

THE FIVE LEVEL PLAYING FIELD

BACKGROUND

Our client owns and operates gold mines in China. It is an Australian company listed on the Australian Stock Exchange. Some upper levels of operations' management are provided by fly-in/fly-out expatriates. Middle and lower levels of management are provided by local Chinese personnel.

Operations were initially focused on the company's first mine which produces approximately 100,000 oz of gold per year. That focus is poised to shift to a new mine where production is expected to eventually reach 300,000 oz of gold per year – one of the largest gold mines in China.

OBJECTIVES

The company's CEO needed to be certain that the company was able to evolve the right organisational structure and skill levels to manage future operations at the new mine, as well as subsequent mines the company develops or acquires. Among the pressing issues was the need – or not – for an operations' manager.

Three issues were identified that the CEO wanted to address: How to develop the

right infrastructure at the new mine. How to transfer management processes in use at the first mine to the second one. And how to expedite the commencement of an exploration program. In order to assist with this, GPR Dehler was retained to document the current organisational structure, to depict the ideal organisational structure and the skill levels needed to achieve the above objectives.

KEY RESULTS

The company's CEO was provided with:

- A clear pictorial representation of the company's current functional and structural capability.
- A clear pictorial representation of the company's ideal functional capability under current requirements.
- An effective tool that enables the CEO to make decisions, prioritise actions and to persuasively communicate these to the board and to the management team.
- Several of the company's senior and middle managers participated in the process and were party to the key conclusions.



The new mine is a major step up for the company. In order to have a clear understanding of who to hire and at what skill level, the company first needed an understanding of what their organisational structure should look like; a point to aim for and to evolve towards.

Running an organisation – anywhere in the world – with a mixture of expatriate and local managers adds a layer of complexity to the usual gamut of management issues. Local managers often feel unfairly remunerated compared to their better-paid expatriate colleagues. And expatriate managers, with far more authority than they would often find in their home countries, can be hard to lead.

As a case in point, the company had undergone several attempts at hiring an operations manager. Each, an expatriate, lasted between a few months to a couple of years; typically moving on to pursue bigger fish. The question now on the table was whether the company needed one at all.

LEVELLING IN

One of the obvious benefits of creating a well-defined organisational structure is that it clearly identifies each level of management and defines their activities and areas of accountability. There are numerous approaches and management theories on this topic. Among the very best is the work of Elliott Jaques – a Canadian management theorist best known for his development of the Requisite Organisation.

Elliott Jaques' theories provided the ideal approach to apply to this company; they are specifically designed to help people understand what an ideal organisation structure looks like.

A QUICK EXPOSITION ON ELLIOTT JAQUES

Elliott Jaques developed a view that levels in an organisation could be differentiated by the length of time of the longest task at each level. (For a company of up to US\$1

billion, his stated view was that only five levels are required.)

At level one the longest task required is three months. For example a mine jumbo (drill) operator may mainly focus on the daily tasks required to drill a heading. Understanding how the heading will be formed, through to the sequence of drilling, takes a longer perspective.

At the highest level, five, a Managing Director is expected to focus on complex tasks related to strategy, industry structure and market direction, which may require a five to 10 year view.

APPLYING JAQUES' THEORIES

Our firm conducted a number of workshops with the key stakeholders. These were used to determine their roles and responsibilities, their views on current strengths of the organisation and the issues facing it, their understanding of the management process in place and their understanding of the hand-over process at the conclusion of commissioning.

This information was evaluated against a Requisite Structure. We were able to depict, clearly and visually, the management levels at which the company was resourced across key functions. This included high level value chain functions, such as management of operations and development of infrastructure; operational functions such as planning and safety management; project generation functions such as project identification, planning and control; and exploration functions such as drill testing and resource delineation.

LOOKS ABOUT RIGHT

The outputs proved highly effective. These gave the CEO a clear and accurate view of how well the company is positioned and resourced in relation to its stated aims. They enabled him to understand what's worth focusing on and what's either fine as is or not worth worrying about. And they provided a solid platform (built on 30 years of scientific research) from which to communicate these to the board and to the management team.

One of the major conclusions was that the company's existing organisational structure made a great deal of sense and that there was no major benefits to be gained from hiring an operations manager. Far more important for the company was to focus on transferring the management processes from the established mine to the new mine.

The dilemma on pay scales was put into perspective by aligning pay to the organisational levels. It made sense to establish two scales; one for local managers linked to local rates, and one for expatriates linked to overseas rates. The rationale being that you only source expensive expatriates when their skills are not available locally and that you have to attract them with rates equivalent to their pay at home.

EASY ON PAPER

This project, like many of our engagements, looks straightforward on paper. The reality is far from it. Our skill is not just in identifying problems and designing solutions, but in making those solutions work - often in a tough business and cultural environment.

GPR Dehler has an excellent record of implementing change programs in Australia, New Zealand, Asia, Europe, North America and Southern Africa. Everything we do is geared towards achieving results - not writing reports. We have the management and planning skills as well as hands-on consultants with experience to overcome obstacles and transform good ideas into effective and successful programs. Significantly, we do this with minimum disruption to our clients' business operations.