

Project Managers: Gatekeepers or Inside Men?

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Abstract

Purpose – The study aims to address the seemingly unexplored scope of action for project managers to conduct work-related crime in the Norwegian construction industry.

Design/Methodology/Approach – Literature review: In-depth interview with 13 senior officials. Document study.

Findings – Broad scope of action to contract criminal subcontractors seems to be exploited intentionally and unintentionally.

Research Limitations/Implications – Limited number of interviewees. The scale of intentional exploitation unknown. Research could be used as basis to further research on incentives and countermeasures.

Practical Implications – Need for industry wide effort to improve barriers to avoid crime and contracting criminal subcontractors.

Originality/Value – Unexplored field globally and in Norway. Little to no documentation found in previous research.

Keywords Project management, Supply chain management, Crime, Fraud, Construction, Norway

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1. Introduction

In 2007, the unfolding of several large police cases upon the Norwegian construction industry dropped as a bombshell on the Norwegian society. The following years both the media and the police kept revealing that criminal actors were controlling a major part of the Norwegian construction industry. The criminals had apparently been working under the radar of the police and other authorities for years, slowly taking control of the market of painting, bricklaying and more of the fields of subcontracting demanding many man hours, but with little to no documented qualifications.

Lohne (Lohne *et al.*, in review) unravels on the lack of interest the academic proficiencies seem to have shown this topic. Only recently have there been efforts to document the width and complexity of crime in the Norwegian construction industry. In 2015, the Norwegian government ordered a report that conservatively placed this turnover at 28 billion NOK in 2015, an approximately 10 per cent share of the total market (Eggen *et al.*, 2017).

Engebø *et al.* (2016) and Kjesbu *et al.* (2017) indicate that some of the revenue is generated by counterfeit, fraudulent or sub-standard (CFS) products. However, the prevalent opinion suggests that a significant fraction of the illegal revenue is generated at the expense of immigrant workers from eastern Europe (Rybalka, 2017; Alsos & Eldring, 2008; Eggen *et al.*, 2017). Zitkiene *et al.* (2016) state that illegal work is increasing in the EU. Police and media have exposed cartels run and organised by eastern Europeans, exploiting poor countrymen or running operations together to impose upon the gullible Norwegian contractors (Haakaas, 2017).

Most of these efforts appear to have been put down to document that the large developers and contractors are taken advantage of by criminal subcontractors. Le. *et al.* (2014) describe corruption as another part of the criminal sphere of construction. Corruption by nature demands dishonest officials on both sides of the table. Reeves-Latoru & Morsell (2017) opens the door to the possibility of the contractors themselves taking active part in criminal activities such as bid-rigging and corruption.

Later reports of threats to the contractor's project managers (PM) indicate that the criminal actors find the PMs especially important. Are they the company's gatekeepers, doing what they can to stop the criminal subcontractors? Or are they the criminals' own inside men, trying to gain personal benefit from contracting the criminal subcontractors? This path seems unexplored in the Norwegian industry. Little documentation has been found both nationally and internationally. Therefore, this article will examine the possibility of the PMs themselves acting unethically, by consciously or unconsciously allowing illegal subcontractors to take part in their projects. The research question addressed is the following:

What is the scope of action for PMs to contract criminal subcontractors?

2. Methodology

By way of introduction, a literature review on crime in construction in general, and project managers' role in such actions, was conducted. Further on, semi-structured interviews with 13 senior officials were carried out. A document study of police records, laws, contracts and routines was then carried out to supplement the findings.

The foundation of this paper is built on a scoping literature review designed on the basis of Arksey & O'Malley (2005). The literature review indicated that little to no research had been done to document how the role of PMs plays out in the case of criminality in the construction industry. Based on Yin (2014), an interview guide was shaped for the semi-structured interviews aimed at letting the respondents explain and elaborate to which extent PMs can contract criminal SCs through the power of their role. Specifically, all the interviewees were asked to account for current routines for avoiding criminal subcontractors.

Owing to the sensitivity of the subject, the interview guide was adjusted to align with the principals of KREATIV (Bjerknes & Fahsing, 2018), an explorative questioning method of police examination used by the Norwegian police, developed from the PEACE framework of Milne & Bull (1999). The questioning encourages interviewees to elaborate on a subject from different angles and approaches, thereby making it difficult for the interviewee to omit important information and eventually forcing the interviewee to share information otherwise kept secret. Combining KREATIV and Yin's recommendations gives a more extensive and time-consuming interview.

To find respondents, large contracting companies in the Oslo area were contacted. The criteria for participating were set to being or having been a) a PM or b) responsible for purchasing and ethical routines in the company. During the interviews, they were also requested to suggest other respondents based on personal experience and the same criteria according to the procedure for snowballing, as laid out by Rowley (2012). In general, snowballing is known to be effective on reaching hard-to-reach populations on a sensitive issue, but one must be aware of the method's potential risk of not being able to document the full range of variation or potential bias (Biernacki & Waldorf, 1981).

Two of the large Norwegian contracting companies have been thoroughly investigated to document the routines on how Norwegian contractors work to avoid contracting criminal subcontractors. This includes interviewing project managers, purchasers and HSE managers, with considerable experience from the industry. To verify and triangulate the results from these two companies, interviews with respondents from three other large contracting companies were conducted.

The interviews were carried out at the respondents' work place, taking from 1.5 to 2 hours each. Respondents were given topics and questions before the interviews. The interviewer ensured that the core questions from the interview guide were answered. The interviews were recorded. Interviewees were allowed to comment and clarify on the transcribed version of their interview and respond to follow-up questions sent by email.

Owing to the sensitivity of the topic being investigated, all respondent names, company names and projects have been anonymised and randomised in this paper. Work titles have been generalised. For the same reason, one of the interviewees declined the request to record the interview; this interview was documented by hand. All interviews were conducted in Norwegian, and quotes are translated by the authors. An overview of respondents is shown in Table 1.

Respondent #	Position	Company	Unit	Chosen because
1	District manager	A	Region	Experience as PM
2	Purchaser	A	Corporate	Responsible for system
3	Purchaser	A	Region	Recommended by interviewee
4	Project manager	A	Region	Recommended by interviewee
5	HSE manager	B	Region	Responsible for system
6	Project manager	A	Region	Experience as PM
7	Project manager	B	Region	Experience as PM
8	CEO	C	Corporate	Experience as PM
9	Purchaser	B	Region	Responsible for system
10	HSE manager	D	Corporate	Responsible for system
11	Purchaser	E	Region	Responsible for system
12	Purchaser	E	Region	Responsible for system
13	HR manager	A	Region	Responsible for system

Table 1.
Respondents
Interviewed

3. Theoretical framework

The construction industry is a large employer and generates vast turnover in most countries. In Norway, the turnover in 2016 was as high as 437.3 billion NOK (SSB, 2017). Eggen *et al.* (2017) reports that approximately 28 billion NOK of this turnover every year goes to criminal actors. The crimes range from tax fraud to human trafficking, not paying minimum wages and several methods of financial crime (Slettemoen, 2014). In the recent years, these crimes have seen an increase in attention from the police and tax authorities (Hakaas, 2017). The document study and interviews show that the contractors have implemented several barriers in their ethical frameworks to stop contracting criminal subcontractors.

Formal frameworks to avoid criminal activity in the Norwegian AEC industry do exist. The penal law is to prohibit the criminal operations of such contractors as well as the PMs working as inside men. Regulations such as the Construction Client Regulations (Byggherreforskriften), the Internal Control Regulation (Internkontrollforskriften) and the Working Environmental Act (Arbeidsmiljøloven) are to ensure safe and proper operations in the industry.

Different industry actors have come up with a number of informal frameworks to supplement the formal ones. In 2017, the Norwegian Government launched a designated strategy against work-related crime (Regjeringen, 2017). The Federation of Norwegian Construction Industries (BNL) followed up with guidelines to avoid contracting criminal subcontractors (BNL, 2017).

Bjørnstad *et al.* (2016) explain the continuous rise in work-related crimes in Norway described by Eggen *et al.* (2017) with the expansion of the EU and EEA to the east in 2004 and 2007. This indicates that neither the formal nor the informal frameworks of today seem to have the desired effect on these groups.

Le *et al.* (2014) and Lohne *et al.* (2017) reveal that there is little documented knowledge on the field of crime and corruption in construction. Engebo *et al.* (2016), supported by Kjesbu *et al.* (2017) have shown that criminal actors do infiltrate the supply chain with fraudulent materials.

Given the autonomous nature of construction projects, striving for high-performing teams (Powell & Pazos, 2017) the role of the project team itself could appear important in criminal acts. More specifically the PMs who Chan *et al.* (2004) states are one of the most important success factors in the project. PMs, therefore, work under a continuous pressure to outperform expectations (Cheng *et al.*, 2006).

Motivation for work-related crime is mainly economic profit (Kripos, 2014). As described by Jensen & Heckling (1976), it could also be that the PMs act unethically as the agent on the unconfirmed assumption that it is the will of their principal – the company itself.

Baker *et al.* (2008) states that influence from the PM is important for the result of the project.

The literature review has not found studies done on how this influence is reflected in the field of crime in the Norwegian construction industry. There appears to be a knowledge gap on the PMs role in such crime. The ambition of the research in this paper is to fill parts of this gap by enlightening the scope of action for PMs to contract criminal subcontractors.

4. Results and discussion

4.1. What is the scope of action for PMs to contract a criminal subcontractor in the Norwegian AEC industry?

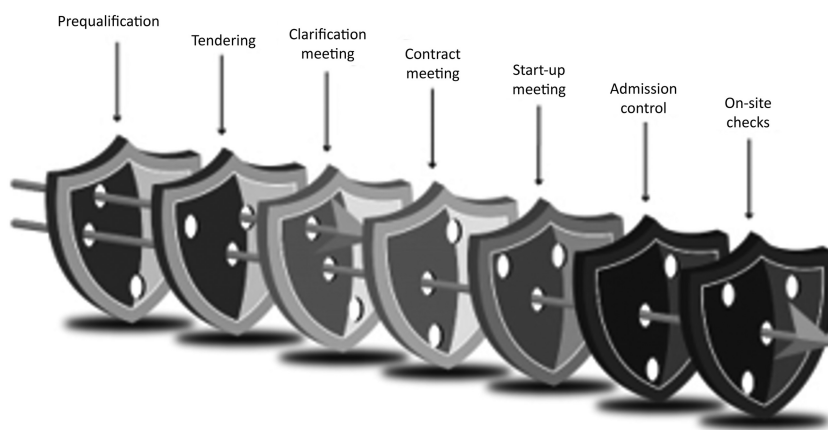
As reported by Eggen *et al.* (2017), there are a number of criminal actors extorting the Norwegian society through work-related crimes such as fraud, use of counterfeit materials or social dumping. Large contractors are aware of the risk and the interviews reveal that most contractors have implemented to a large extent the same barriers for stopping the

criminal subcontractors when contracting. A result of the interviews and document study is the generic barrier model for combatting criminal subcontractors as shown in Figure 1. This describes which barriers a large Norwegian contractor has implemented to avoid contracting criminal subcontractors.

Differences in barriers between companies are only marginal. Neither the document study nor interviews disclose significant variance in the general principles of how each barrier is maintained. Some companies do seem to have evolved their systems deeper, hereby including the SC's subcontractor as well as the SC himself. These companies make sure to include them in check-lists and inquiries through all the barriers.

Procurement is a project responsibility in all the companies. Regardless of experience, project officials are set to handle the contracting process. The process barriers are well documented. Officials are supported by quality assurance systems, support documents and company procedures. One of the purchasers expresses a sense of resignation on this matter: "In our company everyone (in the project) conducts procurement even though they do not really have any qualifications to carry it through"

When asked whether these barriers are effective enough or if it is possible for criminal subcontractors to bypass them, the answers were unanimously yes, stating that it is indeed



1. **Prequalification** (electronically)
Selecting suppliers with approval in a register (Startbank), credit check and company criteria.
2. **Tendering subcontractors** (electronically)
Enquiry by email to prequalified enterprises, preferably ones used before. Evaluating offers.
3. **Clarification meeting** (Physically)
Memorandum of understanding with subcontractor. Agree upon work allocation and potential subsubcontractor (SC).
Check list controls.
4. **Contract meeting** (Physically)
Signing contract with statements and declaration of law-abiding operations.
5. **Start-up meeting** (On-site)
Further memorandum of understanding. Verifying the agreed upon work allocation and registering craftsmen.
6. **Admission control** (On-site)
Control of ID, competence and statutory terms.
7. **On-site checks** (On-site)
Internal random checks to control ID, competence, work hours and statutory terms (Påseplikt)

Figure 1.
Generic Barrier
Model for
Combatting Criminal
Subcontractors

possible for criminal subcontractors to bypass the current barriers. Most of the controls are based on self-reporting using official documents with up to six months validity. Once uploaded to the register (Startbank) by the SC the document is assumed to be correct and de-facto laundered. This gives clearance to take part in bidding and getting to the clarification meeting. Self-reporting to follow rules and regulations is the way to pass the barrier to reach the contract meeting. When the SC signs all documents and agrees to follow the preconditions, the job is secured. At this early stage of the project, everything looks fine. Then, at the start-up meeting, perhaps months later, there might have been a change of manpower, explained by a change in the market situation or craftsmen. The green HSE card necessary in the access control is easily bought at the black market or borrowed from a friend. If one claims to have lost their card, all companies have routines for giving a temporary card, allowing its holder to enter the site. Random checks could be avoided simply by running away, tipping off associates or with fake ID or other papers.

PMs are the ones accountable for the project's procurement process. Either directly or by having the last word in the discussion. They are gatekeepers set to safeguard and maintain the routines to ensure smooth and ethical operations. Out of 13 respondents, 13 confirmed that it is possible for PMs to act as inside men, intentionally contracting a criminal SC. Power to control the systems comes with the power to circumvent the set barriers. The *modus operandi* of a dishonest PM could overlap with the one of a criminal subcontractor. The key aspect for a PM with such intentions would be to not ask more questions than those given in check lists for procurement. By not following up on early warning signs detected, a PM could keep his way pure. The respondents exemplify how the PM's authority is undisputed in the project:

“It was tempting to let him in (without ID card) anyways, in the end it was my call”

“Yes (it is possible). The PM is the king, or queen, of the project”

Some respondents say that it could be done without much effort. If the SCs, as confirmed in [Table 1](#), have the necessary documentation in place, it would probably not be noticed. If the documentation is not in place, several respondents are convinced that such an attempt to bring a criminal SC to the worksite would be discovered: “There is seldom control if no one suspects anything. If I have signed it (invoice), it gets paid”.

5. Conclusions

This study shows that it could indeed be possible for a PM in a large Norwegian contractor to not just be the company's gatekeeper, but act as an inside man to contract a criminal subcontractor intentionally. It could also be possible for a criminal SC to avoid existing control systems leading to them being contracted despite the gatekeepers' good intentions. This seems to be possible because the controls could be bypassed or fooled. This makes a situation with low risk and high reward for conducting in criminal activities. This is at the expense of the Norwegian society and should be counteracted.

These findings indicate that further research into the PMs in Norwegian contractors could be useful. As it seems to be possible that the PMs are acting as inside men, examining the scale of such actions could be an interesting path for further research. It could include a wider search for respondents to validate the findings, researching deeper how the corporate level affects the PMs' decisions. Using this study as a basis, the scope could also be turned towards preconditions set by the project owners or other important parties in the project. What are the incentives that affect the PMs would be a natural next step. Countermeasures to reduce the PMs' scope of action could also be identified, tying up the gatekeepers.

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