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Project Business between Transparency and Corruption
by Oliver F. Lehmann
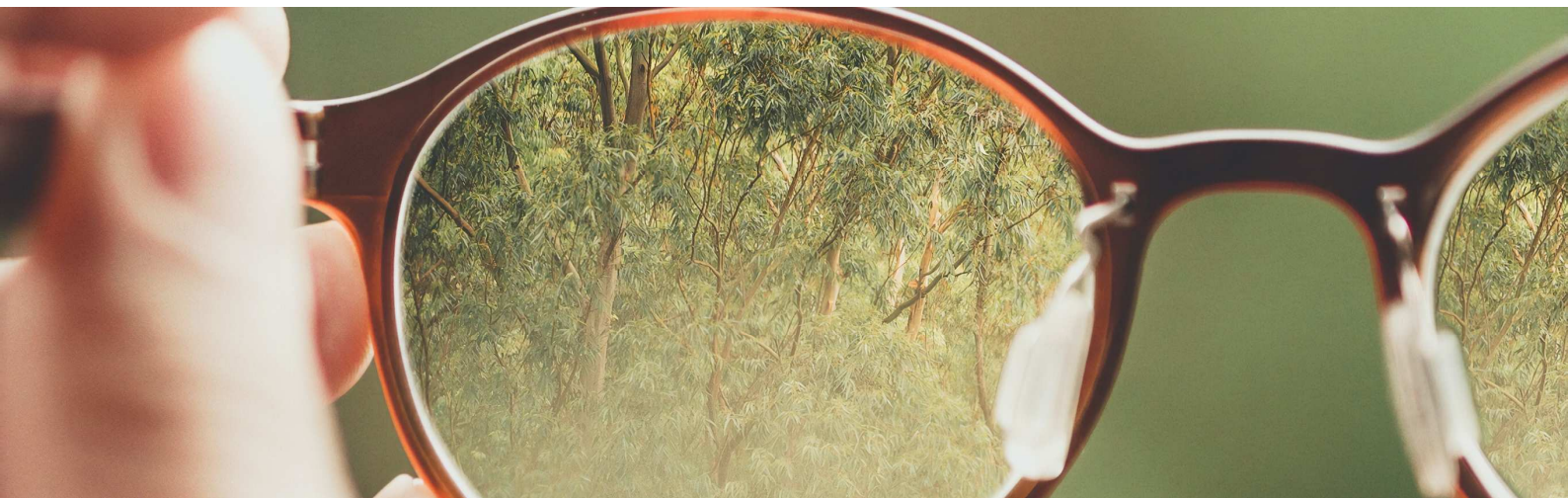Project Business Management – Series Article

Project Business between Transparency and Corruption

Oliver F. Lehmann[1]

*"Clearly, once you involve yourself in the murky world of bribery,
it is not open to you to simply opt out whenever you like."*
- Guido Penzhorn SC, Prosecutor[2]

Summary

Project Business is attractive to corrupt behavior more than other business disciplines. The damage it causes to individuals, corporations, and society is enormous. In addition – it stands in the way of project success. The players involved should develop systems, processes, and a mindset to resist the temptation and protect their projects.

Corruption in Project Business

"Sir, who are you, and what are you doing professionally?"

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[1] Information about the author at the end of the article.
[2] (Penzhorn, 2004)

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It was early in 2023, and the Covid19 pandemic seemed over. Many organizations returned to face-to-face meetings, and so did Transparency International (TI), the global association against corruption. After two years, when get-togethers were done using online tools such as Zoom and Microsoft Teams, it was great to again look into people's faces directly and exchange thoughts and ideas without a digital data line in between.

I had been late to the meeting of TI's regional group for Bavaria and had missed the self-introduction at the beginning of the session. Most faces were unfamiliar to me, and my face was also unknown to them, too. So at the end of the meeting, someone asked me to state my name and profession.

"Well, my name is Oliver, and I have been with TI for 18 years. I work as a trainer for corporations in the fields of project management and the management of Project Business."

Someone asked, "I know project management, but what do you mean with 'Project Business'?"

I responded: "Project Business takes place when a project is not done internally, inside an organization, but with two or more organizations involved as customer and contractor. In Project Business, you often find subcontractors, sub-subcontractors, and so on. The number of organizations involved in a project can become quite significant. They build complex networks of vendors and service providers. Unfortunately, in Project Business, corruption is not rare.

"Indeed, there is a lot of corruption in Project Business. In operations that carry out their daily business over a long time, the risk for corrupt people is high that someone uncovers their practices one day. In Project Business, however, corruption is much easier to hide. At one point in time, the project is finished. Then, documentation gets closed and archived in thick boxes that no one dares to touch and open again. It's the temporary nature of projects that makes them so attractive for corrupt people."

Another meeting attendee said, "Oliver, I know precisely what you are talking about. I had such a situation in my company some years ago when a purchasing professional challenged my company's integrity by subtly asking for a bribe." He then told us his story, and everyone could feel his pride that, while the company lost the bidding, it maintained its uprightness.

It is a pattern I've seen repeatedly: Once I addressed the topic of corruption in Project Business, people have stories to tell. The same happened in this session: Other attendees stepped in and talked about similar experiences. The experiences made it obvious: The challenge to maintain personal and organizational integrity in Project Business is high.

Does Corruption Matter?

Often, people excuse corruption in Project Business by pointing out the need to win business and make it profitable. At least in a private setting, they frequently boast about their achievements through nefarious deeds, describing bribery and blackmailing as ways to outsmart

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others. Others argue that particularly in poor countries, without palm greasing, government officials could not be paid. Another common argument is "If we don't do it, someone else will."[3]

However, in reality, corruption has negative effects on the people who commit it and others in their environment.

1.   Corruption directs money away from the intent for which it was made available.

To quote Peter Eigen:

> "I founded Transparency International, because in my role as a Director of the World Bank, I saw children die while Money we made available to help them trickled away in sinister channels."[4]

In project management, money is made available as a project budget for a specific purpose. Corruption makes it available for another objective, typically a private one that has nothing to do with the objectives of the project.

2.   Corruption negatively impacts quality and safety and causes even more corruption.

The devastating earthquake in Turkey and Syria on February 6, 2023 gave a striking example of grand-scale corruption killing over 37,000 citizens. As Constanze Letsch wrote 9 days later:

> "Tens of thousands of people are still missing, and social media feeds are awash with examples of newly built residential complexes that have collapsed like sandcastles, burying occupants under the rubble. Many of these buildings were sold as luxury housing 'compliant with the latest earthquake safety standards.'
>
> […]
>
> "But this kind of greed and blatant profiteering are not solitary crimes. These residential complexes could not have been built without state-issued building permits and licences, without the approving signatures of nominally independent building inspectors, and without the necessary reports from laboratories doing quality control of construction materials."[5]

Following available reports, there was a widely outspread system of corruption, which included construction companies, their contractors, and government officials who approved buildings that were not up to standard by design or by the materials chosen.

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[3] These and more excuses are discussed in Alliance for Integrity (2021)
[4] Peter Eigen, Founder of Transparency International, in a personal talk with Oliver F. Lehmann
[5] (Letsch, 2023)

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3.   Corruption negatively impacts decision-making in projects.

The initial quote of this article is taken from a report by Guido Penzhorn, the senior investigator in a corruption case in Lesotho, South Africa. It highlights the limitations on decision-making of players in Project Business that come from corrupt behaviors.

At the center of the case, according to the report, was a consortium led by the Italian construction company Impregilo as the contractor, the project customer Lesotho Highlands Development Authority (LHDA), represented by a Mr. Sole. A third party was a Mr. Du Plooy, who acted as a middleman between the parties, "laundering" the money to make it harder for the prosecution to find evidence.

Guido Penzhorn further wrote:

> "Du Plooy told us that he quite literally feared for his life. Despite all his legal avenues having been exhausted Mr. Sole is still not prepared to tell what he knows, this despite it having been made clear to him that any assistance he can give, even at this late stage, to finally clear out all the corrupt cobwebs which there may still be, could well result in an earlier release."[6]

Project decisions should be freely made to benefit the project and its stakeholders. Corruption restrains this freedom.

4.   Corruption obstructs communications in the project.

Project success depends on free and open communications. While this is true for internal projects, it is even more imperative when project business involves several organizations.

Corrupt people cannot allow that. There is a considerable risk for them that open and intensive communications will make corruption discernible. Instead, they implement walls of silence. By limiting communications, they reduce the success chances of the project.

5.   Corruption makes people vulnerable to blackmail.

Both bribers and bribees are often unaware of the risk that they get extorted, based on the knowledge and the evidence that others have of them.

6.   Corruption comes with toxic leadership.

Project success builds on effectual and ethical leaders and followers. Corrupt bosses are rarely effective and never ethical[7], and the same is true for a crooked followership. Often, corruption

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[6] (Penzhorn, 2004)
[7] See on this topic: Lipman-Blumen (2003)

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is used to conceal more profound shortcomings: Incompetence, the absence of empathy and emotional intelligence, and a lack of professional effectiveness.

Conclusion

Project Business is an area that is vulnerable and often heavily impacted by corruption. Project parties should have systems in place to avoid it. However, the education of the people involved matters too. The best protection against corruption is employees who do not allow it to happen.

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Oliver F. Lehmann, MSc, ACE, PMP, is a project management educator, author, consultant, and speaker. In addition, he is the owner of the website Project Business Foundation, a non-profit initiative for professionals and organizations involved in cross-corporate Project Business.

He studied Linguistics, Literature, and History at the University of Stuttgart and Project Management at the University of Liverpool, UK, where he holds a Master of Science Degree (with Merit). Oliver has trained thousands of project managers in Europe, the USA, and Asia in methodological project management, focusing on certification preparation. In addition, he is a visiting lecturer at the Technical University of Munich.

He has been a member and volunteer at PMI, the Project Management Institute, since 1998 and served as the President of the PMI Southern Germany Chapter from 2013 to 2018. Between 2004 and 2006, he contributed to PMI's *PM Network* magazine, for which he provided a monthly editorial on page 1 called "Launch," analyzing troubled projects around the world.

Oliver believes in three driving forces for personal improvement in project management: formal learning, experience, and observations. He resides in Munich, Bavaria, Germany, and can be contacted at oliver@oliverlehmann.com.

Oliver Lehmann is the author of the books:

- "Situational Project Management: The Dynamics of Success and Failure" (ISBN 9781498722612), published by Auerbach / Taylor & Francis in 2016

- "Project Business Management" (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018.

His previous articles and papers for PM World Journal can be found here:

- https://pmworldlibrary.net/authors/oliver-f-lehmann/