizations subscribing to the *agile pragmatist* paradigm use stakeholder orientation and controlling by process compliance. They maximize usability and business value of a project's product through a time-phased approach to product release of functionality over a period of time (Müller, 2009).

Models for project governance were developed by Walker, Segon, and Rowlinson (2008), Turner (2009), and Müller (2009), with each having a different focus. The first model

		Governance orientation	
		Shareholder	***Stakeholder***
Control focus	***Outcome***	Flexible economist	Versatile artist
	Behavior	Conformist	Agile pragmatist

Figure 2: Four governance paradigms (Müller, 2009).

emphasizes the distinction between hard and soft aspects in project governance and their particular impact on accountability and transparency in execution. The second model emphasizes the processes and roles in project governance, outlining the roles of sponsor, steward, project manager, and project owner, and the associated processes that link these roles from preproject stages through postproject evaluation. The third model uses governance paradigms as the link between the ways organizations govern their projects (endeavors to accomplish outcome) with their governance of project management (the quality and quantity of project management done in an organization) to identify different approaches in different paradigms.

Little is found in the project governance literature in terms of the research questions stated in the introduction section. Trust and ethics are assumed ingredients of the various models and frameworks but are not explicitly addressed by the writers, and this indicates the need for an exploratory investigation into the research questions.

Methodology

This study identifies possible ethical issues in projects and then investigates ethical decision making related to these issues within different project governance settings. The study is conducted from the perspective of project managers. To understand project managers' decision making requires a subjective ontological position, which aims for sense-making of project managers' decisions in their particular governance context, thus understanding the subjective ontology of project managers. Research on sensitive subjects, such as ethical issues, runs the particular risk that informants provide merely *institutionalized standard talk* or *politically correct answers* (Alvesson & Kärreman, 2007). To filter that out, the chosen methodology must provide for critical and reflective action on the side of the researcher. Therefore, a social constructionist perspective was taken, which allows for the understanding of the life-world of informants through critical sense-making of their meanings and reasoning in context.

A nontraditional reflexive and abductive methodology, known as *mystery construction* developed by Alvesson and colleagues (e.g., Alvesson & Kärreman, 2007; Alvesson & Sköldberg, 2009) was used. This approach "recognizes the [socially] constructed nature of empirical material and [. . .] advocates a light or moderate version of constructionism, assuming that something is going on out there and there may be better or worse ways of addressing things, but also that frameworks, pre-understandings, and vocabularies are central in producing particular versions of the world" (Alvesson & Kärreman, 2007, p. 1265). The two-step method first aims for discovery of mysteries, that is, phenomena or parts of phenomena that are not adequately explained by or are contrary to existing theory. The second step comprises the solution of the mystery through reflexive reasoning. A salient feature of this is what Alvesson and Kärreman (2007) call *reflexion*. In the first step, the researchers reflect on the results; then, in the second step, they conduct a reflection on the reflection. While the first step is often done in qualitative studies, the second step is rarely part of qualitative studies and has been instrumentalized here; this makes the method distinct from the grounded approaches suggested by, for example, Van de Ven (2007). The method requires (p. 1269):

- A flexible theoretical framework requiring multiple readings of the talk, the behaviors, the events, and the documents, and
- A reflexive approach to empirical material that encourages alternative constructions and the self-critical interpretations of one's own paradigmatic, political, theoretical, methodological, and social predispositions.

The chosen methodology emphasizes the need for subjectivity and existing theoretical frameworks on the side of the researchers in order to reconstruct the life-world of the interviewees, as Alvesson and Kärreman (2007, p. 1268) state:

> Contrary to conventional wisdom, we think that it is fruitless, even counterproductive, to attempt to minimize the influence of theory and subjectivity. These should not be denied and hidden but should be reflexively and self-critically cultivated and mobilized, reinforcing the ability to discover interesting research issues.

They suggest an abductive approach combining (1) application of an established interpretive rule (theory), (2) observation of the empirical phenomena in light of that rule, and (3) imaginative articulation of a new interpretive rule (theory), where

> The process of engagement [of the researchers], in which the languages and theories of the researcher are activated, is central. This view differs from a position aiming to passively mirror reality—for example, through collecting data and coding, processing, and trying to "discover" the facts and meanings that are assumed to be present. (Alvesson & Kärreman, 2007, p. 1269)

This is in line with other contemporary developments in organizational research methods, such as those by Lorino, Tricard, and Clot (2011, p. 778) who refer to Wittgenstein's differentiation between narrative hypotheses and empirically testable propositions when stating that "the abductive step provides non-testable narrative hypotheses. Deductive and inductive reasoning then develop them into testable propositions, to validate the story, not as a 'true representation of the world,' but as a viable way to rebuild experience."

Rather than following traditional ways of measuring, codifying, and checking the method recommends that "the researcher's pre-understanding, including his or her academic framework(s), may be used as a tool that opens up a dialogue with the empirical material" (Alvesson & Kärreman, 2007, p. 1269), and

> Reflexivity can be encouraged by using various theoretical perspectives and metaphors, listening to alternative voices of the research subjects, imagining multiple reader groups, considering different political interests and research purposes (emancipation, thick description, better management), trying to consider oneself in various identity positions (gender, ethnicity, class), working with co-researchers from another background or with a different theoretical framework, and thus increasing the chance to be challenged when encountering empirical material. The dialogue among framework, researcher, and empirical material should be, whenever possible, multilingual. (Alvesson & Kärreman, 2007, p. 1270)

This process was followed by establishing a diverse group of researchers in terms of experience (as researcher), tenure (from postdoctorate to senior-level professors), industry background, cultural background (six researchers from five different countries and three different continents), and age (from 30 to 70).

In a similar way, the analysis followed the suggestion by Alvesson and Kärreman (2007):

> Self-critique and reflexivity are important elements here, as antidotes to the tendency to be carried away by the prospect of constructing a true mystery. Reflexivity may also mitigate the risk of being insufficiently careful in monitoring the empirical grounding and potential theoretical value of the claim to mystery. (p. 1272)

To that end, the research team accomplished the main objective of this approach, which is "structuring the research process in ways as illustrated by the model facilitates interplay among theory, researcher subjectivity, and empirical options that can encourage theoretical development through problematizing exiting theory" (Alvesson & Kärreman, 2007, p. 1272).

The move from individual reflections to joint reflexivity is achieved by the researchers jointly reflecting on their reflections through discourse, thereby actively seeking alternative explanations and converging on a consensus explanation of the phenomenon, which covers the interviews and assessed cases (Alvesson & Sköldberg, 2009). This discourse goes through four stages to develop propositions; it starts with the emergence of statements (i.e., it reaches what Foucault calls the "threshold of positivity"), which are then verified and assessed for coherence in order to develop dominating knowledge (i.e., "threshold of epistemologization"), which are then tested for their acceptance within the realm of science and their possibility to be phrased as propositions (i.e., "threshold of scientificity") to finally identify their axioms and elements that allow for formulating the propositions (i.e., "threshold of formalization") (Foucault, 1972, pp. 205–206).

Data Collection

Nine case studies were conducted, including 28 interviews, review of existing policies, and process descriptions of some of the case companies, as well as collection of additional material, such as reports or other artifacts as they relate to the study.

A holistic multiple-case design with a single unit of analysis in the sense of Yin (2009) was chosen. This replication logic design allows for a combination of within-case and across-case analyses, thus the identification of the commonalities across cases. The sampling approach aimed for maximizing a variety of cases in order to identify underlying commonalities of a more general nature.

Table 3 shows the case companies, roles that were interviewed, and the number of interviews. Four cases were done in both Europe and Australia and one in China.

In seven of the nine case companies, the interviews were held with project sponsors or upper management, program managers, and project managers. In two case companies, only project managers were interviewed. Two sets of interview questions were developed, one addressing project sponsors and the other project managers. Following Alvesson and Kärreman (2007), we did not assume that the interviewees were reporting authentic experiences but saw

> the subject as a politically motivated producer of what are, for him or her, favorable "truths" or as a person repeating institutionalized standard talk about a specific theme. Thus, interview talk can be seen as useful for a study of political action or the circulation of discourse, rather than for a study of the experiences, meanings, and beliefs of individuals. (p. 1269)

In each of the companies, a contact person was identified and interviewed first in order to subsequently decide on the eligibility of the company for the study. The contact persons then identified further interviewees. All interviewees were informed about the study and invited to the interview through a study brief. After their acceptance of the invitation, they were provided with a potential list of questions and some examples of the types of ethical issues in projects.

The questions covered general information about the informant and the projects he or she is involved in, plus details on:

- Examples of *ethical dilemma*, and the selection of one particular dilemma for further investigation, as well as

	Organization	Region	Roles Interviewed	Number of Interviews
Case 1	Oil and Gas 1	Northern Europe	CEO, project manager, PMO member	6
Case 2	Oil and Gas 2	Northern Europe	Vice president of finance, project manager	2
Case 3	Government institution	Northern Europe	Manager of procurement department, project manager	2
Case 4	Pharmaceutical manufacturer	China	Manager of PMO, manager quality, project managers	7
Case 5	Subsidiary of European aluminum company	Australia	Project managers	2
Case 6	Subsidiary of U.S.-based information technology firm	Western Europe	Project manager	1
Case 7	Property services department in a university	Australia	Client (project owner), program manager, project manager	4
Case 8	A change management consultancy firm with an architectural background	Australia	Senior executive (project owner), project manager	2
Case 9	Subsidiary of a U.S.-based firm supplying IT hardware and solutions	Australia	Project owner, project and portfolio manager	2

Table 3: Case study details.

the level of flexibility the project manager/sponsor has in solving ethical issues.

- The formal and informal limitations or guidance received through the governance structure for the response to the ethical dilemma, the possible and actual approaches to reporting, as well as the reaction after the reporting of ethical issues.
- The level of confidence that stakeholders have in the decision made by project sponsors/managers and how ethical decisions have impacted the trust between these parties.

The questions were tested within the team of researchers and some of their colleagues for validity, appropriateness, and sequencing. With the exception of one telephone interview by one researcher alone, all interviews were held face-to-face and in pairs of researchers, in which one researcher took notes while the other led the discussion with the interviewee. All face-to-face interviews were tape-recorded for future analysis.

Data Analysis

As previously noted, the analysis followed the process suggested by Alvesson and Kärreman (2007) to deconstruct the data to identify explained and unexplained phenomena for further systematic analysis for the development of new understanding and (re)solutions for the unexplained.

All interview notes were typed up and distributed to the six-person research team before analysis. In an analysis workshop, the researchers started by presenting their particular case company, the interview data, and other information collected, as well as their own reflections on the case. Subsequently, the group of researchers reflected on the individual case until consensus on the interpretation was reached. In a second step, the group analyzed the reflections to develop a reflexive theory. This was done by developing propositions and refining them in light of each individual case.

Validity, Reliability, and Ethical Issues

Validity and reliability in the case studies were addressed using the suggestions of Yin (2009). For that construct, validity was addressed by using multiple informants and gaining access to the best informants possible. Internal validity was achieved through explanation building and external validity through replication logic in multiple cases. Reliability was achieved through use of a common case study protocol for all researchers and all cases.

Ethical issues were addressed by the researchers being aware of the sensitive nature of the questions asked and related carefulness in discussing the interviewees' ethical issues. Informed consent by the interviewees was aimed for through careful explanation of the study and its goals, and also by informing them about their right to stop the interview at any time, that no personal data would enter the analysis, and that no reported results would be traceable back to companies or individuals.

Analysis and Results

The first research question addresses the types of ethical dilemmas experienced by projects. The reported ethical issues, which lead to dilemmas in ethical decision making, can be categorized into:

1. *Transparency issues.* These were the most often reported ethical issues. Project managers were reluctant in reporting project performance issues (potentially causing cost and schedule overruns):
   T1: In hope of being able to balance costs through reduced functionality of the product.
   T2: In hope of recovering through other means at some time in the future.
   T3: In fear of project termination.
   T4: In fear of face-loss by admitting planning mistakes.
   T5: In fear of losing their bonus or other incentives.
   T6: Because of uncertainty about proper timing for escalation.
2. *Relationship issues.* These emerge from or impact on interpersonal relationships, such as:
   R1: Closeness in the relationships between buyers and suppliers, leading to invitations, gifts, and private ties, where it is difficult to identify the borderline between gift and bribe.
   R2: Expatriates' inappropriate contact with locals in some countries.
   R3: Having to replace low performing or not accepted team members.
   R4: Finding out about past unethical behavior of a current supplier.
   R5: Allocating a job to the project manager to complete as part of a takeover, leading to loss of the project manager's job.
   R6: Inability of a project manager to tell colleagues what will happen to them due to confidentiality required in a company takeover.
3. *Optimization issues.* These arise from the question of whether to optimize the project toward the sponsor/company or project manager objectives, as well as distribution of risks and benefits:
   O1: Delivery of projects as planned or at best value for the customer.
   O2: Switching between existing and new suppliers, that is, knowing about the weaknesses of existing suppliers versus believing the promises of possible new suppliers.
   O3: Appropriateness of quality criteria; that is, using existing quality criteria for acceptance while knowing that higher quality criteria would be possible, but may be detrimental to project acceptance
   O4: Using the safety standards of the project's or team members' home countries or the local standards of the country in which they work.
   O5: Pushing consultants toward 100% billable utilization to achieve company objectives, while knowing that this includes large amounts of unpaid work during leisure time
   O6: Expectation from sales that underquoted project costs would be recovered by the project or delivery manager as a change order.

These issues lead to four types of dilemmas in project managers' decision making; these are listed in Table 4, along with examples for the cases.

Research Question 2 asks for the ethical implications of different governance structures. Table 5 cross-references the dilemmas with the ethical issues in different governance structures and provides an overview of the remedies put in place by the organizations. Governance is categorized using the four paradigms described in Figure 1:

- *Outcome control with shareholder orientation.* The governance approach of these cases includes low levels of control and builds on trust as a substitute for control. Reporting is minimized to approximately one report per year and little surveillance in form of audits in the case of no escalated issues; however, it is expected that issues will be escalated when they arise.
- *Outcome control with stakeholder orientation.* The governance approach in these cases includes medium levels of control and builds on monthly reporting and scheduled meetings for status reporting and issue handling. Surveillance is kept low because the sponsor and project are at different locations.
- *Behavior control with a stakeholder orientation.* These cases involve high control and surveillance because this governance approach builds on strict adherence to the existing processes, formal controls, and immediate escalation of issues. Surveillance is enabled through geographic proximity of the partners.
- *Behavior control with shareholder orientation.* Cases assessed in this paradigm use high levels of control and surveillance and strict conformance with existing processes. Surveillance is done through formal control systems, which act as a "closed control system" across the organization.

The three types of ethical issues emerge in all governance structures; however, the resulting dilemmas show patterns (see Table 5) with

- A slight dominance of transparency issues underlying the emergence of dilemmas 1 and 2 in all but the conformist governance paradigm.
- A dominance of relationship issues underlying dilemmas 2, 3, and 4, albeit in different governance paradigms. Relationship issues under the flexible economist and agile pragmatist are associated with dilemma 2, whereas the same issues are associated with dilemmas 3 and 4 under the versatile artist paradigm.
- Optimization issues are associated with all types of dilemmas; however, within each paradigm they are associated with a different dilemma.

Table 5 also shows the ways organizations address these ethical

Type of Dilemmas	Example
Dilemma 1: There is a conflict between two equally valid ethical choices.	Ethical issue T4 in cases 1 and 4: In both cases, the project manager can report the budget overrun now, that is, early in the project (which implies a face loss because of improper planning by him or her), or report it toward project end (which implies a face loss because of poor project cost management). Both alternatives are equally undesirable, but valid.
Dilemma 2: There is a conflict between what is ethically correct and what the company policy is.	Ethical issue R1 in case 3: After years of collaboration and a friendly relationship, the supplier invites the project manager repeatedly to dinners, and events such as golf tournaments. Although the latter is turned down (or self-paid by the project manager) because of company policy, it is unclear what quality and quantity of dinners cross the line between presents and bribes with respect to the company's policy.
Dilemma 3: There is a conflict between what is ethically correct and what the law dictates.	Ethical issue R2 in case 2: An expatriate project manager having contact with a local female. Although this is ethically correct and accepted in his home country, it is against the law in the host country.
Dilemma 4: There is a conflict between what is legally correct and company policy.	Ethical issue O5 in case 6: Objectives for consultants in the international company are set at 100% billable utilization in customer projects. This company policy leads to large amounts of unpaid administrative and other unbillable work, done during the consultants' leisure time. Thus, total work time conflicts with maximum work hours defined in some of the countries the company operates in.

Table 4: Types and examples of ethical dilemmas.

issues. In outcome-controlled structures, transparency and relationship issues are addressed by sporadic audits for shareholder-oriented organizations, and fostering of formal and informal communication among partners, plus training in business ethics in stakeholder-oriented organizations. Too much informal communication can lead to relationship issues, which are addressed through more formal means, which include organization-wide, 24-hour hotlines for reporting ethical issues, training of team members and managers in ethical behavior and related company policies. Behavior controlled organizations emphasize process compliance for both shareholder and stakeholder-oriented organizations.

Optimization issues are addressed through training and consulting in outcome/shareholder-oriented organizations, and formal organizational policies and interpretation of laws in outcome/stakeholder organizations. Behavior-controlled organizations rely on policies, plus escalation procedures and interpretation of law in stakeholder-oriented organizations, and tight control procedures in shareholder-oriented organizations. Optimization issues give rise to another two dilemmas: deciding for what is ethically or legally correct versus what provides the greatest economic returns to the decision maker or the organization. This is mainly addressed through the organization's culture and its underlying morale.

Research Question 3 asks how project governance structures can be used to build trust between the project managers and the governance structure. The findings identified an ex-ante stage and an ex-post stage of the relationship.

Ex-ante—Prerequisites of the Governance Structure

The interviews identified a number of attributes of a governance structure, which serve as prerequisites for being trusted and accepted by the project managers working with it. The governance structure influences ex-ante trust in the following ways:

- Freedom to act:
  - The governance structure needs to allow people sufficient flexibility to face challenges. If it controls project managers too strongly or requires too much process adherence, then they have no room for decision making. Thus, they are not given the chance to decide on their own; the decisions are predetermined by the structure.
  - If the governance structure is too strong (as previously described), project managers will not have the flexibility to address ethical questions by themselves and either mechanically do as the system tells them to do or start questioning the legitimacy of the decisions predetermined by the system. In both cases, this leads to a spiral of mistrust in the governance structure.

    This was illustrated by Case 6. The company's governance structure tries to precisely prescribe how people should behave, ultimately leading to a lack of trust, as the interviewee stated: "The challenge is to maintain the trust."
- Appropriateness of the governance structure for the issue at hand:
  - The governance structure must allow project managers to refer their challenges to the governance structure and seek for ethically appropriate decisions. Thus, it must be sufficiently wide in scope and flexible enough in application to cover a wide range of unforeseen circumstances and provide guidance for events that are outside the present

Governance Paradigm (Precept)	Flexible Economist Outcome Control With Shareholder Orientation (maximizing value for sponsor)	Agile Pragmatist Behavior Control With Stakeholder Orientation (following the process)	Versatile Artist Outcome Control With Stakeholder Orientation (balancing diverse requirement)	Conformist Behavior Control With Shareholder Orientation (following the process)
Dilemma 1: Conflict between two equally valid ethical choices	Transparency *(case 3: T1)* Optimization *(case 3: O1)*	Transparency *(case 4: T4)* Optimization *(case 4: O1, O2)*	Transparency *(case 1: T2, T4, T5)* Relationship *(case 8: R5, R6)*	
Dilemma 2: Conflict between what is ethically correct and the organization's policy	Relationship *(case 3: R1)*	Optimization *(case 4: O3)* Relationship *(case 4: R3; case 7: R1; case 9: R3)*	Transparency *(case 1: T3, T6)*	
Dilemma 3: Conflict between what is ethically correct and what the law dictates			Relationship *(case 2: R2)* Optimization *(case 5: O4)*	
Dilemma 4: Conflict between what is legally correct and the organization's policy			Relationship *(case 5: R4)*	Optimization *(case 6: O5, O6)*
Organizational remedies to ethical issues:				
Transparency issues	Sporadic audits and site visits Policies	Process compliance	Periodic and formal reporting with follow-up meetings Informal meetings	Process compliance
Relationship issues			Trainings in business ethics 24-hour ethics hotline	
Optimization issues	Training/consulting about expected behavior	Escalation to manager Policies Interpretation of laws	Policies Interpretation of laws	Policies "Closed loop" control system

Note. ( ) = case number and type of ethical issue.

Table 5: Types of ethical issues and dilemmas under different governance structures, plus organizational remedies.

scope of the system. Furthermore, it must address project managers in the particular language of their profession to allow them to link a decision-making situation to the system and its contents.

- If the governance structure works to resolve the challenges the project manager is facing, then it builds trust and the project manager will continue to use the governance structure in similar situations in the future.
- However, if the governance structure does not provide sufficient guidance or its suggestion is even in conflict with the law or the moral standards of the project manager, it can lead to a spiral of mistrust and

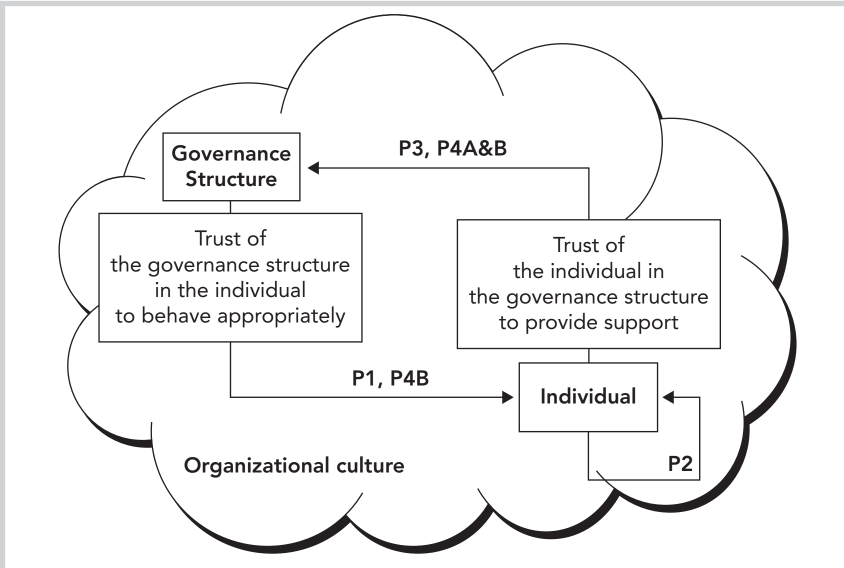

Figure 3: Propositions.

circumvention of the governance structure in the future.

This was illustrated by Case 5. A contractor to the project made a claim. With the help of the project manager, the claim was approved through the hierarchies and paid by the project manager's company. Later, the project manager found out that the claim was false. "They were just trying to make extra money" (interview note). The project manager had faced an ethical issue and the governance structure attempted to give the project manager guidance to resolve the issue, but the guidance would have disturbed the relationship with the contractor. Instead, the project manager did not tell the contractor of his finding, "He is holding it back to use to counter future claims" (interview note). The governance structure did not give appropriate guidance. It was too narrow and not flexible enough. Therefore, the project manager circumvented it.

Ex-post—Trust as the Mechanism to Link Governance Structure and Project Managers

Trust was addressed by the interviewees in two different ways:

- *System trust.* This represents the extent to which project managers trust the governance structure as a system. It is a function of the trustworthiness of the governance structure, thus the project manager's belief about the ability, benevolence, and integrity of this structure, given to it by its creators.
- *People trust.* This represents the extent to which the governance structure (or their creators) trusts the project managers. This is a function of the trustworthiness of the project managers, thus the belief of the governance structure creators in the ability, benevolence, and integrity of the project managers.

Throughout the case studies it was found that both types of trust are needed in order for the governance structure to provide an appropriate framework for decision making. Interviewees indicated that the governance structure should provide a framework and not a "straitjacket" (i.e., being too prescriptive). This implies some level of decision making authority to be delegated to the project manager in order for the governance structure to function. An example of this is case 5, as described above. The governance structure did not trust that the project managers could decide for themselves within a framework of possible decisions given by the structure. Rather than that, the structure prescribed a decision, which was inappropriate in the eyes of the project manager. This made the project manager lose trust in the system, leading him to circumvent the system.

From that we derive the following propositions (Figure 3):

> Proposition 1: In order to be able to delegate the taking-on or facing of challenging situations, the governance structure needs to trust the staff's ability, benevolence, and integrity to make appropriate decisions.

Similarly, the project managers should fulfill the requirements of trustworthiness in order to be trusted by the governance structure. This forms the second proposition:

> Proposition 2: In order to act appropriately in the face of challenging situations, project managers need to recognize the challenging situation, evaluate it, decide on an appropriate course of action, and have the ability, integrity, and benevolence to take appropriate action.

With propositions 1 and 2 representing the ex-ante situation, the following describes the flow of actions when a situation for ethical decision making arises.

The governance structure sets the framework for project managers to act, thus providing limitations and guidance. To that end, the governance structure needs to provide help when project managers are caught in an ethical dilemma; hence, project managers need to perceive the governance structure as being trustworthy by the time ethical decision making is required. This leads to proposition 3:

> Proposition 3: If staff members feel they cannot act on their own, they need to have trust in the governance structure's ability, integrity, and benevolence to refer the challenging

situation back to the governance structure.

Once the governance structure has been put to test for resolving the issue at hand, there are two possible outcomes. Hopefully, the governance structure helps the project manager to address the issue in an appropriate manner that supports the existing trust in the governance structure. Otherwise, the governance structure is of little or no help to the project manager, which leads to a loss of trust in the governance structure. This forms propositions 4A and 4B:

> Proposition 4A: If the governance structure works to resolve the challenges, it reinforces the trust of the project manager in the governance structure and he or she will continue to use the governance structure.

> Proposition 4B: If the governance structure does not work to resolve the challenges, it damages the trust of the project manager in the governance structure. If project managers lose trust in the governance structure, they will start to circumvent the governance structure, and that in turn may damage the trust of the governance structure in the project manager.

Discussion

The study investigated the types of ethical dilemmas faced by project managers and the governance context within which they emerge. The results confirm those of a number of existing studies, but also provide new insights into the phenomena of ethical decision making in the context of different governance structures in temporary organizations, such as projects.

In terms of the approaches presented in Table 1, no distinct priority is given to deontological, consequentialism, or virtue ethics. From a management perspective, normative ethics provides conceptual and theoretical resources for handling ethical dilemmas in a systematic manner.

The study also validates the distinction within behavioral ethics between bad apples, bad cases, and bad barrels, as presented in Table 2. Ethics in project management is likely to be the most effective when it addresses the factors influencing individual decision making and the potential risks posed by bad apples, as well as the moral issues that occur during project processes and ethical work climate considerations.

The study's results support Victor and Cullen's (1988) findings that different parts of organizations develop different ethical climates, which influence the ethical decision making by individuals. The climates range from informing the members of an organization about what they can do up to what they ought to do. The present study refers to this as different governance contexts and identified the differences in ethical issues and decision making therein.

Trust as a governance mechanism to achieve efficiency was identified by Dyer and Chu (2003) and is similarly identified in this article as a key mechanism for the governance of projects. The dual-dimensional approach to governance using trust and control was identified by Das and Teng (1998) and is supported through the outcome and behavior approaches to governance in the present study. The levels of governance give rise to different types of dilemmas. The need for appropriate information flows to build trust was earlier identified as a major factor for the interaction between the governance structure and the individual. This is supported by Carson et al. (2003), who showed that information flow moderates the effectiveness of trust-based governance, especially when the parties share a mutual understanding of the task at hand—a finding that is implied in the propositions of the present study.

Taking a more psychological perspective, Jones and George (1998) showed how trust develops in organizations by gradually evolving from the interactions among people's values, attitudes, and moods and emotions. In the case studies described in this article, these interactions were fostered through informal communication, training, and other means of personal interaction and sharing of organizational values.

The results also link back to process studies, which show that decision-making processes must be perceived as fair in order to build the trust and commitment of employees, especially when they interact with a wider system instead of other people.

> Individuals are most likely to trust and cooperate freely with systems—whether they themselves win or lose by those systems—when fair process is observed. Fair process responds to a basic human need. All of us, whatever our role in a company, want to be valued as human beings and not as "personnel" or "human assets. [. . .] People are sensitive to the signals conveyed through a company's decision-making processes. Such processes can reveal a company's willingness to trust people and seek their ideas—or they can signal the opposite. (Kim & Mauborgne, 2003, p. 131)

A related example, showing the interaction of systems trust and people trust was demonstrated in case 5.

Conclusions

This article takes the discussion of governance, trust, and ethics into the realm of projects. The results of the nine case studies and 28 interviews showed that the integration of suppliers, project team members, and other stakeholders (including local nationals) can lead to issues in which relationships between business partners being perceived as too close by the governing organization or issues about appropriate timings for escalations and levels of disclosure. This may then lead to ethical issues in decisions that have to be made in terms of reporting, interpersonal relationships, and values of the organizations involved in the project.

In addressing ethical dilemmas, project management can utilize resources from normative ethics, which contain conceptual tools to analyze ethical challenges in a systematic manner, giving weight to process, outcome, and character. The increasing pressure within project management to deal with ethical dilemmas and to justify choices and priorities to various stakeholders will only heighten the relevance of concepts and ideas from normative ethics.

Three types of issues were identified: transparency, relationship, and optimization issues, which were linked to four different types of dilemmas in ethical decision making. Dilemmas related to decisions between equally ethical choices or ethical decisions versus organizational policies were linked back to all types of ethical issues and governance structures. Dilemmas involving choices between ethical correctness and the law were mainly found in the context of outcome and stakeholder-oriented governance structures. Dilemmas involving the choice between law and company's policies were found in behavior and shareholder-oriented organizations. This answers Research Questions 1 and 2.

The study has shown that ethical vulnerability in project management should be addressed at all three levels suggested within behavioral ethics: Organizations must be aware of the potential dangers of bad apples, bad cases, and bad barrels. Systematic and constructive work within the organizations can neutralize these challenges.

Trust was found as a key mechanism linking the governance structure and the individual. Two types of ex-ante trust were identified: (1) the trust of the governance structure in the people who use the structure for ethical decision making to decide by themselves within a given framework of possible decisions (people trust), and (2) people's trust in the governance structure to provide a useable and for them acceptable framework for decision making (system trust). The presence of both appears to be a prerequisite for interaction between the individual and its governance structure. Continuity in this interaction is, however, dependent on the continuous acceptance of the governance structure from the side of the user, which is contingent on the usefulness of the governance structure for a given decision. In the case of acceptance by the person, the governance structure may continue to be the framework for ethical decision making in the future. In the case of nonacceptance, the governance structure may be circumvented in upcoming decisions of an ethical nature, if the governance structure has not changed. An example of this was demonstrated in case 5. This answers Research Question 3.

Managerial Implications

A number of recommendations are indicated through the analysis section. Governance structures should be flexible and generic enough to cover a wide range of possible scenarios, as well as provide guidance as to what to do in the case of scenarios outside the scope of the structure. Furthermore, they should allow the people within the system to address their concerns to it and find guidance, but not predetermined answers to their questions. Too strict a governance structure will reduce flexibility of the system and threaten the acceptance of the governance structure. A certain level of trust in the ability, benevolence, and integrity of the people should underlie the design of the governance structure.

Theoretical Implications

We took the perspective of Mayer et al.'s (1995) three-dimensional construct for trustworthiness to understand the interaction between the governance structure and the individuals in projects. This reciprocal relationship appears to be initially dependent on ex-ante mutual trust and is further on continuously fragile in nature because of the possible loss of trust in case of inappropriateness of the governance structure for the decision on hand.

The study has shown that three types of ethical issues were identified from the cases and helped to explain that optimization issues and dilemmas of a legal nature link to stricter levels of governance, whereas transparency and relational issues are found in all governance approaches.

The strength of the current study lies in the depth of the collected material, which allowed for a deep analysis and theoretically supported results. This research could identify the commonalities and differences in the context of the identified issues. Neither the underlying philosophical perspective nor the case study approach chosen aims for generalizability of results. Generalizability requires a wider study with a larger sample size and potentially a quantitative approach to achieving generalizable results. In addition to different methodologies, there are also a number of research questions that should be addressed in future research. These include the implications for governance, trust, and ethics when projects are governed semiautonomously from a corporate center and in settings in which projects are governed by temporary multiorganizational teams. What are the related implications for governance in these settings or settings with both features? Or is there a direct correspondence between corporate and project governance even via program management?

The present study's contribution to knowledge lies in the categorization of ethical issues in projects under different governance structures and the resulting ethical decision-making dilemmas and, furthermore, in the identification of a behavioral (trust based) process that links governance and decision making in projects and the conditions under which this process stays alive.

Acknowledgments

The authors would like to thank the Norwegian Centre for Project Management and the University of Technology Sydney for the financial support of this study. ■

References

Alvesson, M., & Kärreman, D. (2007). Constructing mystery: Empirical matters in theory development. *Academy of Management Review*, *32*(4), 1265–1281.

Alvesson, M., & Sköldberg, K. (2009). *Reflexive methodology* (2nd ed.). London, UK: Sage.

Association for Project Management. (2004). *Directing change: A guide to governance of project management.* High Wycombe, UK: Author.

Brien, A. (1998). Professional ethics and the culture of trust. *Journal of Business Communication*, *17*(4), 391–409.

Brown, S., & Eisenhardt, K. M. (1997). The art of continuous change: Linking complexity theory and time-paced evolution in relentlessly shifting organizations. *Administrative Science Quarterly*, *42*(1), 1–34.

Carson, S. J., Madhok, A., Varman, R., & John, G. (2003). Information processing moderators of the effectiveness of trust-based governance in interfirm R&D collaboration. *Organization Science*, *14*(1), 45–56.

Ciulla, J. B. (2009). Leadership and the ethics of care. *Journal of Business Ethics, 88,* 3–4.

Clarke, T. (2004). *The stakeholder corporation: A business philosophy for the information age* (pp. 189–202). London, UK: Routledge.

Clases, C., Bachmann, R., & Wehner, T. (2003). Studying trust in virtual organizations. *International Studies of Management & Organization*, *33*(3), 7–27.

Clegg, S. R., Kornberger, M., & Rhodes, C. (2007). Business ethics as practice. *British Journal of Management*, *18*(2), 107–122. doi:10.1111/j.1467–8551.2006.00493.x

Clegg, S. R., Pitsis, T. S., Rura-Polley, T., & Marosszeky, M. (2002). Governmentality matters: Designing an alliance culture of inter-organizational collaboration for managing projects. *Organization Studies*, *23*(3), 317–337.

Das, T. K., & Teng, B.-S. (1998). Between trust and control: Developing confidence in partner cooperation in alliances. *Academy of Management Review*, *23*(3), 491–512.

Dirks, K. T., & Ferrin, D. L. (2001). The role of trust in organizational settings. *Organization Science*, *12*, 450–467.

Donaldson, L. (2008). Ethics problems and problems with ethics: Toward a pro-management theory. *Journal of Business Ethics, 78,* 299–311.

Dyer, J. H., & Chu, W. (2003). The role of trustworthiness in reducing transaction costs and improving performance: Empirical evidence from the United States, Japan, and Korea. *Organization Science*, *14*(1), 57–68.

Foucault, M. (1972). *The archeology of knowledge*. London, UK: Tavistock.

Ghoshal, S. (2005). Bad management theories are destroying good management practices. *Academy of Management Learning and Education, 4*(1), 75–91.

Godbold, A. (2007). Managing ethics. In J. R. Turner & S. J. Simister (Eds.), *Gower handbook of project management* (4th ed., Vol. 3, pp. 838–854). Aldershot, UK: Gower.

Godbold, A. (2008). Ethics and projects. *Proceedings of the IPMA Expert Seminar*, February 14–15, 2008, Zurich, Switzerland.

Godbold, A., & Turner, J. R. (1996). Ethical project management. In J. R. Turner, K. V. Grude, & L. Thurloway (Eds.), *The project manager as change agent* (pp. 170–190). Maidenhead, UK: McGraw-Hill UK.

Grey, C., & Garsten, C. (2001). Trust, control and post-bureaucracy. *Organization Studies*, *22*(2), 229–250.

Gulati, R., & Nickerson, J. A. (2008). Interorganizational trust, governance choice, and exchange performance. *Organization Science*, *19*(5), 688–708.

Hartman, F. T. (2002). The role of trust in project management. In D. P. Slevin, D. L. Cleland, & J. K. Pinto (Eds.), *Proceedings from the PMI Research Conference 2002, "Frontiers of project management research and application,"* July 14–17, 2002, Seattle, WA (pp. 225–235). Newtown Square, PA: Project Management Institute.

Helgadottir, H. (2008). The ethical dimension of project management. *International Journal of Project Management*, *26,* 743–748.

Hosmer, L. T. (1995). Trust: The connecting link between organizational theory and philosophical ethics. *Academy of Management Review*, *20*(2), 379–403.

Huang, C.-L., & Chang, B.-G. (2009). The effects of managers' moral philosophy on project decision under agency problem conditions. *Journal of Business Ethics*, *94*(4), 595–611.

Husted, B. W. (1998). The ethical limits of trust in business relations. *Business Ethics Quarterly*, *8*(2), 233–248.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360.

Jones, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model. *Academy of Management Review, 16,* 366–395.

Jones, G. R., & George, J. M. (1998). The experience and evolution of trust: Implications for cooperation and teamwork. *Academy of Management Review*, *23*(3), 531–546.

Kadefors, A. (2004). Trust in project relationships: Inside the black box. *International Journal of Project Management*, *22*(3), 175–182.

Kish-Gephart, J. J., Harrison, D. A., & Trevino, L. K. (2010). Bad apples, bad cases, and bad barrels: Meta-analytic evidence about sources of unethical decisions at work. *Journal of Applied Psychology, 95*(1), 1–31.

Kim, W. C., & Mauborgne, R. (2003). Fair process: Managing in the knowledge economy. *Harvard Business Review, 75*(4), 65–75.

Klakegg, O. J., Williams, T., Magnussen, O. M., & Glasspool, H. (2008). Governance frameworks for public project development and estimation. *Project Management Journal, 30*(Supplement), S27–S42.

Langfred, C. W. (2004). Too much of a good thing? Negative effects of high trust and individual autonomy in self-managing teams. *Academy of Management Journal, 47*(3), 385–399.

Loo, R. (2002). Tackling ethical dilemmas in project management using vignettes. *International Journal of Project Management*, 20, 489–495.

Lorino, P., Tricard, B., & Clot, Y. (2011). Research methods for non-representational approaches to organizational complexity: The dialogical mediated inquiry. *Organization Studies* (Vol. 32, pp. 769–801).

Luhmann, N. (2000). Familiarity, confidence, trust: Problems and alternatives. In D. Gambetta (Ed.), *Trust: Making and breaking cooperative relations* (electronic edition, pp. 94–107). Oxford, UK: University of Oxford. Retrieved from www.sociology.ox.ac.uk/papers/luhmann94–107.pdf

Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review, 20*(3), 709–734.

McAllister, D. J. (1995). Affect- and cognitive-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal 38*(1), 24–59.

McEvily, B., Perrone, V., & Zaheer, A. (2003). Trust as an organizing principle. *Organization Science, 14*(1), 91–103.

McKnight, D. H., Cummings, L. L., & Chervany, N. L. (1998). Initial trust formation in new organizational relationships. *Academy of Management Review, 23*(3), 473.

Micewski, E., & Troy, C. (2007). Business ethics: Deontologically revisited. *Journal of Business Ethics, 72*(1), 17–25.

Miller, R., & Hobbs, B. (2005). Governance regimes for large projects. *Project Management Journal, 36*(3), 42–51.

Müller, R. (2009). *Project governance.* Aldershot, UK: Gower.

Müller, R. (2011). Project governance. In P. Morris, J. K. Pinto, & J. Söderlund (Eds.), *Oxford handbook of project management* (pp. 297–320). Oxford, UK: Oxford University Press.

Nooteboom, B. (1996). Trust, opportunism and governance: A process and control model. *Organization Studies, 17*(6), 985–1010.

Ouchi, W. G., & Maguire, M. A. (1975). Organizational control: Two functions. *Administrative Science Quarterly, 20*(4), 559–569.

Park, C., & Keil, M. (2009). Organizational silence and whistle-blowing on IT projects: An integrated model. *Decision Sciences, 40*(4), 901–918.

Pinto, J. K., Slevin, D. P., & English, B. (2009). Trust in projects: An empirical assessment of owner/contractor relationships. *International Journal of Project Management, 27*(6), 638–648.

Pryke, S.D. (2005). Towards a social network theory of project governance. *Construction Management and Economics, 23*, 927–939.

Puranam, P., & Vanneste, B. S. (2009). Trust and governance: Untangling a tangled web. *Academy of Management Review, 34*(1), 11–31.

Schoorman, F. D., Mayer, R. C., & Davis, J. H. (2007). An integrative model of organizational trust: Past, present, and future. *Academy of Management Review, 32*(2), 344–354.

Shalvi, S., Handgraaf, M. J. J., & De Dreu, K. W. (2011). Ethical manoeuvring: Why people avoid both major and minor lies. *British Journal of Management, 22*, 16–27.

Shenhar, A., Dvir, D., Milosevic, D., Mulenburg, J., Patanakul, P., Reilly, R., Ryan, M., Sage, A., Sauser, B., Srivannaboon, S., Stefanovic, J., & Thamhain, H. (2005). Toward a NASA-specific project management framework. *Engineering Management Journal, 17*(4), 8.

Smith, H. J., & Keil, M. (2003). The reluctance to report bad news on troubled software projects: A theoretical model. *Information Systems Journal, 13*(1), 69–95.

Smith, H. J., Thompson, R., & Iacovou, C. (2009). The impact of ethical climate on project status misreporting. *Journal of Business Ethics, 90*(4), 577–591.

Stoker, G. (1998). Governance as theory: Five propositions. *International Social Science Journal, 50*(155), 17–28.

Sydow, J. (2000). Understanding the constitution of interorganizational trust. In C. Lane & R. Bachmann (Eds.), *Trust within and between organizations: Conceptual issues and empirical implications* (pp. 31–64). Oxford, UK: Oxford University Press.

Trevino, L. K. (1986). Ethical decision making in organizations: A person-situation interactionist model. *Academy of Management Review*, 11, 601–617.

Trevino, L.K. (1990). A cultural perspective on changing and developing organizational ethics. In R. Woodman & W. Passmore (Eds.), *Research in organizational change and Development* (Vol. 4, pp. 195–230). Greenwich, CT: JAI Press.

Tseng, F. C., & Fan, Y. J. (2011). Exploring the influence of organizational ethical climate on knowledge management. *Journal of Business Ethics, 101*(2), 325–342.

Turner, J. R. (2009). *The handbook of project-based management* (3rd ed.). New York, NY: McGraw-Hill.

Turner, J. R., & Keegan, A. E. (1999). The versatile project-based organization: Governance and operational control. *European Management Journal, 17*(3), 296–309.

Turner, J. R., & Keegan, A. E. (2001). Mechanisms of governance in the project-based organization: The role of the broker and steward. *European Management Journal, 19*(3), 254–267.

Turner, J. R., & Müller, R. (2003). On the nature of the project as a temporary organization. *International Journal of Project Management, 21*(1), 1–7.

Turner, J. R., & Müller, R. (2004). Communication and co-operation on projects between the project owner as principal and the project manager as agent. *European Management Journal, 22*(3), 327–336.

Van de Ven, A. H. (2007). *Engaged scholarship: A guide for organizational and social science research.* Oxford, UK: Oxford University Press.

Van Yperen, N. W., Hamstra, M. R. W., & Van der Klauw, M. (2011). To win, or not to lose, at any cost: The impact of achievement goals on cheating. *British Journal of Management*, 22, 5–15.

Victor, B., & Cullen, J. B. (1988). The organizational bases of ethical work climates. *Administrative Science Quarterly*, 33, 101–124.

Vohs, K., & Schooler, J. W. (2008). The value of believing in free will: Encouraging a belief in determinism increases cheating. *Psychological Science*, 19(1), 49–54.

Walker, D. H. T., Segon, M., & Rowlinson, S. (2008). Business ethics and corporate citizenship. In D. H. T. Walker & S. Rowlinson (Eds.), *Procurement systems: A cross industry project management perspective.* Abingdon, UK: Taylor & Francis, 101–139.

Wang, E. T. G., & Chen, J. H. F. (2006). The influence of governance equilibrium on ERP project success. *Decision Support Systems, 41*(4), 708–727.

Wekselberg, V. (1996). Reduced "social" in a new model of organizational trust. *Academy of Management Review, 21*(2), 333–335.

Wicks, A. C., Berman, S. L., & Jones, T. M. (1999). The structure of optimal trust: Moral and strategic implications. *Academy of Management Review, 24*(1), 99–116.

Yin, R. K. (2009). *Case study research: Design and methods* (4th ed.). Thousand Oaks, CA: Sage.

Ralf Müller, DBA, MBA, PMP, is a professor of project management at BI Norwegian Business School in Norway. His principal research interest is in leadership and governance of projects, programs, portfolios, and PMOs. He is the author or coauthor of more than 150 publications and, among other accolades, the receiver of the 2012 IPMA Research Award, and *Project Management Journal's* 2009 Paper of the Year Award. He holds an MBA from Heriot Watt University and a DBA degree from Brunel University in the United Kingdom, and is a Project Management Professional (PMP)® credential holder. Before joining academia, he spent 30 years in the industry consulting with large enterprises and governments in 47 different countries for their project management and governance. He also held related line management positions, such as the worldwide director of project management at NCR Teradata.

Erling S. Andersen is professor emeritus of project management at BI Norwegian Business School, Oslo, Norway. He has been a visiting professor at the University of Tokyo, Japan, and the Nanyang Technological University, Singapore. He has been dean for BI's China and Vietnam activities. He is an honorary professor at the University of Southern Denmark. He has published several books and articles on information technology, systems development, project management, and management in general. His book *Goal Directed Project Management* has been translated into nine languages; his latest book, *Project Management: An Organizational Perspective*, has been published by Prentice Hall.

Øvind Kvalnes, PhD, is an associate professor at BI Norwegian Business School, Department of Leadership and Organizational Behaviour. He has a PhD in philosophy from the University of Oslo, on the topic of moral luck. For 10 years, he worked as a philosophical consultant for Nordic organizations, mainly organizing dilemma training sessions with leaders and employees. He has facilitated processes in a range of projects, focusing on ethics and communication in project management. His research interests are in business ethics, moral psychology, communication climates, and identity and values in organizations. At BI he is responsible for a course in applied business ethics, which is compulsory for all master of science students.

Jingting Shao, MSc, PhD, is a postdoctoral researcher at the Institute for Industrial Economics at the Chinese Academy of Social Sciences and the vice president of China's Young Crew project manager organization within the International Association of Project Management (IPMA). She holds two doctoral degrees, one from SKEMA Business School (Lille, France) in strategy, program and project management, and one from Northwestern Polytechnical University (Xi'an, China) in management science and engineering. Her research interests are in program management, leadership, and project governance. In 2011, she was awarded the "IPMA Outstanding Research Contribution of a Young Researcher Award," and in 2012 the "China Project Management Research Contribution Award." She has participated in several international research projects sponsored by the Project Management Institute (PMI) and the Norwegian Centre for Project Management.

Shankar Sankaran, PhD, PMP, is an associate professor at the University of Technology Sydney (UTS). He is a member of the Centre for Management and Organization Studies at UTS and a chief investigator in two Australian Research Council Grants—one investigating project governance and the other the leadership of not-for-profit organizations. He teaches in the Master of Project Management program at UTS and supervises

several doctoral students. He is the vice president of research and publications at the International Society for the Systems Sciences and a distinguished fellow of the Action Research Centre at the University of Cincinnati. He has published papers in ranked journals and presented at international conferences. His research interests are in project management, systems thinking, and action research. He is one of the editors of the forthcoming book titled *Novel Approaches to Organizational Project Management Research: Translational and Transformational,* which was to be published in June 2013.

J. Rodney Turner, PhD, is professor of project management at Kingston Business School and at SKEMA Business School, in Lille, France, where he is scientific director for the PhD in project and programme management. He is also adjunct professor at the University of Technology Sydney, and visiting professor at the Technical University of Berlin for the 2012–2013 academic year. He is the author or editor of 16 books, and editor of the *International Journal of Project Management*. His research areas cover project management in small to medium enterprises; the management of complex projects; the governance of project management, including ethics and trust, and project leadership and human resource management in the project-oriented firm. He is vice president, honorary fellow, and former chairman of the United Kingdom's Association for Project Management, and honorary fellow and former president and chairman of the International Project Management Association.

Christopher Biesenthal is a doctoral candidate at the University of Technology, Sydney. He also holds an engineering degree (MEng) from the University of Applied Science in Cologne, Germany, and earned a master's degree from Macquarie University in Sydney, specializing in engineering management (MEngMgt). In his research, he specializes in project-based and temporary organizations and investigates different aspects of project governance. He was awarded the International Postgraduate Research Scholarship by the Australian government in 2011 and the Australian Postgraduate Industry Award in 2010. He is also a research assistant at the Centre for Management & Organisation Studies (CMOS), where he is part of a multidisciplinary research team that works on major national and international research projects.

Derek Walker, PhD, is professor of project management and director of research at the School of Property, Construction and Project Management, RMIT University. He worked in various project management roles in the United Kingdom, Canada, and Australia for 16 years, before commencing his academic career in 1986. He obtained a master of science degree from the University of Aston (Birmingham) in 1978 and a PhD in 1995 from RMIT University (Melbourne). He has written over 250 peer-reviewed papers and book chapters and has supervised 24 doctoral candidates to completion.

Siegfried Gudergan is chaired professor of strategy within Newcastle Business School (Australia). His research focuses on managerial decision making within organizations as it relates to employees who work with customers and managers who work with internal and external business partners and other stakeholders. This work is applied to strategic management issues, with a focus on the dynamic capabilities view to examine issues of strategic performance, innovation, and governance in contexts such as alliance-, project-, and service-based enterprises. His work has been published in outlets such the *International Journal of Research in Marketing, Journal of Travel Research, Journal of Business Research, and Long Range Planning*.