



THE CONSULTANTS ROLE

By Dr. T. I. Mudder

The collapse of Enron was the largest corporate bankruptcy in the history of the U.S. It is astounding to contemplate how this happened considering the number of entities and individuals involved with this company in the age of information and transparency. Tens of thousands of people had some level of knowledge of the company's finances. These people included employees, stockholders, several federal and state agencies, brokerage firms, banks, the media, and consultants like Arthur Andersen. Scores of politicians as well as public and private organizations and companies took money from Enron in the form of campaign and charitable contributions. Enron gave money to scores of individuals and entities in an attempt to gain influence or more importantly to get them to merely stay out of or look the other way. This event has fueled further protests against capitalism and globalization with widespread calls for more legislation and governmental control of business. The ripples throughout the global economy are ever widening.

Once again this is not a story about bad companies, it is a story about bad people who let uncontrollable greed dictate their decisions. It is hoped that companies globally make fundamental changes with respect to transparency and condemn this type of business practice. It has been reported that Arthur Andersen, an international accounting firm, received tens of million dollars annually in "professional" fees from Enron. Beyond the U.S., the Australian government is investigating the collapse of the insurance company HIH, the largest corporate bankruptcy in its history. Arthur Andersen just prior to the collapse had blessed the company's books and indicated HIH was in the black and flush with cash.

There is an important lesson for the consultant industry of which I have been a member for nearly two decades. Arthur Andersen broke the first law of consulting by telling its client what it wanted to hear and not what it needed to hear. As consultants we have a duty to provide reliable and realistic advice to our clients, who are in truth the stockholders. Many people will suffer as the result of the greed of the few. Seemingly, the prospects of rapid wealth were worth the risks of not doing what was right. Many put their faith in the management of Enron and now have nothing for their many years of hard work and dedication.

Consultants like companies have a responsibility to conduct themselves in an ethical manner. Integrity and honesty are at the foundations of our existence in civilized society. We must move beyond merely getting the final report out on time and responding to the next Request for Proposal (RFP). Associated with quality is a dedication to mentoring and monitoring by senior consultants on behalf of the less experienced scientists and engineers in a consulting firm. These considerations do not mean that a consulting firm cannot be competitive, which is a basic principle of capitalism.

Mining companies must also realize that respondents to an RFP are not equal in experience and expertise, and therefore are not equal in quality. Operating on the concept of the lowest bid to complete a project as critical as a tailings dam design, installation of a synthetic liner under a heap leach pad, construction of a treatment facility, or modeling of an open pit will not universally provide long term reliability. This approach encourages consulting firms to use fewer senior professionals and less expensive and inexperienced engineers and scientists to cut corners and costs to meet the low bid requirement.

This concept and approach has become particularly troublesome during these strained economic times and period of low mineral and metal prices. Spending additional money on senior professionals during the design and review stages of a project will pay off many fold throughout the life of a mine, increase the public's level of confidence, reduce the risk of failures, and ultimately the number of environmental mishaps.

The collapse of either a company or a tailings dam makes all of our jobs that much harder the next time an engineer or scientist must present technical information to the public or government agency, and ask to be trusted to do the right thing. Our technical knowledge has grown exponentially over the last century, but nonetheless, major environmental incidents still occur in the mining industry. In the meantime consultants must somehow continue to do business for the lowest bid while maintaining the highest level of quality. The incremental cost of doing things right is generally small compared with the overall reduction in risk and potential environmental mishaps.

The ongoing environmental mishaps that occur in the mining industry due to geotechnical failures, mismanagement of cyanide and improper disposal of waste rock are not the result of our lack of knowledge. We have the experience and expertise to accomplish a particular engineering or scientific task correctly. The problem lies with the approach taken in applying the knowledge. We must plan more diligently with more vision and take our time to do things right. The problem lies with the speed with which each ore body must be developed. This is certainly not sustainable development. In our quest to mine every deposit, we now have copper companies on a global basis reducing production in an attempt to shore up prices and increase demand.

No matter how one uses a calculator two and two will sooner or later add to four. One can bend the laws of science and engineering but one cannot break them. As Arthur Andersen has proved bigger does not mean better and clearly not more honest and accurate. It seems that doing the right thing is just too hard. Somehow the thrill is lost if corners are not cut. The historical transition in business management from scientists and engineers to MBAs, accountants, and lawyers has not provided a new view of profitability. As consultants, we must challenge ourselves to set the professional pace within the human race, for our individual legitimacy and our work's longevity are our legacies.