

PROJECT MANAGEMENT

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LECTURE 2



Ethics

- Right and Wrong.
- Company Code of Conduct.
- Professional Codes of Ethics.
- Personal Code of Ethics.
- Situational Ethics.
- Building Trust and Overcoming Hurdles



Company Code of Conduct

Ideally, the project manager's employer (or the Owner) will already have in place a global code of conduct, a clearly worded standard stating that if the company's chosen policies cannot be upheld, then the company will walk away from the business rather than compromise and do something inappropriate. (Please note that "Owner" is capitalized throughout this lectures when referring to the Owner that the project manager is working for, as is standard in the industry.)

It is the responsibility of each individual in a project organization, and particularly the project manager, to embrace the ethical fabric of the establishment and to live its values daily.

It needs to be made clear to all members of the project team that illegal or unethical payments (offering or receiving) will not be tolerated, including bribes, kickbacks, and illegal gratuities to or from any person, organization, or government official to secure improper advantage for the project. This does not mean that the organization should impose U.S. or Western values on other societies, but rather that the company has chosen what it believes to be a globally acceptable code of conduct, a culture of integrity for all involved. (Beta Gamma Sigma Center for Ethical Business Leadership 2011).

Professional Codes of Ethics

Virtually all professional organizations have codes of professional ethics. Although these are helpful in laying out fundamental canons, rules of practice, and professional obligations, none are legally binding. Most are just guides of conduct within a given profession, such as the Hippocratic Oath of 3,000 years ago for physicians (Ramani 2011). Common to most of these codes is the responsibility to consider the welfare, health, and safety of the workforce, general public, and community; to take on and perform work only in one's area of competence; to compete fairly; to avoid deceptive practices; to be objective and truthful in public statements; and to advance the profession.

Professional Codes of Ethics

A succinct and useful example for mining professionals comes from the Institute of Materials, Minerals and Mining (IOM3 2014). In its Code for Professional Conduct, the section on Ethical Behaviour states:

Members should always be aware of the overriding responsibility to the public good. A member's obligation to the client can never override this, and members should not enter undertakings which compromise this responsibility. The "public good" encompasses care and respect for the environment, and for humanity's cultural, historical and archeological heritage, as well as the primary responsibility members have to protect the health and wellbeing of present and future generations.

Personal Code of Ethics

Corporations for the most part demand integrity and ethics, and they expect the same from their personnel. Thus, when appointing the project manager, the Owner needs to be absolutely sure that the person selected comes with the right ethical fiber. Because the reality is, as James Turley, chairman and CEO of Ernst & Young, stated in the February 22, 2013, Global Business Ethics forum at Tulane University, “If someone doesn’t have it [ethics] by the time they come here, it’s going to be really hard to convince them they should have it [ethics].”

A project manager’s personal code of ethics needs to embrace the personal traits of integrity, fairness, faithfulness, and honesty.

Situational Ethics

Conditions for ethical lapses are ever-present in a mining project. In the best situations, the project manager will have wise company counsel available as an internal resource for advice and support in choosing a proper course of action. But sometimes the project manager will find her- or himself alone. Sometimes what is legal may be unethical; and sometimes what is ethical is not the course that is being demanded of the project manager. At such times, moral courage is needed (Kidder 2008). Doing the right thing when nobody is looking is an essential part of personal ethics. Not overlooking unethical behaviour in others is equally important.

Situational Ethics

To put all of this in context, the following situations are provided for the reader to ponder. The following are real project situations that have confronted project managers in the mining industry:

- The project manager was asked by the Owner to replace a properly calculated, risk-aware contingency amount with a lower dollar figure to achieve a more robust economic outcome in the company publication. This course was rejected.
- To improve revenue flow on paper, the very highest recovery rather than the median recovery from a suite of statistically representative metallurgical tests was advocated for the feasibility study. The project manager correctly rejected this data-skewing suggestion for recovery overstatement.

Situational Ethics

- A request was made to extend the geostatistical search distance of a mineral reserve to include values beyond those that were statistically relevant and thus improve the overall reserve grade. The project team rejected this inappropriate stretch.
- Craft productivity multipliers for construction were proposed for a feasibility study at levels never achieved in the state. The project manager rejected this major understatement of labor cost and used real productivities instead.

The following events were faced by actual project managers on the job. Other real, ethical dilemmas will likely similarly confront project managers in the field.

- A check drill hole came in with mineral grades significantly below that of its twin. It was not, as suggested by the Owner's business partner, removed from the data bank. The results were reported, and follow-up activity ultimately killed the project.

- A heap leach under-soil liner and a crusher facility foundation both failed their compaction tests. The improperly compacted soils were removed and replaced, not buried under another layer, and the test data were not destroyed, as suggested by the contractor; but these proper actions resulted in an unbudgeted \$250,000 capital cost increase.

- A concrete cylinder and its follow-up repeat cylinder failed the quality test. The concrete was replaced, even though this delayed the overall schedule and caused the loss of the project team bonus.
- A reportable, mandated environmental test on a protection device failed. The failed test was not, as suggested, deleted from the record. It was reported, and a fine ensued.

Data reporting can also present difficult ethical decisions:

- If a feasibility study is claimed to be complete, but there is insufficient engineering performed to support the design or costs, the study should not be accepted.
- When schedule delays can no longer realistically be made up, they need to be reported immediately, even if this results in negative consequences for the reporter.
- When capital items come in so significantly beyond original estimation that it is inappropriate for them be covered from contingency, the overruns need reporting, even if they will take the capital cost beyond the approved amount.

The key point is that the project manager's conduct needs to be based on integrity, fairness, and honesty at all times. Generally, the consequences will be acceptable for the project and the project manager, but not always. Regardless, that is the conduct required. If the project manager is not willing to display this moral courage, then he or she should not take the job.

Building Trust and Overcoming Hurdles

To build a mine in today's increasingly connected world, one first has to build trust. A common thread found within projects that fail to win regulatory or social approval to go forward is that the key stakeholders do not trust each other.

By being honest, open, and ethical, a project manager can successfully deliver a mining project. To arrive at that endpoint, the project must do more than meet the corporate rate of return. It must visibly benefit the local community; it must be transparently clear of any corrupt practices (real or perceived); it must demonstrably do no environmental harm; and it must help decrease wealth disparities. These are the ethical yardsticks of today's public. If each project can meet these 21st-century standards, then it will go forward. Each time a project delivers on its promises, another segment of the public will become educated about the real value of our industry.