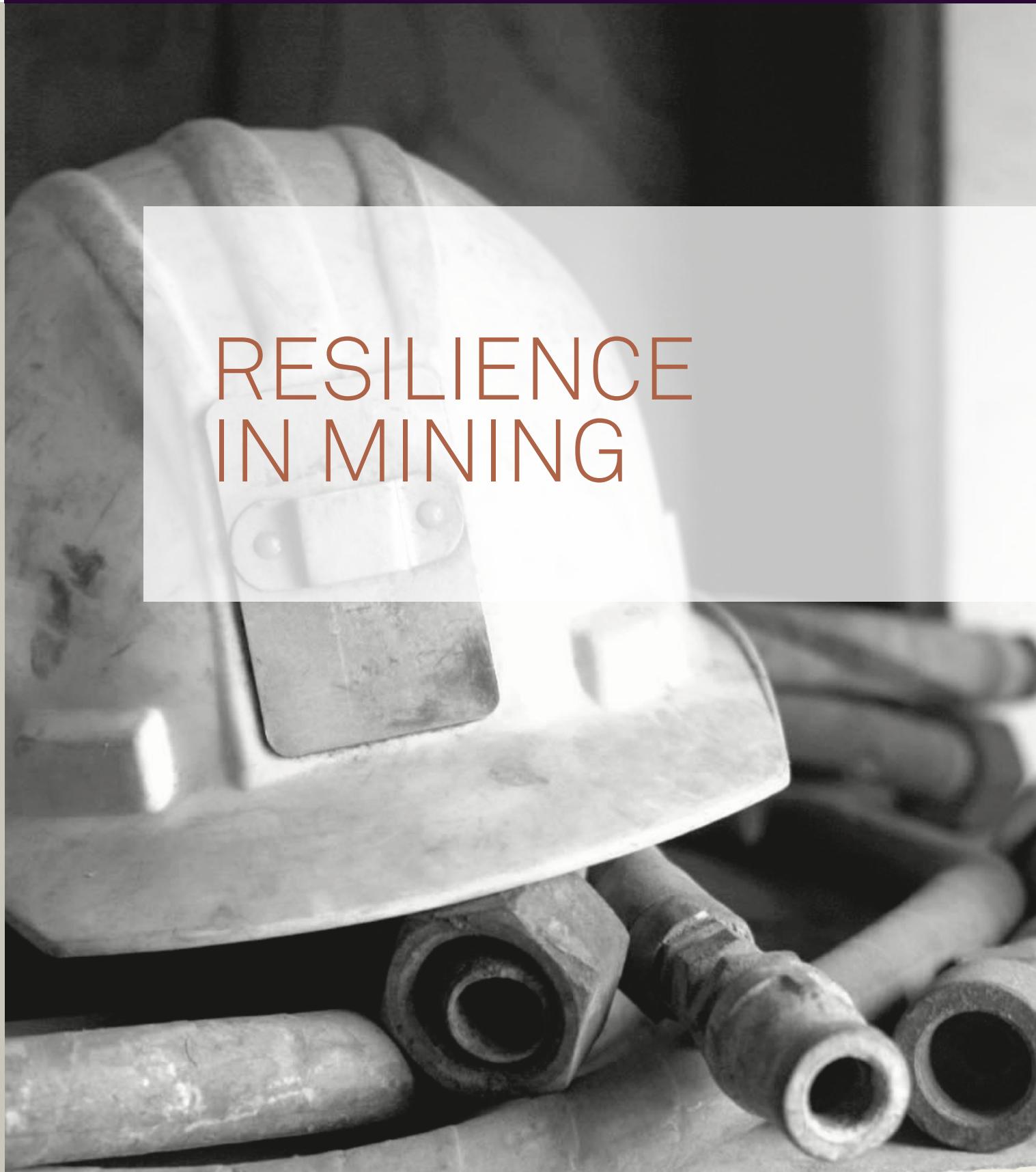


Experience. Insight.

RESILIENCE IN MINING





Resilience in Mining

Cost cutting is not a sustainable strategy

Over the last decade the mining industry has experienced unprecedented growth. An expansionary culture has been pervasive across the industry as organisations chase the marginal production tonne, often without understanding the true cost of this strategy.

Recently a major turnaround in capital projects has been witnessed as the industry shifts from construction and expansion, to consolidation, export and production. Over the next five years mining investment is expected to fall, leading to what some commentators are labelling a “construction cliff”. The adjustment process is evident by the “cost cutting” across the industry – an unsustainable strategy.

The best managers in the industry have always been focused on lowering the cost of production, regardless of the industry lifecycle. Their asset operations are nimble, agile and respond quickly to changes in the market. Their cultures of practice lead the industry.

In the last 25 years we've experienced several business cycles, and the similarities between the current cost reduction focus and the late 80's and early 90's is striking. Mines are focused on local cost reduction and high grading, often at the expense of asset integrity and long term productivity.



Nothing Lasts Forever

Corporate culture also needs to change

Organisations are made up of individual cultures of practice which shape decision-making. The more successful these cultures of practice are, the more deeply entrenched they become.

Productive cultures of practice are essential to an organisation, though they are not easily valued or acquired. They are difficult to transfer, hard to imitate, and represent a source of long-term competitive advantage.

Despite this, cultures of practice have a finite shelf life and are susceptible to external shocks. When conditions change, entrenched cultures of practice hold an organisation back, inhibiting their ability to adapt. The more successful past practices have been, the more individuals and organisations hold on to them, despite their dwindling success.

The challenge for management is to recognise when cultures of practice become redundant and initiate change programmes that help to establish innovative new practices.

Shifting culture can be a painful and laborious process when using traditional change methods, as people cling to their existing mindsets and practices. As a result, management often faces resistance to the implementation of change. It is at this crucial hurdle, essentially before beginning, that most change programmes fail.



Same Result, Faster

Simulation reveals real constraints

One of our clients identified the need to improve the productivity of their marginal operations as well as reduce the cost of the business. They weren't sure how to achieve these goals – as the entrenched cultures of practice were holding them back.

To identify the appropriate strategy and take corrective action would have consumed considerable resources while the organisation experimented with different process changes. In the meantime the business would be forfeiting revenue. The company's market standing demanded a faster and more predictable result. We were engaged to help the business get there faster and avoid a lengthy process of trial and error.

A true-to-life Knowledge Base was developed covering all components of the transportation process. Simulation runs using this Knowledge Base revealed that the current transportation process would not be able to cope with the predicted 20% increase in production. However, it also demonstrated that operational changes could resolve the key problems without capital expenditure.

Through the application of a five-year simulation we were able to identify this constraint ahead of time. Ultimately unit costs were reduced by 29% per tonne and production increased by 14%, bringing the mine on track to exceed their 1.8 million tonne target.



The Rehearsal

Increasing agility and innovation

The rapid growth of the mining industry, a result of ballooning commodity prices, has itself created unique cultures of practice. As prices recede to a long-term normal, many organisations are struggling to adjust from expansion to production and capital efficiency.

Our methodology, “The Rehearsal”, affords participants the opportunity to test their strategies from the safety of a simulation, achieving organisational learning in days that would normally require years.

During our simulations specific cognitive responses to induce change take place. Time frames are accelerated and pressure to achieve goals causes participants to draw on their tacit understanding of the organisation, the industry and operations.

As the simulation progresses ineffectual practices are discarded. A desire to succeed amongst peers is evident and participants start to approach problems in a new, previously unseen, untested, manner. Through the process of trial and error, and response to failures, new practices are adopted. A deep understanding of what works and what doesn’t is learned in an accelerated timeframe.

The Rehearsal ensures that the ownership of new strategies, and how to realise them, resides with the people ultimately responsible for their implementation. By actively including key staff in the simulation, participants experience themselves why things need to change, in what direction they need to move and how best to implement this change. Change comes from within the organisation and ownership of the change programme lies with the employees.

Adjusting to the new normal in mining isn’t as difficult as it seems and it requires only a fraction of the time most organisations expect. Efficient change management, like efficient mining, simply requires that you combine the latest technology with industry best practice.

For a detailed assessment on how The Rehearsal can be applied to your organisation, please contact us.



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