

Mega World by ACSILabs

Case Study

Gold Mining



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The Abstract

FutureView Mega Worlds are a pioneering strategic rehearsal tool for business. The heart of the method is a fast paced business emulation of the client's real world assets and processes. Cross-silo employees of the client organisation use the simulation to perform their tasks in a high pressure time accelerated environment. The resulting experience transforms staff thinking, decision making patterns and behaviour in the real world.

More than 12,000 people have been through these exercises in more than 50 companies and there has never been a group who did not exhibit marked performance improvements along targeted goals. Mega Worlds are an effective way to implement change quickly and permanently – words that are not traditionally associated with Change Management.

Mega Worlds were developed Dr Lia Di Bello and the team at ACSILabs. Onirik is a partner of ACSILabs.

The Study

The new CEO of a North American gold mining company was missing stock price growth goals. One of the mines in his group was being investigated by the SEC over a merger and the mines in the group were not performing well against benchmark or plan.

The CEO said the reasons for his critical business problem included:

- There were on-going wars between the mine sites and the corporate offices. The mines and mills in the Group operated as fiefdoms often conflicting in their efforts around increasing efficiency, production and cash for growth. The collection of operations operated with the independent cultures and inefficiencies of disparate single operations. The net effect was he had a number of independent companies and was failing to realise economy of scale benefits.
- The exploration and development group were consistently falling well short of discovery and development goals - in terms of resource size and time to develop.
- Despite intense effort and investment, no team in the organisation had been able to implement effective solutions to solve this problem. Consequently he was missing production growth, cash flow growth, revenue growth and reserve growth targets. The Group share price was depressed and although he wanted to sell some of his operations there was no buyer interest.

The Study

The CEO said the capabilities he needed included:

- A means to successfully integrate the many company operations into one unit, one culture, and one company that would yield the higher revenue, higher profits, and higher share price. He wanted to realise the financial benefits upon which the economies of his large scale operation were originally justified to investors.
- A means to hold the staff accountable for the 'non-negotiable' performance targets of the company. He wanted to develop an organisation and culture that would year on year meet or exceed non-negotiable production, cash flow and revenue growth goals. A means to get his mine operations to commit to and deliver production in excess of target and at reducing costs.
- A means to get his the business units in his organisation to commit to and deliver upon a non-negotiable goal to exceed profit targets.
- When determining strategies, tactics and operations plans his organisation would embrace new ways of thinking that could break free of the old limitations and process bottlenecks. He wanted a means to leverage the managers' and frontline workers' content knowledge of the Group operations.

The Study

He wanted to collect the ideas, tacit production knowledge and know how of his most experienced mine managers, operational experts and highly experienced but not highly educated frontline operators and 'technicians'. He also wanted a means to seed new ideas from other disciplines and scientific research into the existing knowledge base.

- A means to simulate and test options and action plans and measure the impact on the non-negotiable production and financial goals. A low risk way to prove it was possible to transform his operations on a large scale.
- A method of aggressive intervention that would help his people 'unlearn' old thinking and then 'relearn' at a preconscious level but not expose the business to risk.

The CEO said that if he could get these capabilities he could double the share price within 18 months.

A "miniature physical virtual world" and operational simulation helped him develop these capabilities.

Our consultants designed and deployed a cognitive remodelling methodology, known as "business emulation." It involved an operational simulation with a group of managers and employees representing all business functions with a direct or indirect role in business performance.

The Study

The staff members had to run a simulated version of their company. At the start of the fast paced exercise, participants were simply told that in order to win they had to meet operational profit targets and double stock price - a 'non-negotiable goal'. The only feedback they received was a dynamic dashboard, showing the impact of their decisions and actions. Each 20 minutes of this exercise represented a month of actual time.

On their first try they failed. They replicated their normal approach. Familiar results ensued. Exploration and production targets were missed, profits dropped, reserves dropped and share price slipped. When the teams tried to resolve the production and exploration problems employing prior "habitual" thinking patterns and combative strategies, they ran into a mounting series of failures and were continually shown the human and financial consequences of their decision making patterns.

After a sleep cycle, which gives the participants' brains a chance to reorganise defaults, participants returned the next morning and were given time and help from the facilitators to examine financial and performance data from the previous day together with their decision making patterns. In that time, they had to figure out how to do their jobs better.

The Study

The participants discussed among themselves what assumptions and thinking led to various decisions and began to identify practices that led to bad outcomes vs. practices that would deliver the non-negotiable goal. They also began to understand in detail the ways that their “gut feel” decisions revealed how they had actually misunderstood the nature of their problem, who owned the problem and the solution. As the facilitators guided participants through the review process the participants built new productive approaches to solving their real problem. A series of innovations quickly emerged. By the end of the second day's session, the simulated exploration, development, mining, milling, smelting and refining company had achieved the goals set.

The Results

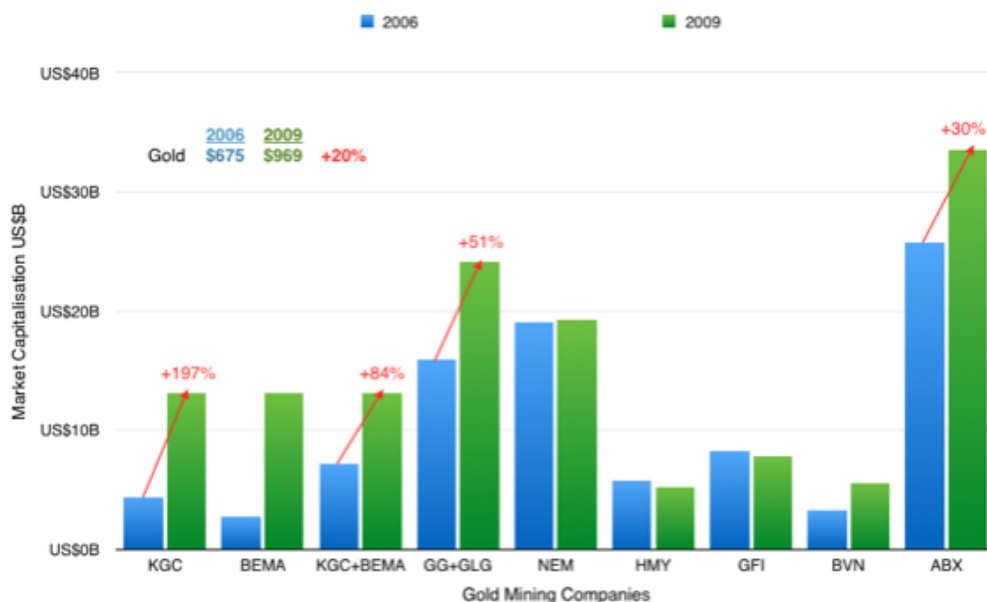
When they returned to work the staff implemented the innovations they had developed during the simulation. The results were fast and lasting.

- What they learned in the two rehearsals was that their portfolio of assets did not support their growth strategy. In essence they owned the wrong mines and could not be successful unless they shifted their strategy to portfolio management - which they did.
- There was a big improvement in cross-silo cooperation between mine sites, corporate finance, exploration and business development. The flatter organisation that emerged demonstrated innovation, focus, speed and teamwork.
- The organisation exceeded the profit and resource replacement rate targets. Within eighteen months market capitalisation for the client had doubled - stock price increased from \$10.75 to \$22 within one year. During the same period their best performing competitors only grew market capitalisation between 30% and 84%; and half their peers stagnated with no growth (see chart at the bottom of the next page).

The Results

- The Group moved from a 'bottom tier' player to 'top tier'. In 2008 the Group was named top employer for its local region. In 2009 the Group received an A rating in Maclean's top 50 Most Socially Responsible Corporations. And in 2011 the Group was added to the Dow Jones Sustainability Index.

The ROI was measured in thousands of percent and the payback period was less than one month.



For more information go to
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