

Culture and Leadership Effectiveness 2 **28 February 2011**

There are significant differences in leadership performance among our mines and mining companies. As I said last week; there is variability and where there is variability there will be loss. Culture and leadership effectiveness are probably more important than most as issues impacting mine performance. They are interlinked, industry wide issues affecting every aspect of mine performance. They are interlinked because sometimes effective leadership can drive culture and sometimes culture drives effective leadership. It just depends on the mine. Executive management address it by ensuring prospective employees are moved around to give them the breadth of experiences necessary and then give them boundaries for the decisions they make; but issues about the way they act, the energy they bring to a mine, their engagement with the people and mine data, the quality of their decisions and what is going on around them remain as significant variables.

The whole area of variance in leadership performance is certainly a conundrum for executives; how do they select a person with the right “person-environment” fit? On some occasions it is more about who has the necessary time moving around the mines. Managers act in certain ways because that is just who they are and they have never had support to change. Sometimes there is executive support to drive a change in culture to address inefficiency. One such example is Coal and Allied in the mid to late 1990's.

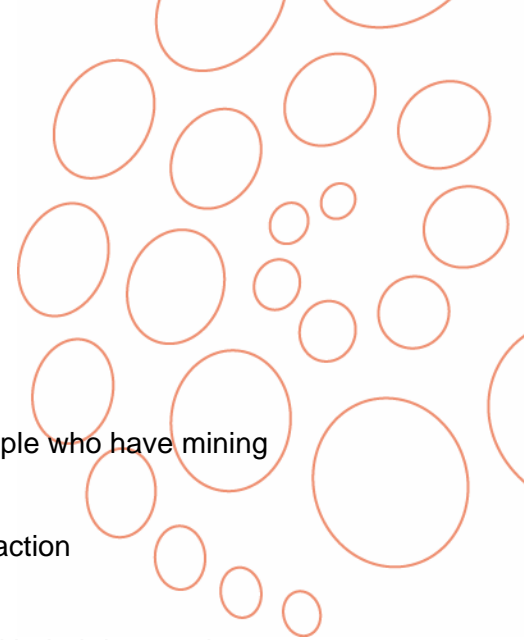
Last week I promised a case study demonstrating two mines only half an hour apart. They are both coal mines; they use similar tools; they dig the same overburden; they have similar output and they use similar methods. It is almost impossible to have two more similar operations which have effectively the same operational characteristics. They are not in Australia although I could find numerous similar examples here.

Figure 1 and Figure 2 demonstrate why I and a significant portion of this industry thinks that culture and leadership effectiveness are an issue. The first plot shows the 2010 benchmark of the two mines' draglines. The red results come from a mine that has the following characteristics.

- General Manager participates in and insists on exceptional performance.
- Focus on their large equipment output.

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- Benchmark every year.
- Well resourced Business Improvement department with people who have mining experience
- Meet every morning to go over data and identify factors for action
- Factors are actioned every day
- Mine personnel know in greatest detail what is happening with their key equipment
- BI people have power to implement change
- Take pride in being best practice
- Still looking for ways to improve

Their draglines are in the 99th, 94th and 90th percentiles.

The purple results come from a mine which is a little different

- General Manager not involved
- Business Improvement people removed from what the mine's equipment is achieving
- BI people have current focus on grader blades and light vehicles
- BI department has three people
- Data is not looked after and is doubtful.
- Don't think best practice is applicable to them.
- Don't currently benchmark as they haven't been able to get their people to respond to the results.

Their draglines are in the 23rd to 52nd percentiles.

There is no obvious reason why the dragline performance should be different. When I visited both mines last October I was specifically looking for reasons why they performed differently. We didn't have the 2010 results but we knew about the differences from previous years.

The second plot is from the same mine as achieved the red results. Seven of the twelve loading units are in the best practice group (top 10%). The five loaders at the bottom had a portion of their year loading coal; on certain factors they were also in the best practice group.

This result doesn't prove that the culture or leadership of mine 1 has delivered superior

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performance. Anecdotally, this and a compelling number of other case studies do suggest a link and it is this linkage and the characteristics of the link which this industry really needs to quantify.



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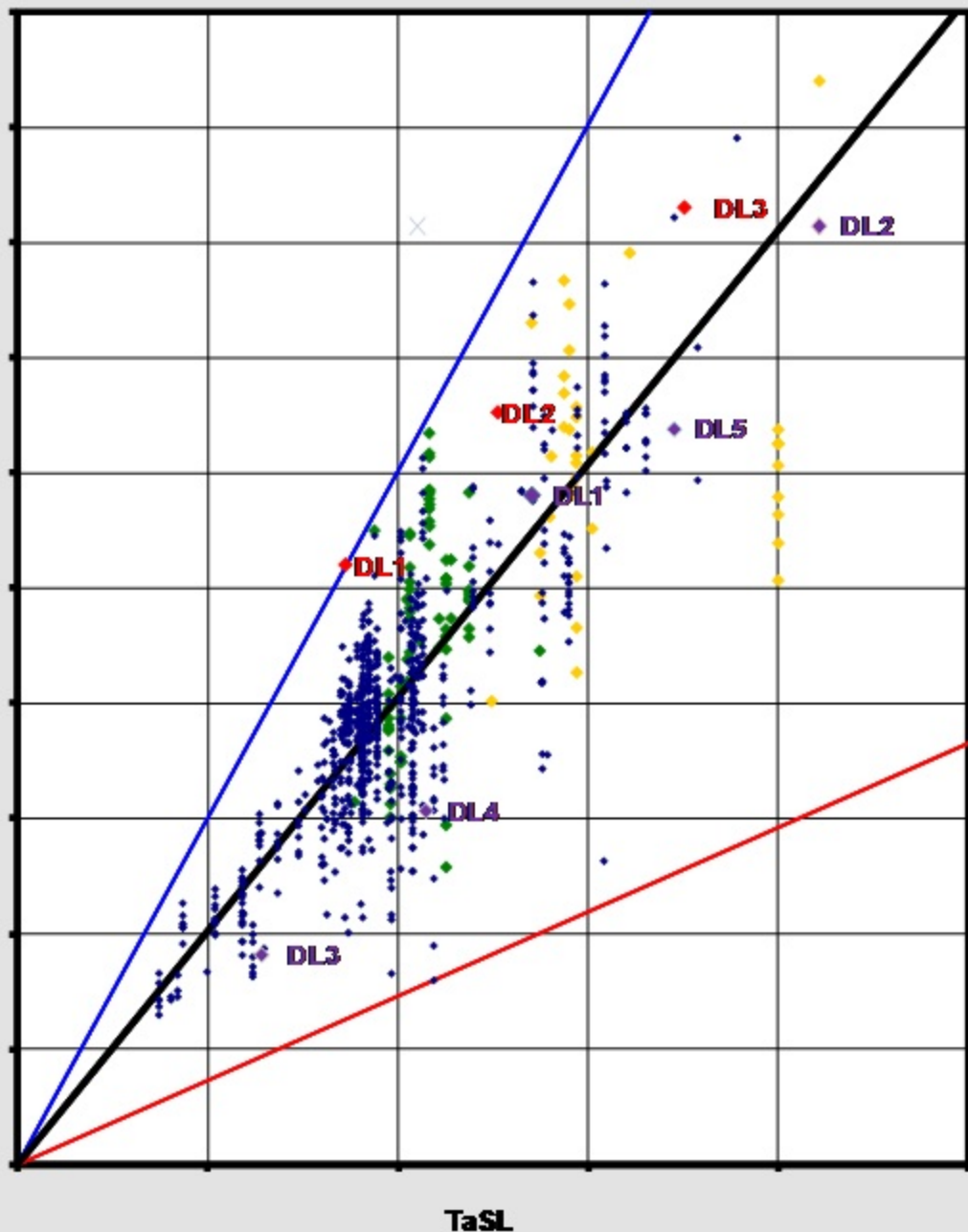
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2010 Dragline Benchmark Mine 1

Annual Output vs TaSL

Annual Output

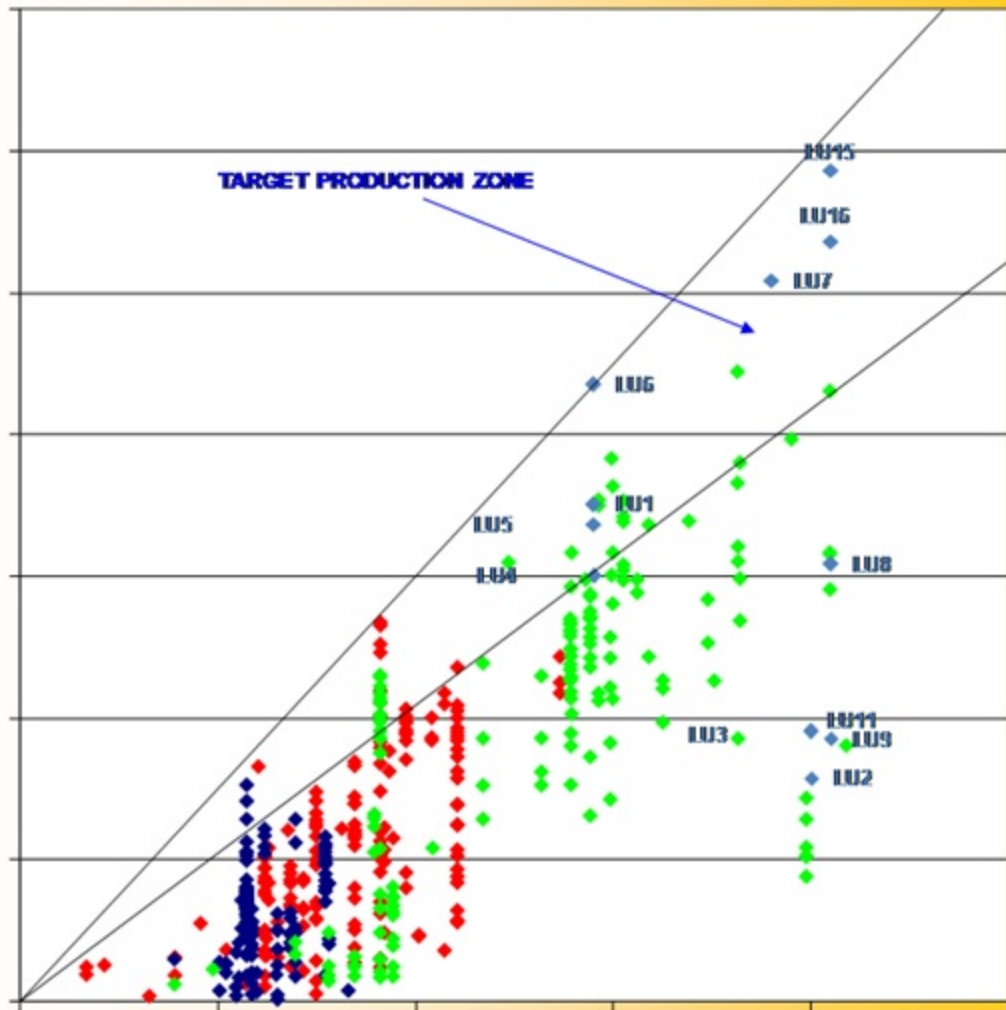


TaSL



2010 Loading Unit Benchmark Actual Annual Production

Actual Annual Production



Bucket Capacity

◆ Class 1

◆ Class 2

◆ Class 3