

The Peter/Paul Dilemma

(Case 1005)

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The Case:

You are an engineer for a well-respected consulting firm. The firm has been very successful in the past, but recently business has slowed down due to a slump in the local and regional economy.

One of the projects being handled by the internal design group with which you work is for Excaliber Resorts, Inc., a reputable company which deals with the development of expensive, world class destination resort properties, including all of the roadway design, drainage and site civil work. The estimated construction cost of the project your group is currently working on is in excess of \$90 million, and this is only the first of several proposed phases. The project is going well. In fact, the work for this initial phase of the overall development is ahead of schedule and well within the budget.

Since the engineering work on the Excaliber project is slowing down, you and part of your group are assigned another project to work on at the same time. Unfortunately this new project for Wellfleet Corporation has been hanging around the office for several months, since the project manager went on vacation alone to Fiji, then was sued for divorce by his wife immediately after returning.

As a result, a lot of time has been charged to the job and billed to the client, but very little has been accomplished. While the deadline for the Wellfleet project is still well into the future, it is estimated that at least 50% more money is needed to complete the design properly than actually remains in the contract budget. Neither the Excaliber nor the Wellfleet project has a lump sum contract. Each is being billed using standard hourly multiplier rates.

You and the other members of your design group are told by the Vice President for Operations of your firm that since you are officially working on both projects, the majority of your time should be spent on the Wellfleet project, but your time should be charged to the Excaliber project, since there is more than enough left in that budget to finish the job. The Vice President also indicates that s/he will take the responsibility for these decisions.

What do you do?

Alternate Approaches and Survey Results for “The Peter/Paul Dilemma” (Case 1005)

1. Follow the Vice President’s directions. After all, you are a subordinate, and are supposed to do what you are told by your superiors, especially the Vice President. If you don’t, your loyalty to the company may be suspect and you may jeopardize your job. Besides, the Vice President assured you that s/he will take responsibility for this action.
Percentage of votes agreeing: 2%
2. Ask the Vice President for a written confirmation of her/his instructions and her/his assumption of the responsibility involved for such action. Also see if there is a policy covering the situation in the company’s operations or personnel manual.
Percentage of votes agreeing: 7%
3. Do not do as the Vice President directed (i.e., do not post your time for one project to a different project). Say nothing and hope that the Vice President does not notice. However, keep copies of your signed time sheets for possible future reference. If the Vice President does notice and wants to change your time sheet, it is out of your hands.
Percentage of votes agreeing: 8%
4. Ask for the advice of one or more engineers you know personally who are working for other firms in the area to determine what the accepted standard of practice is in situations such as this.
Percentage of votes agreeing: 4%
5. Approach the Vice President and indicate that you cannot do as s/he directed, since it is a breach of honesty, fidelity to the client (which supersedes fidelity to the firm in this instance), responsibility (accountability) and professional integrity.
Percentage of votes agreeing: 10%
6. Approach the Vice President (as in ‘5’ above), and suggest a way to rectify the situation, such as having the original project manager shoulder his rightful responsibility to get the project back on track, even if it means he has to work nights and weekends without pay.
Percentage of votes agreeing: 21%
7. Discuss the situation with the others in your team who are being told to do the same thing, so that you can approach the Vice President with the same reasoning as in ‘5’ above as a unified group.
Percentage of votes agreeing: 10%
8. Discuss the situation with the others in your team, as in ‘7’ above, but also offer the Vice President alternatives, such as each member of the team donating a few hours a week to the project without pay (after hours/weekends) to assist the original project manager in trying to rectify the situation, if all of you (or even some of you) agree to do so.
Percentage of votes agreeing: 34%

9. Spruce up your resume and start looking for another job.
Percentage of votes agreeing: 4%

Forum Comments from Respondents

1. This happens more often than we like to admit. One effective approach is to point out to the Vice President that once you sign your time sheet, it is a legal document. Your signature is affirmation that the information shown is truthful. Should a close review of the projects occur and it became apparent that you had falsified your time sheets, you are personally responsible and liable, not the Vice President. At such a time it would be your reputation and your future swirling down the drain. It is highly unlikely the Vice President would admit requiring you to do what you did.
2. This practice appears to be widespread. It might be argued that provided the contracted scope of work actually gets done, by the deadline and to the satisfaction of the client, then there is no problem ultimately. However, this is deceit, and therefore unethical. If no work has been done, then it should not be charged for. Any audit would show discrepancies which could lead to legal action!
3. Most contracts for engineering services at an hourly rate grant the client the right to audit the financial records for the project. Some clients have been "skinned" before. Although both projects are at an hourly rate which leads to a false sense of an unlimited budget, somewhere, someone in the client's organization has a sense of what a fair fee would be for the services. When that budget level is exceeded, a dissatisfied client results and future business is lost. If you discover that it is common practice for your company to charge time in this fashion, put your resume in order and begin to look for work with more reputable firms.
4. In our firm the time is charged to the correct project. Each monthly invoice notes the upset limit and the total billed therefore does not exceed this amount. The firm must accept the financial loss and go on. It is not ethical to charge one client for work done for another.
5. This situation is probably more common than we like to think. It happened early on in my employment with a state transportation agency. As I still work for that agency, you can see I followed the pack. Luckily, a change in management has allowed us to charge our time ethically and properly.
6. The most favored solution must include options to which the VP may respond. In addition, the VP should know that options are presented based on professional and business ethics, and not based on the unwillingness of the employee to share in the burden. Finally, the burden of accountability should be shared by the previous project manager to assure that history doesn't repeat itself with that individual or set a precedent in the organization.
7. Clients are not a dime a dozen. They are people; they deserve respect; but its gotta start somewhere. When an action occurs, someone surely should be held accountable for the consequences. Good or bad, it's time for the vacationer to pay for the vacation. If teamwork is valued, everyone should help out, but project

managers have to know prior to taking an assignment that they are responsible for the end result.

8. I think you need to give the VP some alternatives if you can, but I'm not sure I agree that all of the team members should "donate" their time.
9. I agree that the core values of honesty and fidelity are paramount in this situation. I don't agree that it's a question of fidelity to the client over fidelity to the firm. Often we forget that fidelity to our employer means to the entity, not our supervisor. The firm is not well served by dishonest, possibly criminal, behavior which could severely damage the firm's reputation and risk losing a major client. If the VP doesn't respond, then this is a case where it's perfectly appropriate to go over his/her head.
10. Go over your Vice President's head and discuss the situation and your discomfort with it with his superior.
11. Try to discuss the situation with the VP's boss and see if he has been instructed to do this by his boss. If this is the case, start looking for another job.
12. It is the consultant's requirement to the client to report all charges fairly and accurately. One of the projects may be funded by a different agency. During a closing audit the data may reveal errors in charging which will negatively affect the reputability of both consultant and client.
13. Do as you're told, but keep documentation regarding the actual accounting of your time in case you need it in your defense later.
14. Make a personal documentation of the discussion with the Vice President. Also, if the Vice President presses the issue, refuse to sign your timecard for the reason of not wanting your signature on a document that is falsely representing the number of hours worked and leave the billing to the discretion of the supervisor. Although this is still a gray area, you have presented and documented your disagreement with the decision and cleared your name from this decision. (College senior)
15. Approach the Vice President and indicate that you cannot do as s/he directed, since it is a breach of honesty, fidelity to the client (which supercedes fidelity to the firm in this instance), responsibility (accountability) and professional integrity. Suggest ways to solve the situation which don't place the burden on people who were not responsible. The original project manager should be held responsible but placing the whole thing on him may not be practical or possible. The next level of responsibility rests on the managers of that project manager, who should have been aware of what was happening. Ultimately, the burden needs to rest on the people who were responsible and the company as a whole. Since the size of these projects are so large, and the money involved so much, it may not be feasible for individuals to take much of the burden. Such being the case, it appears that the company you work for should use some of its own earnings to cover the losses that occur due to its bad management practices. If the Vice President is not willing to act ethically [sic], then you may have to go to higher

authorities, such as the President of your company, national ASCE, or even other companies who are being cheated. (College student)

16. Since the VP was not able to think of [an ethical way to handle the situation], he should not be a VP to begin with, so please have him step down and find a replacement. (College senior)
17. I would ask for the advice of senior engineers that I know personally to determine what the accepted standard of practice is in situations such as this. Furthermore I would also offer the senior engineer in my design group (or my immediate supervisor) to donate some extra hours a week to get the project back on the track. (College senior)
18. The client needs to know what happened and be part of the resolution. There is potential liability involved here and I would contact the firm's lawyer for advice. Not only is there an ethical breach, but potential fraud and civil liability. It is much more than an in-house problem. The right thing to do is get all relevant parties involved in the decision making process.
19. I think that consulting with others on the team and presenting both a unified approach and alternatives [to the VP] provides better support for resolution of the ethical dilemma. However, if the VP stands firm for his or her decision, it is important that the VP take formal responsibility for the decision, particularly because the action will breach ethical obligations to the client(s).
20. Conduct a project risk analysis to determine the critical elements of the remaining work scope for cost reduction and for validating the estimated 50% overrun; apply quality management process to avoid rework; eliminate tasks that do not add value; utilize different personnel and technology to maximize efficiency; and determine if additional services have been performed to approach client for fee supplement. Review possible (ethical) cost recovery with follow up contract services with client (i.e., construction phase). Prepare a report of findings, conclusions, and recommendations to Vice President. Meet with client for possible win-win solutions.
21. We were once in a joint venture with a firm that tried to initiate a move like this. We terminated the joint venture, which cost us a lot of money, but retained our honesty and pride.
22. Fill out your time record in accordance with the time you actually spent and keep a record of your charges. If the VP wants to cheat, let him change the records. Of course. If I find out he changed my time sheet, I might be compelled to write him a letter with my resignation and send a carbon copy to his client!