

## Original Research Article

## Examining the Ethical Challenges Faced by Builders in Interaction with Key Organizations in the Construction Industry (Case Study: Non-Governmental Public and Private Sector Organizations)\*

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### Abstract

**Problem statement:** Interviews with stakeholders in the construction industry highlight the ethical challenges faced by actors in the industry. On the one hand, the non-governmental public sector, alongside the private sector, represents two major players in the country's construction industry. Ethical challenges arise in a system composed of the private sector, municipalities, the Iranian Construction Engineering Organization, the National Land and Property Registration Organization, the Iranian National Tax Administration, and non-governmental public institutions, creating a three-player environment that influences the ethical decisions of actors. Previous research appears to have overlooked the actors' understanding of ethics and the phenomenon of ethical challenges, treating them not as a focused phenomenon from the builders' perspective, and failing to adequately address their causes, constituent elements, and consequences.

**Research objective:** This study focuses on describing the moral understanding of key construction industry actors and examining the ethical challenges builders face in interactions with key organizations involved in the construction industry.

**Research method:** Since exploring the ethical challenges faced by builders in the construction industry is a novel topic, and the characteristics of ethical issues depend on the context and actors involved, this study employs a qualitative research approach and uses grounded theory methodology.

**Conclusion:** Based on the analysis of the research findings, the understanding of ethics by the actors is quite general. The results indicate that the majority of actors in the construction industry adopt a result-oriented approach to ethics. Among the ethical challenges faced by builders, unconventional payments in municipalities and unconventional payments in the Iranian Construction Engineering Organization are identified as the most significant challenges. The key factors contributing to these ethical challenges include contradictory and interpretable laws, the lucrative nature of the construction business, inflation, inefficiency in the supervisory system, corruption within key organizations, and the lack of tracking for unconventional payments. The main barriers to unethical behavior include personal ethics, the effectiveness of supervisory institutions, and the strategies used by actors in unethical practices such as exploiting laws that lead to different outcomes and justifying actions with religious and ethical reasoning.

**Keywords:** *Ethical Challenges, Commitment to Ethics, Qualitative Research, Construction Industry, Builder.*

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## Introduction

In the latest Global Competitiveness Report, Iran did not achieve a rank better than 120 out of 144 countries in the indicators related to professional ethics, which fall under the institutional criteria of the report (Schwab, 2019, 287). Additionally, the country ranked no better than 116 globally in the indicators of conflict of interest management, transparency, and corruption—all of which are meaningfully related to ethics (Ghamooshi et al., 2020, 51; Shabani Azadboni & Safari, 2020, 70). On the other hand, statistics show that approximately 30 to 35 percent of the economy in Iran, as well as in other countries, is dependent on the construction industry, with this sector contributing 15 percent to job creation (Pajoum, 2021). Additionally, the crucial role of project-based organizations and their related projects in the advancement of any country, including Iran, is undeniable. One cannot overlook the negative impact of unethical practices, which are prevalent in the organizations and projects of the country, on the performance of these organizations and projects (Azizinejad, 2018, 5). Since the construction industry is currently considered one of the most corrupt business environments globally (Oladinrin et al., 2023), Iran's situation in this regard is also not favorable, as evidenced by the aforementioned reports. Moreover, as attested by numerous actors currently engaged in the project-based construction industry, when an actor attempts to adhere to ethical values in their interactions within this industry, they face challenges<sup>1</sup> and adopt strategies to address these challenges (Jafari et al., 2017). Today, it is rare to find an actor in this industry who does not face ethical challenges. Ethical challenges are those which threaten an actor when adhering to ethical rules. It seems that identifying these challenges, their constituent factors, the strategies actors adopt in confronting them, and their consequences is essential for promoting ethics in the construction industry.

Based on the above, the researcher, focusing on the construction industry, which plays a significant role in the country's economy and grapples with ethical challenges, has endeavored to elucidate this phenomenon using qualitative research methods. This study investigates

the interactions between key organizations involved in the construction industry<sup>2</sup>, including municipalities, the Iranian Construction Engineering Organization, non-governmental public institutions, the private sector, the National Land and Property Registration Organization, the Iranian National Tax Administration, and consulting companies, within a three-player environment, aiming to answer the following questions:

What is the understanding of construction industry actors, including municipalities, the Iranian Construction Engineering Organization, non-governmental public institutions, the private sector, the National Land and Property Registration Organization, the Iranian National Tax Administration, and consulting companies, regarding ethics, and how does it relate to major ethical schools of thought?

What are the ethical challenges faced by builders in the construction industry, and what strategies do they employ to address these challenges? How do these strategies relate to major ethical schools of thought?

What factors influence the ethical challenges faced by builders in the construction industry, and what are the consequences of these challenges?

## Research Background

The sciences that study human beings and their behaviors in different environments, considering their cultural, social, economic, political, and climatic characteristics, fall under the category of humanities, and ethics is included in this category (Nazari, 2015, 173). Without understanding ethical theories, it is impossible to grasp the concept of ethics because after understanding the concept of character and ethics, we must recognize the criteria for determining whether actions are ethical, which cannot be done without understanding ethical theories. Ethical theories, or schools of thought, can broadly be divided into three categories: consequentialism, deontology, and virtue ethics. Hermarij (2011), in his book "Best Practices in Project Management", based on individual competency standards for project management, project design, and portfolios, Ralf Müller divides ethics into four categories: virtue ethics, deontological ethics, consequential/benefit-driven

ethics, and ethics of care. This study attempts to build a theoretical framework based on the commonalities of these classifications, primarily focusing on the three main categories mentioned above.

Consequentialist theories base the morality of an action on its outcome and are further divided into hedonistic and utilitarian theories. Thinkers in this category believe that there is always a supreme good that should be the goal of a moral life, and that good is nothing other than pleasure. Some hedonistic theories define moral actions based on sensory or immediate pleasure, while others consider the benefit to the individual or the group and seek actions that generate the greatest amount of good over evil. Afterlife theories also fall under this category. Among deontological theories, which do not define moral actions based on the greatest benefit to an individual or society, there are two main categories. The first category, known as action-based deontologists, seeks to define moral actions based on the context and does not follow universal rules. The second category of believers argues that one or more rules exist that cannot be derived from specific cases and that moral actions are always determined based on these general rules. These theories focus on duty or obligation and try to balance duties in contradictory situations.

The third category is virtue ethics, which, unlike the other two theories that focus on human actions, emphasizes the character and dispositions of individuals. In these theories, virtues serve as guides for determining human behavior in any situation, addressing the question of how an individual should be rather than what action they should take (Nazari, 2015, 194).

Given the research questions regarding the understanding of key actors in the construction industry from the perspective of ethics and the identification of ethical challenges faced by builders, we now turn to the studies that have been conducted in this area. In one study, Bredillet (2014, 560) attempted to open a new horizon in ethics using an Aristotelian perspective to resolve contradictions between values and codes based on consequentialist and deontological schools within current standards. Loo (2002, 493) described three situations across the planning, execution, and closure

phases of a project, and then asked respondents to evaluate the rightness or wrongness of these situations using thirty criteria derived from major ethical theories. Similarly, Ljungblom & Lennerfors (2018, 10) outlined three scenarios and asked participants to respond to two questions: "In your opinion, did the project manager act rightly or wrongly?" and "If you were in the project manager's position, what would you have done?" They then conducted a content analysis of the responses to assess the effectiveness of virtue ethics.

However, these studies did not attempt to identify actors' perceptions of ethics based on their statements and behavior, nor did they relate those perceptions to one of the three major ethical schools of thought. In contrast, a study on ethical challenges in Iran's technical and executive systems (Radaiee et al., 2020, 46), using an institutional approach, sought to identify the causes, reasoning, and impacts of concepts emerging from interviews on the ethical governance performance of organizations in the technical and executive system.

Other studies focused on unethical practices (Rahman et al., 2020, 1192; Sandu & Caras, 2014, 853; Suen et al., 2007, 264; Kazemi et al., 2014, 51) examined ethical problems, principles, policies, and general strategies for improving them within organizations. Ranahansala & Kathriarachchi (2017, 1) clarified the current level of professional ethical standards in the construction industry and how ethics affect quality in the sector. They also offered strategies for improving ethics. Man Fong Ho (2011, 533), in a critical review of ethical literature in the construction industry, identified and suggested three research axes related to ethical decision-making in this field. (Tow & Loosemore, 2009, 125; Zulu & Muleya, 2019, 11; Liu et al., 2017, 1; Oladinrin & Man Fong Ho, 2016; Man Fong Ho & Oladinrin, 2019, 13; Iumba & Mwakali, 2007, 6; Ameh & Odusami, 2010, 10; Sands & Pearce, 2014, 382; Jodaki & Ajlul-Luyyan, 2017, 36) have explored the drivers and barriers to individual ethics in the construction industry.

Oladinrin & Man Fong Ho (2016, 19), through document analysis across five key EFQM domains—leadership, policy, people, enablers & partnerships, and processes—

proposed improvements to ethical codes in construction organizations and identified common ethical issues and solutions in the industry (Kang et al., 2004, 1373). proposed an ethics management system for construction projects with a focus on the project life cycle, and Sami & Rahim (2015,10) identified ethical issues across the five phases of construction projects.

Lohne et al. (2015, 260), focusing on the startup phase of construction projects in Norway, identified ethical obstacles. Kvalnes (2014, 13) focused on the impact of the prevailing environment in construction projects on ethical disengagement. Jafari et al. (2017, 121), in a qualitative study titled “Ethical Leadership in Project-Based Environments,” used grounded theory (open, axial, and selective coding) to analyze documents from the Sacred Defense and, after identifying relevant categories, developed a grounded theory and extended the ethical model of the Sacred Defense to project-based environments.

A review of the literature shows that few studies have examined ethical understanding through grounded theory and from the perspective of construction industry actors in interaction with key organizations. Among domestic studies, none have specifically focused on builders’ perspectives in their interactions with institutions such as the private sector and non-governmental public organizations<sup>3</sup> in coordination with major entities like municipalities and the Iranian Construction Engineering Organization—entities that form a significant and influential part of the industry. Furthermore, there are no qualitative, context-focused studies that explore ethical challenges by addressing their causes and roots alongside their consequences.

## Research Method

Since the second half of the 20th century, the somewhat unsuccessful encounter of quantitative paradigms with certain issues, along with the capacity of these paradigms to generate problems in knowledge, led to a paradigm shift in the 1980s. Qualitative research gained acceptance and popularity, and gradually paradigms such as social constructivism and methodologies like grounded theory emerged (Farastkhah, 2016, 28). In

this paradigm, questions are generated before the work with a theory begins, and efforts are made to derive an inductive theory or model from the concepts. Social concepts, due to their focus on awareness, choice, and attributions, require research methods that focus on reasons alongside causes and the context of phenomena (Nazari, 2015, 154). In grounded theory, social reality is shaped by our definitions, language, and system of meanings. Therefore, in this approach, the researcher seeks to reflect on the participants’ statements and examine the meanings and implications they hold, extracting a general and abstract theory of a process, action, or interaction based on the actors’ perspectives (Farastkhah, 2016, 85). This process involves several stages of data collection, refinement, and examining the relationships between informational categories. Constant comparison of data with categories derived from the data and theoretical sampling from different groups to maximize similarities and differences among the obtained information are two key characteristics of this theory.

Since the area of ethical challenges is closely related to culture (Baghi Nasrabadi & Soleimani, 2013, 99) and has a strong connection to individuals’ interpretations of historical and social facts and their understanding of the issue, this study aims to explore the ethical understanding of the actors and the ethical challenges faced by builders in the construction industry in the context of interactions between the private sector and non-governmental public sector organizations with key organizations in the field. The study focuses on understanding these issues in practice, identifying their relationship with major ethical schools, and examining the causes, roots, and consequences of these ethical challenges.

To achieve this, the researcher used semi-structured interviews with open-ended questions, document study, observation of behaviors, field data recording, co-existence with actors, and inductive and deductive methods of validation in interactions with participants. Snowball sampling was used to identify interviewees, and 27 individuals were interviewed, including 4 senior managers from non-governmental public organizations, 1 deputy minister of housing, 3 CEOs from the private

sector involved in large and medium projects, 3 mid-level managers, 10 experts from key organizations in the construction industry, 1 CEO of a consulting company, 1 project manager from a contractor company, 2 managers and 2 inspectors from the Iranian Construction Engineering Organization, and 1 end-user. The interviews were conducted in an open and semi-structured format, with the interview process guided by the organization in question.

Data analysis was carried out using open coding, categorizing similar concepts, and converting them into major categories. The method used for data analysis was grounded in the Glaser approach. In this method, the researcher, using theoretical sensitivity and a rich theoretical understanding, approaches a specific field of data to generate a theory for this particular context. The reason for the researcher's use of the Glaser method is its ability to avoid any preconceptions about the phenomenon being studied [Table 1](#) explains the Glaser method. Throughout this research, the researcher encountered various and deep reasons, causes, and strategies related to culture, which made structuring the research a bit challenging. Therefore, the researcher concluded that it might be better for the structure of the model to emerge with minimal bias from the complex data. Additionally, the researcher made efforts to continuously collect data and understand the relationships between them.

To ensure the scientific validity of the theory, four principles were used: fit, efficiency, relevance, and adaptability. Fit refers to the alignment of the theory with the data. Efficiency means the theory's ability to explain and clarify the phenomenon. Relevance indicates the connection of the theory to real-world situations, and adaptability refers to the theory's flexibility to incorporate other evidence ([Farastkhah, 2016, 93](#)). Moreover, the research findings were evaluated by several experts in the industry.

## Data Analysis

### • Examination of the ethical understanding and implicit school of thought of key actors

The data analysis reveals that the construction industry

actors' understanding of ethics is non-specialized and general. They are largely unfamiliar with ethical dilemmas, complex ethical situations, and ethical decision-making models. Some of the key ethical values they consider include commitment, honesty, avoiding self-interest and brokerage, not being egocentric or having a know-it-all attitude, refraining from bribery, and keeping personal interests separate from national work. The interviews also suggest that the opinions and actions of construction industry builders can be associated with various major ethical schools, although the level of ethical maturity in the construction industry, as a field of knowledge, remains low. These actors sometimes demonstrate different or contradictory behaviors within and outside their organizational environment. A significant portion of the interviewees strive to act deontologically within their organization, yet in external interactive environments, when a conflict or overlap arises between organizational goals and deontological ethics, they adopt a consequentialist approach. They do not view this as unethical, citing factors like organizational survival<sup>4</sup>, necessity for survival, and other pressures as reasons for their actions.

The data also indicates that another group of actors operates according to a utilitarian school of thought, but not one focused on maximizing profit. Rather, they focus on personal, immediate gains and only consider personal, short-term benefits. These actors do not believe in the efficacy of personal ethics and only find external deterrents, such as laws, effective. It is noteworthy that there are actors who only adhere to deontological or afterlife-consequentialist ethical schools. However, it seems that some of these actors face challenges related to losing profits, job positions, and similar concerns.

Based on the statements above, it appears that the subjective and practical school of thought of these actors cannot be definitively attributed to a single major ethical school. However, it can be concluded that individuals, in environments where their ethical school is dictated, are generally forced to shift their ethical stance and act pragmatically. Furthermore, it seems that actors are fairly well-acquainted with their duties, and failure to act accordingly is not due to ignorance of responsibilities.

Table 1. Comparison of straussian and glaserian approaches. Source: Farasatkah, 2016, 102.

Row	Straussian GTM (systematic approach)	Glaserian GTM (classic approach)
1	Technical and systematic categorization	Abstract conceptualization
2	A paradigmatic model for making types of social world explanations comparable	Diversity of explanatory models for flexibility
3	Complete description	Rich description
4	Emphasis on technique in research	Centrality of understanding (verstehen) in research
5	Listen to them, record, and build categories	Enter their world, listen, and interpret
6	Try to develop a theory within the framework of a paradigmatic model	Let theory emerge from the interpretation of meanings, data, and evidence
7	Risk of dominance of pre-existing categories over the social world itself	Risk of lack of clarity in how theory emerges from the data
8	A coding framework guiding theory formation	Theory dependent on research context and researcher's creativity
9	More emphasis on the method	More emphasis on creation
10	Noticeable attention to skill	Greater emphasis on interaction
11	Concern for precision	Concern for depth
12	Possibility of over-elaboration	Possibility of ambiguity
13	Greater need to explain the process of category formation, reduction, and integration	Greater need for direct participant quotes, their interpretation, and meaning-making
14	Categorical and analytical features in the research report	Verbal, expressive, and interpretive features in the research report

Instead, individuals behave deontologically based on their risk tolerance and threshold, then switch to a consequentialist approach. Below are a few short examples from the interview texts that illustrate this point: “You might say, ‘I’ve said this a lot, one year, no, two years, what’s the big deal!’ But the organization you’re working with won’t allow that, and they pressure you so much that you have to solve this problem. How do you solve it? By hiring an agent, finding a partner who’s experienced in this, getting a consultant.” “We said to solve this issue, for example, for over 3000 meters of built-up area, we said the partner should get the permit. We estimate a certain amount and put it in the partner’s share. Now, the partner decides how much to pay the municipality, and it’s not our concern. The under-the-table payments they make don’t affect us. We’ve set x Rials as a share for them. They go and pay and they’ve had better experience in getting permits and have more flexibility. For instance, partners have increased the number of floors from 5 to 8, which has benefited the public institution or our company.” In another interview, regarding National Tax Administration, the builder stated: “Yes. The tax issue I mentioned happened to us. We could have solved it with a very small amount, but

we said no, we won’t give that, and the legal process must be followed. This led to a much longer process, and due to corruption in the tax system, we had to pay that money, and more.” A senior manager from a firm said, “Well, there’s a fatwa that says if you’re losing money and it can’t be solved without bribery, there’s no issue for the bribe-giver, but for the bribe-taker, it’s forbidden.” “I want to say that sometimes you can get away from this challenge. For example, I said the tax is 10 million. I said, ‘Well, we’ll pay it to the tax office, and the money goes into the public treasury, but we won’t give any to you or the inspector.’ We paid it, got the receipt, and it was done. Sometimes, it’s like that, but in some cases, it isn’t, and the project is worth billions, and the person just wants a small amount.” These examples indicate that the key actors in the industry cannot be classified under a single ethical school. However, one can observe their ethical decision-making changes based on the circumstances they face. Additionally, personal judgments and the characteristics of decision-makers, the lack of ethical standards, codes, and consistency, environmental constraints, the nature of private or non-governmental public organizations, and a pragmatic view of ethics can be considered factors that shape the actors’ understanding of ethics and contribute to unethical behavior.

**• Identifying ethical challenges faced by builders in interaction with key organizations in the construction industry**

Based on data analysis, the researcher identified the challenges faced by builders in the industry and the concepts related to them throughout the research process. According to the new data, the list of challenges underwent changes, and the researcher’s understanding of the challenges evolved. Ultimately, the most significant ethical challenges faced by builders in the construction industry of the country were identified as follows:

Based on the research data and considering the Pareto principle, as well as the analysis of the interviews conducted, the researcher coded the challenges mentioned by the interviewees, prioritized them, and summarized the overall construction process from the builder’s perspective. Regarding the most repetitive and effective ethical challenges, among the builder challenges listed in [Table 2](#), five main challenges were identified. Ultimately, the analysis of these challenges led to the extraction of the main model.

**• Analysis of challenge 1: Deprivation of maximum acquired rights of the project**

It is necessary to explain that qualitative research methods, specifically grounded theory, have a narrative thread that is created by the researcher through the process of analyzing interviews, observations, etc. This thread plays a significant role in presenting the results of qualitative research. Therefore, in the analysis section of the challenges, the narrative of the challenges is presented first.

**- Narrative of the challenge**

According to the interviews conducted, the strategy of unconventional payments to certain municipal employees constitutes a large part of the ethical challenges faced by actors in the construction industry in the interaction between the non-governmental public sector and the private sector. In the phenomenon of unconventional payments in municipalities, it can be stated that generally two scenarios exist for applicants seeking demolition and renovation permits in municipalities. These applicants can either be the owner, the owner’s

Table 2. Identified ethical challenges by involved institutions. Source: Authors.

Organization facing the challenge	Key identified challenges	
	Non-governmental public institution	Private sector builder
Deprivation of acquiring maximum acquired rights	✓	✓
Work stoppage by the supervisor, contractor, or engineer from the Iranian Society of Engineers	✓	✓
Work stoppage due to deed correction and deed issuance	✓	✓
Imposition of additional tax costs	✓	✓
Disruption and delay in project completion and contractor losses in tri-party environments	✓	✓
Decreased organizational profits	✓	✓
Brand deterioration	✓	✓
Political pressure from senior management	✓	×
Decreased project profits	✓	✓
Companies and individuals accused due to the difficulty of proving unethical documentation	✓	✓
Failure to correct the deed	✓	✓
Failure in legal disputes	✓	✓
Delay in obtaining partition reports and deeds	✓	✓
Imposition of outsourcing and brokerage costs	✓	✓
Non-approval or delay in payment of contractor status reports	✓	✓
Raw sales by non-governmental public institutions	✓	×
Accusations of incompetence of managers in non-governmental public institutions	✓	×

representative, or a partner (as a participant or contractor, either as an individual or an organization). When starting the demolition and renovation permit process, the municipality or the aforementioned organizations either directly undertake the work or appoint an agent/representative to handle this task due to the complexity and exhaustive nature of the process or the low-risk tolerance of the applicant. These agents, who are typically affiliated with or previously employed by the municipality, are aware of the legal capacities available for increasing the acquired rights through the demolition and renovation permits and, therefore, make proposals to the applicant. These capacities usually include increasing density, increasing occupancy rates, utilizing contradictory laws, etc. and are based on the agents' knowledge of urgent financial needs, especially in the last months of the year, upcoming changes in relevant laws, appointments of managers who will soon occupy decision-making positions, information rents, and various methods for calculating demolition and renovation fees. The agent's organization usually receives a fee for the services rendered, part of which covers the agent's compensation, and the other part is used for making unconventional payments to the municipality. Notably, these costs are unrelated to the legal costs the applicant must pay for permits, taxes, insurance, education, building regulations, and so on. Therefore, the applicant, after entering into a contract with the agent and motivated by the desire to acquire greater rights, expects to receive a permit with increased density and occupancy due to the lucrative housing market in the country and the lack of time value of money, mainly because of factors like inflation. The agent, using relationships, unconventional payments, non-financial exchanges, and leveraging influence in entities outside the municipality, advances the process of obtaining the maximum acquired rights. The applicant is generally willing to endure the extended process. It is natural that some actors belonging to decision-making bodies in this process may pressure the applicant for extortion. It is worth noting that these individuals are often well aware of methods for preventing the recording of their crimes, and by utilizing strategies like obtaining gold coins, foreign currency, property, providing fake

accounts, purchasing goods for the applicant, etc., they keep themselves out of reach of legal prosecution. It should also be noted that some non-governmental public sector organizations engaged in economic activities, through contracts with agents, usually due to the need to gain profits and compete with related companies, engage in such practices. However, due to their influence and power within the political structure, they somewhat limit unconventional payments. Fig. 1 attempts to present a theoretical model of the first challenge.

#### **- Ethical analysis of challenge 1**

It seems that the challenge of unconventional payments in municipalities is considered unethical by all actors because the municipality generally issues a cash receipt for all its services, and additional costs are meaningless to the actors. Therefore, it appears that all builders who submit to unconventional costs in municipalities are acting in a result-oriented manner, with the private sector focusing on immediate profit and the public sector aiming for maximum gain. Additionally, some actors admit that patronage is the most significant feature of the process of obtaining higher density. The ethical concerns regarding this are the increasing prevalence of bribery, which has significant consequences for the economy and sustainable development of the country. The conflicting values from the builder's perspective here are the desire to avoid being involved in bribery versus giving up acquiring maximum acquired rights and more profit.

#### **• Analysis of challenge 2: Unconventional payments to supervisors of the Iranian construction engineering organization and unfair referral of work to supervisors**

In the interviews conducted, one of the most frequent strategies that lead to an ethical issue causing the halt of construction work for industry actors is the strategy of making unconventional payments to the supervisors of the Iranian Construction Engineering Organization.

#### **- Narrative of the challenge**

Construction industry actors involved in building projects, according to the interviews conducted, consider unconventional payments to supervisors of the Iranian Construction Engineering Organization as a decisive factor. Among these actors, most who have faced this

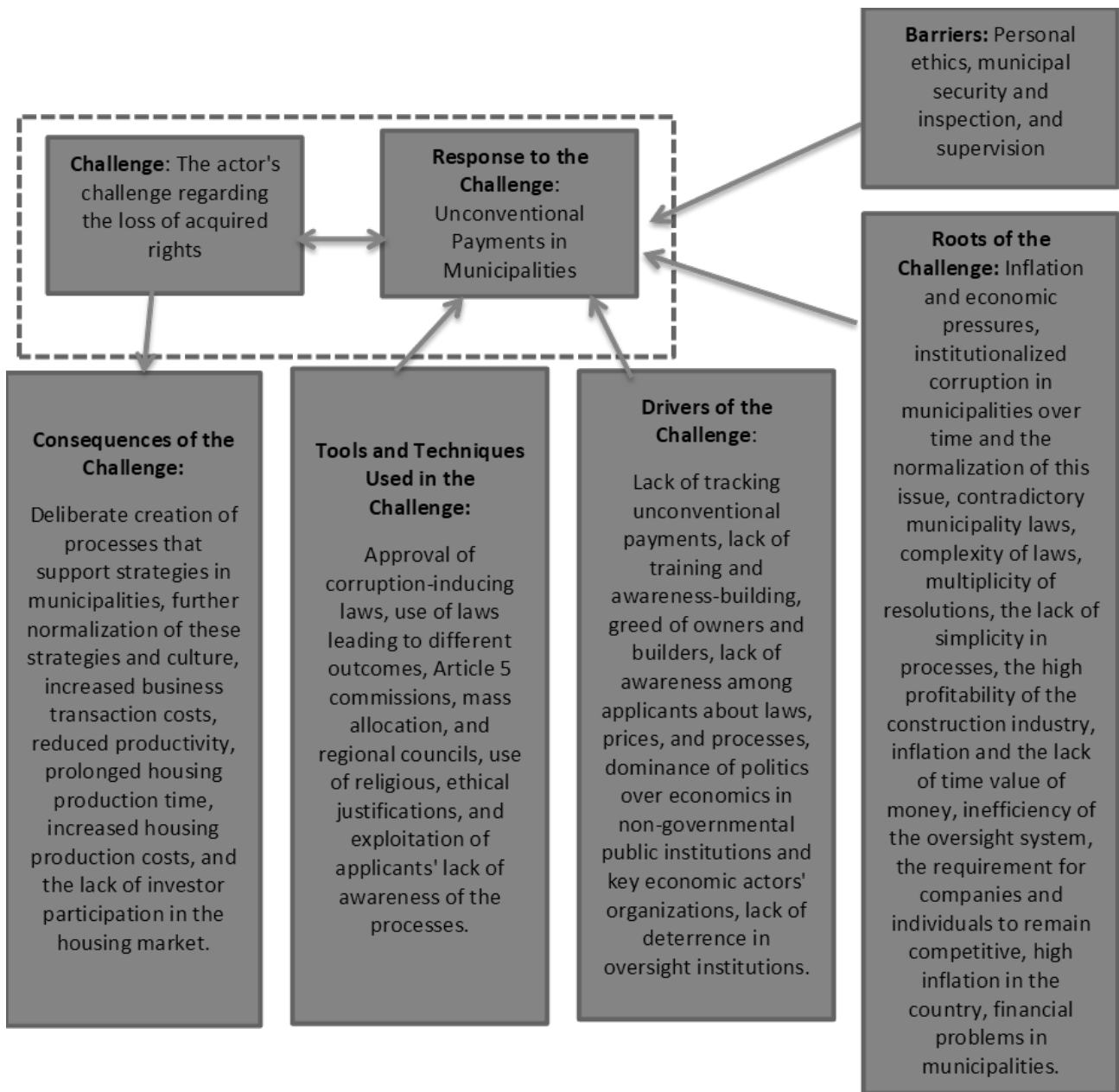


Fig. 1. Theoretical model of the challenge of deprivation of acquiring maximum acquired rights of the project derived from research data based on the glaserian model. Source: Authors.

challenge opt for ethical surrender. This ethical surrender includes both individuals and companies in the private and public sectors. Supervisors and employees in the offices of the Iranian Construction Engineering Organization, due to the economic conditions of the country, low fees, high inflation, and unfair referral of work to supervisors, justify their participation in unconventional payments, seeing themselves as entitled due to the immense profit of the owner or builder. This practice seems to have become a norm for some supervisors. However, some supervisors

have lower expectations and present the requested cost as the price for accepting the responsibility of this violation, and builders sometimes consider this fair, expressing that they are personally satisfied with these payments. It is important to note that supervisors justify their actions using the legal capacities available to them. This issue becomes particularly more serious when the builder intends to increase the floor area of the units under construction beyond the approved plans in the permit. One of the most common illegal alterations is the

covering of light wells in residential units. In this case, the builder, during construction, adds part of the light wells to the unit under construction, and the supervisor, due to the presence of inspectors from the Iranian Construction Engineering Organization periodically in projects, either out of a sense of responsibility or due to extortion from the builder, reports the violation in the system that both the Construction Engineering Organization and the municipality have access to. The municipality then halts the construction work. The builder must then obtain the supervisor's approval for the structural work with the new conditions, and the supervisor may request an unconventional payment at this point.

On the other hand, the interviews indicate that the municipality itself views these violations as a source of income and does not make efforts to eliminate this process, as the builder, in order to obtain a certificate of non-violation, is required to receive the supervisor's approval and pay a fine to the municipality. In any case, the supervisor sees the situation as very favorable and traps the builder between the prolonged legal hurdles of the process and the unconventional payment. Generally, the power of the supervising entity is most prominent in approving the non-violation reports in the excavation, skeleton, and final completion stages of the project, which can exert the most pressure on the builder, and the municipality can be brought into the process to halt the project. Some municipal officers also see this as an opportunity to obtain unconventional payments for themselves, and the builder, in some cases, makes such payments at the local municipality level and continues construction after a period following the supervisor's report of violation. This may be because, if the supervisor has requested more than the usual amount, the builder intends to indirectly indicate that, by leveraging their relationships in the municipality, they can advance the construction work and gain the upper hand in negotiations.

On the other hand, the supervisor, being aware of their legal power and the builder's need for legal approvals and, ultimately, the final completion certificate, engages in bargaining with the builder. However, in such cases, the conflict between the supervisor and the builder

intensifies, and the supervisor tends to act more strictly in the later stages. Ultimately, the supervisor, positioned at the final checkpoint of the process, can—withhold issuing the “green slip,” which leads to the expiration of approvals from the fire department, elevator standards, etc.—and consequently, block the issuance of the completion certificate and the official deed of the constructed building. This puts the builder in a position where they must choose between filing a complaint against the supervisor, accepting the risks of project delays and associated costs, assigning a new supervisor (which results in inflated construction costs), or making an unconventional payment to the current supervisor. Fig. 2 illustrates the main themes related to this challenge.

#### - Ethical analysis of challenge 2

It appears that some builders, as long as the payments demanded by supervisors are not significant and they consider the losses resulting from work stoppages, etc., tend to act in a result-oriented manner. They even admit that they are satisfied with these payments and, in some cases, view the situation from the perspective of virtue ethics, considering it fair due to the economic conditions of the society and the low fees for supervisors. However, when the supervisor's demands exceed the usual expectations, they consider these demands unfair and, due to the created pressure, act result-oriented and, in some cases, deontologically. Deontological action in this case could involve filing a complaint with the Disciplinary Council of the Iranian Construction Engineering Organization, while result-oriented action would involve negotiating with the supervisor. The conflicting values in this situation are the desire to avoid involvement in bribery or similar practices versus accepting the delay in project execution and, consequently, accepting the losses that result from it.

#### • Analysis of challenge 3: Suspension of work for permit acquisition and issuance of deed

##### - Narrative of the challenge

Builders in the process of constructing buildings interact with the National Land and Property Registration Organization at several stages. The first stage occurs when the applicant seeks to open a file in the municipality for obtaining a construction permit. At this stage, the

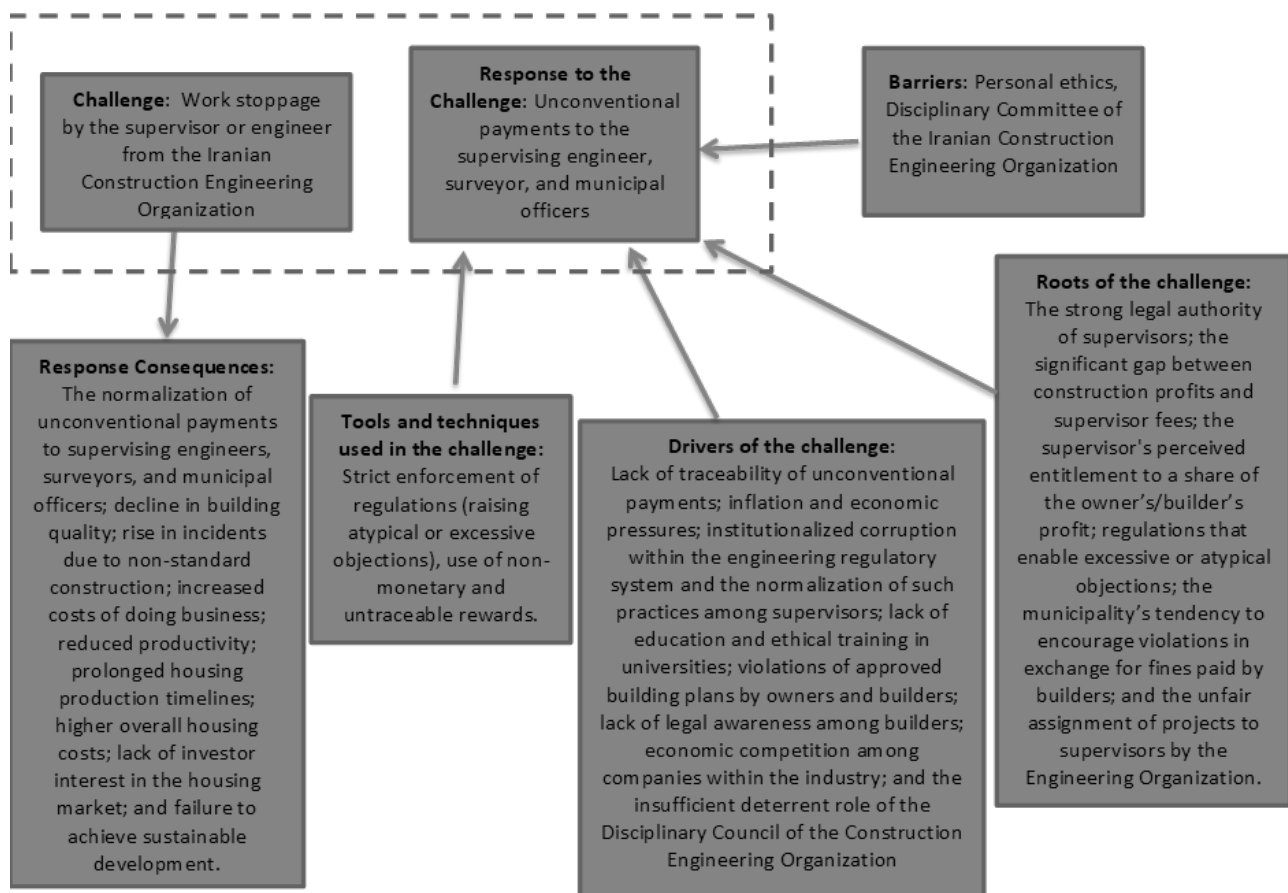


Fig. 2. Theoretical model of unconventional payments to supervisors from the Iranian construction engineering organization, unfair referral of work to supervisors from the Iranian construction engineering organization, derived from research data based on the glaserian model. Source: Authors.

municipality’s expert measures the land or property involved in the project and compares it with the current deed. If there is a discrepancy between these two documents, the deed is subject to correction. Although there are various types of deed corrections, some of which are postponed based on the builder’s commitment to the municipality to correct the deed before obtaining the permit or before obtaining the completion certificate, issues involving significant dimensional discrepancies or editorial corrections are not subject to this commitment and should be corrected immediately after the file is opened in the municipality. However, because the correction process in the National Land and Property Registration Organization is subject to a statute of limitations, it delays the permit process, creating the potential for an ethical challenge. Builders’ delays in delivering the final property to owners or the project’s departure from profitability criteria are also causes of the unethical payment challenge. Another stage where

construction industry actors engage with the Land and Property Registration Organization is during the process of preparing the partition report, where the builder refers to the surveyor of the Land and Property Registration Organization to measure the built units’ area. In this stage, the challenge of unconventional payments can also arise. The first cause of this challenge is the delay in the surveyor’s work, which they may deliberately postpone. The builder, who is often under pressure due to pre-sale commitments and the need to deliver the deed, faces a dilemma here. The second ethical challenge is the alteration of the area recorded for the units. Minor changes in this area, given the high price of housing, trigger builders’ greed, and this unethical act is sometimes carried out. Fig. 3 shows the key points related to this challenge.

**- Ethical analysis of challenge 3**

The ethical concerns in Challenge 3 involve bribery and similar corrupt practices, as well as the institutionalization

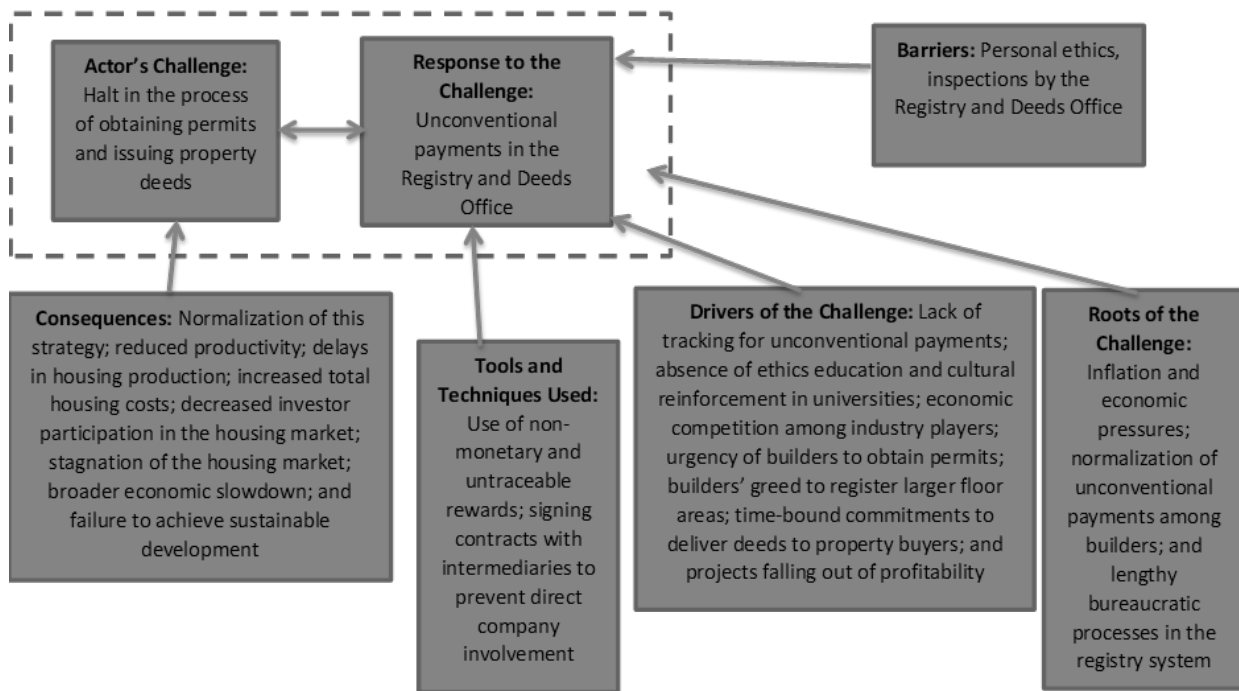


Fig. 3. Main themes of the challenge related to the halt in obtaining permits and issuing deeds, derived from the research data based on the glaserian model. Source: Authors.

of corruption within the National Land and Property Registration Organization. The conflicting values in this challenge are avoiding additional costs, not becoming involved in bribery, and, on the other hand, accepting delays in acquiring the permit and the slower realization of project profits. Builders acting deontologically in this challenge may accept some intentional disruptions in the process, while result-oriented actors may either directly engage in the process, making unconventional payments to achieve their goal, or proceed by contracting with an agent to move their work forward.

**• Analysis of challenge 4: Disruption in project profitability due to tax costs**

**- Narrative of the challenge**

According to the country's tax laws, any transfer of real estate is subject to taxation. The above-mentioned ethical challenge typically occurs when, for any reason, the tax on the transfer of lands has not been paid. It seems that this challenge is more relevant to the non-governmental public sector than the private sector, as taxes are usually paid in full during transactions in the private sector. In this challenge, the land tax for properties held by non-governmental public institutions may not have been

paid during the sale agreement between the upper and lower-level institutions. The construction company (the lower-level institution) proceeds with the project under these conditions, and when it comes time to pay taxes, it finds itself obligated to pay both the land and building taxes simultaneously. Some experts from the Iranian National Tax Administration may, in such situations, demand unconventional payments from the applicant and propose taxing only the land. Since the builder or actor (the company) significantly benefits from this tax reduction, they may agree. On the other hand, the company cannot be blamed for this issue, as the upper-level institution should have paid the transfer tax during the sale agreement. However, leveraging their power, the upper-level institution fails to make this payment, and the burden of paying the double tax falls on the company. To resolve this issue, the company chooses its strategy by making unconventional payments to experts from the National Tax Administration. Fig. 4 illustrates the main themes related to this challenge.

**- Ethical analysis of challenge 4**

The ethical concerns in this case could involve the prevalence of bribery within the Iranian National Tax

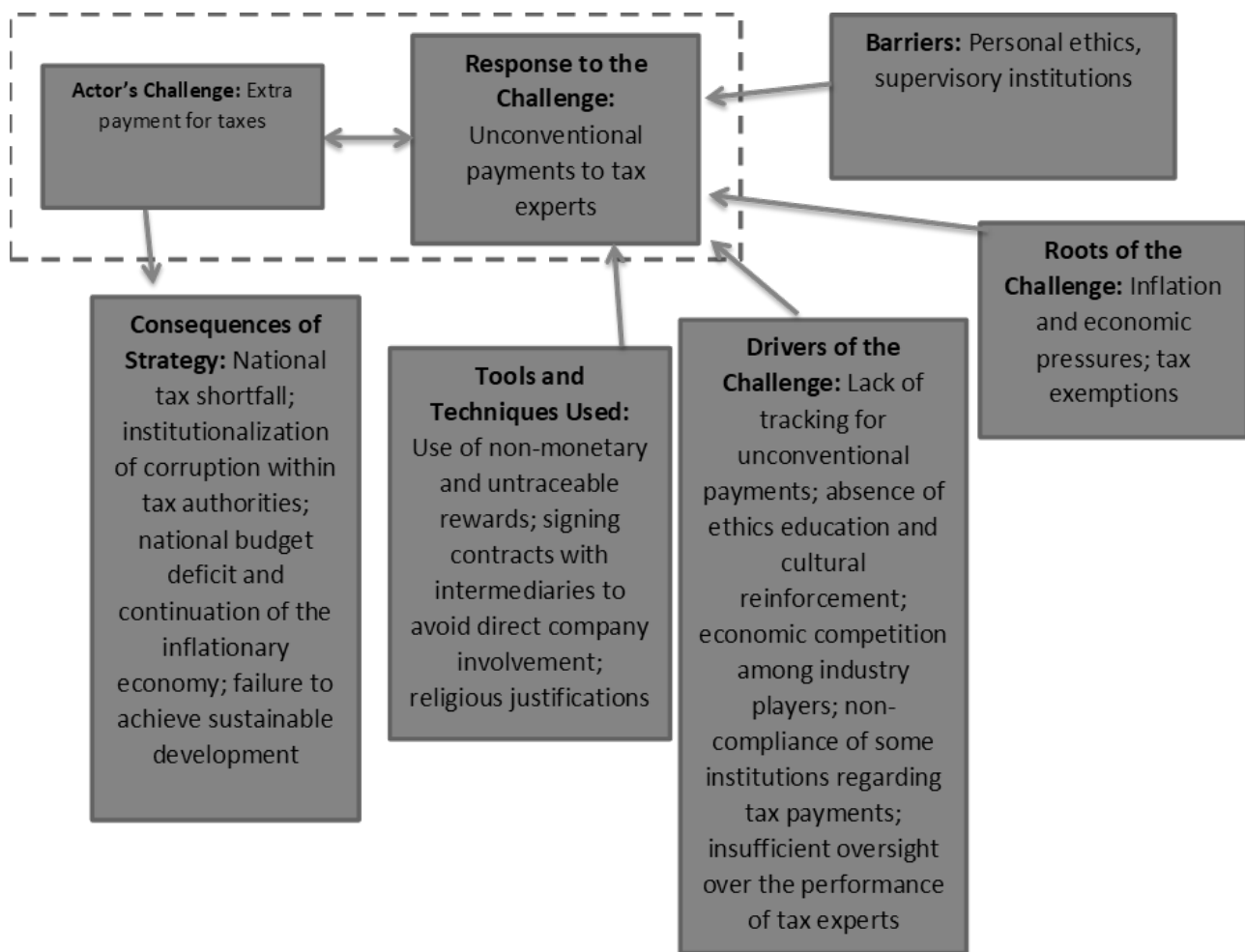


Fig. 4. Theoretical model of unconventional payments in the taxation domain, derived from the research data based on the glaserian model. Source: Authors.

Administration. The conflicting values in this challenge are the refusal to pay bribes and additional costs, leading to a reduction in project profits. The deontological actor would pay the actual tax or pursue a legal solution to resolve the issue, whereas the result-oriented actor, who views the issue from a perspective of immediate profit, would prefer unconventional payments through an agent or otherwise.

**• Analysis of challenge 5: Disruption in project progress in tri-party environments**

**- Narrative of the challenge**

Based on the research data, one of the recurring challenges in the country’s construction industry is the unconventional payments made by contractors to site supervisors in tri-party environments. These supervisors can include the contractor’s direct representative as employees of fourth-party companies, consultants involved in design and supervision during phases zero, one, two, and three,

or legal supervisors from the Iranian Construction Engineering Organization. In tri-party environments, government entities or non-governmental public organizations are usually involved, and the scale of the projects tends to be larger. Large-scale housing projects, hospital construction, etc., fall into this category. This challenge typically arises when the supervisors, who have signing authority to approve the contractor’s performance, place the contractor at a crossroads between making unconventional payments or not receiving approval, which leads to delays and, ultimately, financial damage to the contractor. In such cases, contractors usually choose ethical surrender. The payments can be made through means that are untraceable or through the contractor being required to use a specific supplier for building materials and services. In some instances, an unethical cycle forms that starts with the contractor. The contractor requests the supervisor to overlook deficiencies in the work, and in

return, the supervisor, after receiving a fee for the current case, engages in extortion when possible. Fig. 5 illustrates the main themes related to this challenge.

**- Ethical analysis of challenge 5**

The ethical concerns in this challenge involve the prevalence of corruption in tri-party environments and the technical-executive system. The conflicting values in this challenge are the contractor’s decision to forgo the expected profit from the project and avoid becoming involved in bribery versus facing greater losses in the project. Based on field data, contractors usually act result-oriented and choose ethical surrender in this case.

**Conclusion**

Answer to the first question: According to the research findings regarding the understanding of construction

industry actors, first, there is often a difference between the subjective school of thought and the practical school of the actors. Secondly, some of them act according to the deontological school based on the amount of ethical pressure and their resilience and then shift to a focus on immediate profit. Furthermore, the level of ethical knowledge in the industry is low, and actors perceive general concepts such as honesty, commitment, responsibility, respect, legality, etc., as ethical principles. However, in practice, they sometimes behave pragmatically and opportunistically, prioritizing their own profit.

Table 3 provides an example of related information. It should be noted that due to the principle of brevity, other relevant tables have been omitted.

Answer to the Second Question: The central ethical

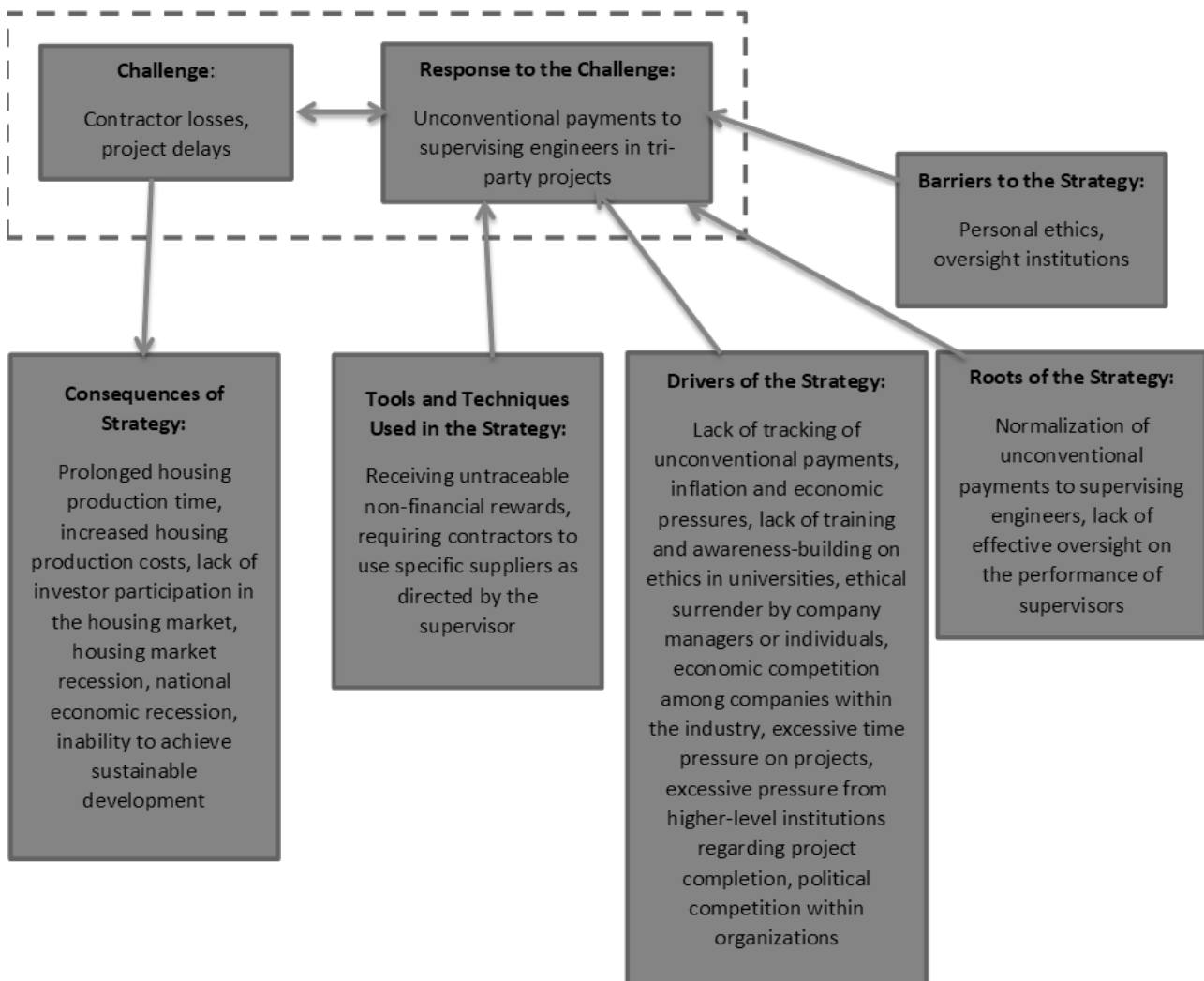


Fig. 5. Unconventional payments to supervising engineers in tri-party projects, derived from the research data based on the glaserian model. Source: Authors.

challenge, based on the research data, is the reduction in the builder’s profit and the extension of the project timeline. The actor’s strategy in facing this challenge is the builder making unconventional payments to some of the actors in key organizations. The ethical judgment of the actors here is sometimes different from their actions, and in practice, most of them adopt a result-oriented approach, prioritizing immediate profit.

Answer to the Third Question: Some of the key factors contributing to the challenges include the country’s weak economy, housing being a capital asset, the prolonged bureaucratic processes, the significant income gap among employees, inflation, institutionalization, and the prevalence of bribery, as well as the inefficiency of oversight bodies. Some of the most significant consequences of these challenges include the inability to achieve sustainable development, stagnation in the construction and housing industry, the increased prevalence of bribery culture, and the rising costs of economic transactions. [Table 4](#) provides some executive measures aimed at reducing ethical challenges in the construction industry.

In this study, the understanding and performance of construction industry actors regarding ethics, particularly

from the builder’s perspective, and their relationship with the main ethical schools were the focus. Additionally, an ethical analysis was conducted regarding the challenges. Moreover, a qualitative approach was used to identify the challenges, their contributing factors, and their consequences. The ethical analysis of the challenges included concerns related to ethics, competitive values, and an analysis of ethical decision-making based on different ethical schools. The reasons for the mismatch between actors’ subjective ethical systems and their actual decisions were also identified, highlighting gaps in previous research in this area.

This study has made three key contributions to the literature on ethics in the construction industry and project management:

1. The study has approached ethical challenges from the builder’s perspective, which is a novel approach to identifying ethical challenges and considering the builder’s perspective in this context.
2. The study has examined non-governmental public institutions as key actors in the construction industry, a topic that is new in the existing literature.
3. The performance of municipalities and the Iranian

Table 3. Understanding of ethics by construction industry actors (key organizations) and their relationship with major ethical schools. Source: Authors.

Ethical understanding criteria	Involved organization				
	Private sector builder	Non-governmental public institution	Municipality	Iranian construction engineering organization	National land and property registration organization
Type of ethical understanding of actors	Conscientious	Religious	Based on the ethical charter	Based on the ethical charter	Conscientious
Ethical concepts according to interviewees	Work ethics, honesty	Preserving public funds, avoiding self-interest and brokerage, not being egocentric, and not having a know-it-all attitude	Not accepting bribes, not offering bribes, not allowing personal interests to interfere with national duties	Commitment, not accepting bribes, not offering bribes	Not accepting bribes, not offering bribes, not allowing personal interests to interfere with national duties
Familiarity of actors with ethical decision-making	Low	Average	Average	Average	Average
Awareness of ethical codes	Low	Average	High	Average	Low
Major ethical school (result-oriented/ deontological/ virtue-based)	Result-oriented/ immediate profit-oriented	Subjective: deontological Practical: result-oriented/ maintaining position	Result-oriented/ maintaining position	Result-oriented/ maximizing profit	Result-oriented/ maintaining position

Table 4. Executive actions to reduce ethical challenges faced by builders in the construction industry at three levels: national, industry, and key organizations. Source: Authors.

Row	Executive actions at the national level	Executive actions at the industry level	Executive actions at the key organizations level
1	Achieving a productive economy instead of a speculative economy	Eliminating competition between public institutions and the private sector	Standardizing information across key organizations
2	Removing housing from speculation	Changing the governance structure of the Iranian Society of Engineers through government bills and the Islamic Consultative Assembly	Reducing and eliminating conflicts of interest in the oversight sectors of key organizations
3	Reducing the income gap between exchange parties	Transforming the legal power of supervisors	Refining urban planning laws and removing contradictory and interpretable laws
4	Eliminating and neutralizing sanctions	Transparent policymaking for public institutions	Reducing bureaucratic processes
5	Focusing on rent-seeking behaviors, patronage, intermediation, labor/production aversion, and parasitism in national development programs	Implementing article 44 of the Constitution in its true sense	Eliminating individual-centered approaches and golden signatures through technological systemic governance
6	Changing the traditional rent-based economic structure	-	Creating the basis for public oversight through systems
7	Strengthening religious and human norms in development programs	-	Developing specific ethical codes for each organization and expanding ethical systems
8	Focusing on institutional balance in development programs	-	Continuous education

Construction Engineering Organization, as key organizations involved in the construction industry, was examined, which is also an innovative aspect of this study.

4. The ethical analysis of actors’ judgments and ethical decisions, as well as the analysis of challenges and their responses, has addressed a portion of the gap in the literature in this field.

Due to the inter-organizational perspective on the interactions between builders and key organizations involved, ethical challenges within organizations were outside the scope of this research. Therefore, the ethical challenges within organizations and the individual actors of key organizations in the construction industry of the country provide an important area for future studies. Furthermore, this study viewed the challenges from the builder’s perspective, which can also be examined from the perspectives of key organizations such as municipalities, utility organizations (electricity, gas, water), the Iranian Construction Engineering Organization, the National Land and Property Registration Organization, and the Iranian National Tax Administration.

Additionally, the role of non-governmental public institutions as key actors in shaping ethical relations in the construction industry has been highlighted as an influential factor. The characteristics and dimensions of this issue could also form an important basis for future research. Contradictory and interpretable laws, and laws passed by organizations to increase their revenues, along with the factors and consequences of these laws, could also be significant research topics. The governance of the Iranian Construction Engineering Organization, based on the research data, is another interesting research subject. In general, the Iranian Construction Engineering Organization is an under-researched topic, and the governance of municipalities and non-governmental public institutions from an ethical perspective is also a suitable subject for study. Ethical challenges faced by builders in the judiciary are generally outside the scope of this research, but a similar study could be conducted on that topic.

**Conflict of Interests**

The authors declare that there are no conflicts of interest in conducting this research. Additionally, this research

focuses on the ethical challenges within the construction industry, and its findings do not overlook the efforts of the dedicated and ethical personnel in key organizations such as municipalities, non-governmental public institutions, the National Land and Property Registration Organization, the Iranian National Tax Administration, the Iranian Construction Engineering Organization, and other influential institutions.

## Endnotes

1. The use of the term "challenge" in this study is due to the unpredictability of the actor's strategy. This means that the actor may choose various strategies in response to the challenge, but the occurrence of the challenge itself is certain.
2. The key organizations involved in the construction industry in this study were identified through data analysis and, based on the Pareto principle, were limited to the following organizations: builders (both individual and legal entities, and both private and non-governmental public institutions), municipalities, the Iranian Construction Engineering Organization, supervisory bodies, the National Land and Property Registration Organization, and the Iranian National Tax Administration.
3. Non-Governmental Public Institution: In this study, the term refers to some non-governmental public institutions specified in Note 5 of the Public Accounting Law of 1987, which are actors in the construction industry.
4. This is a concept in Islamic jurisprudence (اکل مینه) and holds a symbolic meaning in the culture of our country regarding the permissibility of deviating from principles when necessary.

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