Through thick and thin

For mining and other cyclical industries, investment in talent management during down markets has an upside: “Buying low” today delivers greater agility tomorrow.
Seizing opportunity before market conditions shift.

As prolonged as the global slump in commodity prices has been for mining companies, the clock is ticking to find advantage in it from a talent management perspective. Some mining companies have leveraged the downturn to rethink, retrench, and reinvigorate their management of talent, in much the same way that leading companies find opportunities in “buy low” business situations. These forward-looking organizations are now positioned to avoid overpaying or missing out on key talent—and to leapfrog competitors—as the industry’s economic prospects improve. Leadership teams whose companies have yet to act in the downturn to strengthen their talent management should know that difficult choices must be made regarding current talent, and that these decisions should be made quickly, because opportunities could evaporate once a full-blown sector turnaround materializes. Companies with lesser talent management will then quickly fall behind on a range of strategic opportunities.

Signs are growing that the industry’s current cycle has reached an inflection point. Precious-metals prices are beginning to rise. Iron ore prices have leapt by 40% this year. Some gold companies have posted better-than-expected results. Capital markets also have opened up. More mining enterprises are looking to pursue opportunities to refinance, restructure, and find other ways to get a head start on better times. Although the precise timing of the global mining industry’s return to robust growth is impossible to predict, experience says it will happen, given the industry’s acutely cyclical nature.

But Korn Ferry Hay Group, based on the authors’ collective decades of experience in the sector, has found that the industry’s talent management practices, as in other major investment areas, are not as rigorous as they should be. “Gold miners have a tendency to spend as much as the price of gold allows,” a leading metals and mining investor recently told the Wall Street Journal. “Don’t be surprised if their behavior starts to change pretty soon. It is not a disciplined industry.” This laxity also applies to talent practices across the mining industry, which, in past growth cycles has displayed a tendency to overspend on profligate recruiting and hiring frenzies. Current, improving conditions present an opportunity for resource-based companies to impose greater discipline on their talent management. Pursuing this opportunity while much of the industry continues to focus on cost reductions will be difficult for some organizations. But the returns on investments in talent management can far outpace the costs. Besides, given all the external drivers beyond the reach of boards of directors and the executive team—including commodity prices, government regulations, and exchange rates—talent management represents a valuable lever firmly within their grasp. Notably, many boards already are scrutinizing issues in management succession and diversity.

But to reap the greatest benefits, companies must recognize the high costs and substantial problems associated with letting talent management be whipsawed by market conditions. Instead, they need to learn about and figure out how to put in place best talent management practices. Above all, they must commit—at the board level, in the C-suite, and throughout the workforce—to treating talent management as an integral component of the business strategy, recognizing that it requires sustained attention and investment, regardless of market conditions. When current market conditions change, recent history suggests, they will do so with a vengeance.
Woes of lax talent management.

The mining industry has confronted significant challenges in recent years owing to factors such as China’s capital spending pullback, global economic uncertainty, and the impact of those forces on a wide range of commodity and metal prices. Since 2013, mining companies have shelved projects and conducted waves of staff downsizings as metal prices hovered near three-, five-, and 10-year lows. Volatility and depressed prices have hit companies hard, as evidenced by the volume of executive turnover and strategic retrenchments, as well as the downward pressure on compensation. “Without a doubt, pay constraints are real,” reported Korn Ferry Hay Group’s June 2016 *Global Mining Review* briefing, which showed high levels of pay freezes and halts to short-term incentive programs.

Lower commodity prices have prompted major cost-reduction efforts. When budgets are tight, organizational leaders are understandably reluctant to propose new investments in recruiting, leadership development, and succession planning. Yet the long-term costs of neglecting improvements in talent management, especially during depressed market conditions, can be substantial. Executive turnover causes disruptions that can reduce productivity. Layoffs can hamper recruiting. Over the medium term, talent neglect can expose organizations to unnecessarily high hiring costs once the market rebounds and competition for specific talent surges. A troubling longer-term risk concerns the size and health of the future leadership pool.

Korn Ferry finds that it is worth exploring—and avoiding—these and other harms from lagging talent management approaches:

- **Declining organizational agility.** The lack of a talent management plan can slow or stall companies’ business when a cycle turns upward. This occurred when the most recent super cycle began in the 2000s. Throughout much of the 1990s, the industry tended to refrain from making the number and magnitude of large-scale capital investments that typically occurred when market conditions turned favorable. But by failing to invest in the recruitment and development of project management talent in the 1990s, many mining companies were caught flat-footed when the need arose to create and staff projects swiftly. Talent gaps caused delays that significantly reduced the profitability of many projects, including a number of $1 billion-plus projects in North America, Latin America, Africa, and Australia. Inflation sparked by these talent shortfalls ultimately affected profit margins.

- **Excessive hiring costs.** Because they failed to develop a sufficient bench of project leaders in the 1990s, companies were forced to pay excessive—in many cases, astronomical—salaries to staff their teams a decade later. Companies also overpaid for underwhelming talent, simply because the competition to hire project manager *titles* was so fierce. During a spike in competition for mining talent in Canada in 2007 and 2008, new mining engineering graduates were awash in offers with six-figure salaries attached, according to the executive director of the country’s Mining Industry Human Resources Council (MiHR).
- **Recruiting damage.** Reacting to cost pressures by laying off swaths of staff can create negative perceptions of a company among current and future employees. Companies with reputations for jettisoning staff, including managers and senior personnel, to “make the numbers,” struggle to compete for top talent. The problem may be worse this time around as demographics force firms to find new but seasoned leaders. As the mining industry turns its current corner, a larger number of baby boomer executives who delayed retirement because of the downturn may depart as their personal finances improve. In Canada, for example, the industry’s retirement rate is projected to increase by 39% in the next nine years, the MiHR estimates.

- **A shallower pool of future leaders.** During the long down cycle, new geologists, mining engineers and similarly trained graduates have struggled to find jobs. Many engineers who would have entered mining went to other sectors. Incoming university students who would have entered mining programs likely have chosen other specialties in the last four, lean years. Fifteen years from now, when mining firms are grooming future leaders, they could have a thin supply of high-potentials in their late 30s. Further, some of the major global firms have rationalized to themselves cuts in investments in technical talent, such as for exploration and resource processing. The supply of those experts has therefore declined, meaning competition in these talent pools also may intensify over time.

**Leading approaches and practices.**

There is no one-size-fits-all approach to optimal talent management. But companies that excel in these areas make talent management a central component of their overall business strategy. They rigorously develop and execute a comprehensive approach to talent in recruiting, hiring, development, and retention. They deploy leading approaches to talent assessment. (See sidebar: “4 New Dimensions in Mining Talent Management.”) Many of these processes are carefully measured and monitored; some have links to performance metrics. In all these cases, the development of employees and leaders is treated as a critical enabler of businesses’ short- and long-term performance.

Best-in-class companies also execute their talent management strategies and tactics consistently. They sustain their investment and attention to these practices through thick and thin. In the past 18 months, Korn Ferry has seen a number of mining companies, among other steps, formalize how they identify and retain their best people, invest in leadership development, and forge interesting new talent-based partnerships.
4 new dimensions in mining talent management.

Once mining companies commit to a more strategic, disciplined approach to talent management, they should consider addressing another dimension: the specific process by which talent is evaluated effectively and comprehensively. The Korn Ferry approach includes four dimensions, which constitute a framework that hiring teams can deploy to sharpen their understanding of how well a candidate fits with their organization (Crandell, Hazucha, and Orr 2014). The purpose of this research-driven framework is to foster practical discussions about candidates’ fit through an easily shared language that makes leadership selection and talent management effective and sustainable. The four dimensions are:

1. **Competencies.** These are the essential ingredients of success at work, distilled to their observable skills and behaviors. Competencies might describe management skills that contribute to better leadership, such as resourcefulness, courage, or quality of decisions.

2. **Experiences.** This dimension typically attracts the most scrutiny in aligning talent needs and contains the qualifications for each management level in diverse functions and industries. It transcends job titles to capture the core effect of an experience.

3. **Traits.** These are personality characteristics that exert a strong influence on behavior and that factor heavily into leadership potential. Traits are inclinations, aptitudes, and natural tendencies, including personality and intellectual capacity. Traits particularly relevant to resource organizations include optimism or confidence, social astuteness, and general cognitive capacity.

4. **Drivers.** These articulate the deep internal values, motivations, and aspirations that influence people’s choices and ultimately the purposes that guide their behavior, decisions, and paths in life. They lie at the heart of critical questions such as: What is important to me? What do I find rewarding? What drives me at my core? Drivers may fluctuate because of circumstances or life stage. Drivers are crucial to cultural fit, employee engagement, talent retention, and to uncovering an employee’s purpose and therefore how she or he might best align with an organization’s purpose.
Whether leadership—at the board level or in the C-suite—wants to elevate talent management from good to great, or to make more modest improvements, these practices offer sound starting points:

- **More strategic staff reductions.** Rather than veering between slashing the workforce in tough times and frenetically hiring overpaid newcomers in the good, some companies with strong talent programs adjust staffing in a more tempered, proactive, and thoughtful way. They cut strategically when necessary. They don’t, for example, toss out 15% of employees across the board in lean times, preferring to cull in lower-value areas of the business and with subpar performers. For mining companies, this approach may mean adopting highly centralized talent management in what are typically decentralized operations. But in high-performing firms, talent is managed as a corporate resource; talent decisions are made carefully, with thought across the organization, rather than locally or in isolation. These decisions are calibrated so that the best performers and high-potentials are identified through objective, rigorous assessment and retained when reductions are necessary.

- **Sustained attention and investment.** Mining companies that sustain their investment in talent management through up and down cycles typically have learned the hard way the consequences of not taking this approach. They have experienced the queasy sensation of throwing far too much money at specific types of talent when the price of gold, silver, copper, or iron ore soared. That pain has motivated them to continuously monitor talent needs and to forecast gaps with greater specificity. By doing so, they are well positioned to hire the best talent to fill specific roles before most competitors can respond. This approach requires the CEO and the board, in lean times, to demonstrate their support for talent management through actions, such as making significant investments in succession planning, leadership development, inclusion (see sidebar: “5 Diversity and Inclusion Strategies”), and recruiting.

- **Focusing on the fundamentals.** Mining companies too often neglect basic practices that firms outside the sector routinely employ throughout the talent life cycle. These include: programs for companies to help rising talent earn professional designations and advanced degrees; mentoring of high-potential middle managers by retiring executives; identification and spread of leading talent practices inside the enterprise; establishment of links between top management practices and positive performance outcomes (profitability, safety, quality, etc.); differentiated development paths for high-potential employees; partnerships with graduate schools; and partnerships with secondary schools to promote more basic science, technology, engineering, and math (STEM) skills acquisition.

- **Benchmarking.** Some leading mining companies have begun benchmarking components (staff development programs, recruiting, etc.) of their talent management against companies in other industries, such as financial services and oil and gas, to identify and adopt best practices.
5 diversity and inclusion strategies.

Gender and generational diversity represent a top leadership and business-strategy shortcoming across all industries, Korn Ferry research has found. These challenges, along with related diversity and inclusion issues, pervade the mining industry. Although the integration of inclusion strategies as part of an overall talent strategy is under discussion among top-tier mining companies, there is an opportunity for more progress and more tangible actions. Here are specific steps mining companies can consider to strengthen their inclusion strategies:

1. **Monitor bias during downsizing.** When organizations lay off employees, it is important to keep top of mind the mix of talent the company needs to retain, as well as the effect of potential, unconscious bias on decisions to reduce staff, particularly from underrepresented groups.

2. **Embrace inclusive leadership.** Leaders in mining companies have embraced diversity as good for business. In Canada, for example, mining executives have recognized that the development of natural resources in many areas hinges on organizations’ relationships with the First Nations; a way to strengthen this relationship is by increasing native representation in the workforce. Some Australia-based mining companies have launched initiatives to increase local hiring in Asia locations. Recognizing the benefits of diversity offers a starting point. Building more effective, sustainable methods to attract and retain diverse talent requires executives who are willing to learn how to be inclusive leaders.

3. **Model behaviors.** Leaders should walk the talk. They can do so by modeling inclusive behaviors in every stage of the talent life cycle, including where they source talent and how they on-board new employees and develop and advance their staff. At the critical junctures for rising talent, inclusive leaders can ask the question (of themselves and their managers): Have we consciously employed inclusion principles?

4. **Enable the organization.** Hiring managers should be enabled and empowered to behave according to inclusion principles. This means managers may need to be educated about conscious inclusion of underrepresented talent in the workforce. They may need to be pushed to establish more development opportunities and stretch assignments for rising talent from these groups.

5. **Build a culture.** Most inclusion discussions at the leadership level are focused on increasing diversity in the organization. This is promising, but it may be insufficient. Building an inclusive culture is equally important to attracting and sustaining diversity. Leaders in the mining sector who are committed to increasing diversity among their leaders should focus on culture as well.
Conclusion

In most cases, the mining industry does not compare favorably with other sectors’ talent management capabilities and practices. Although progress has been made among a growing number of mining companies in the past 18 months, far more advances are needed throughout the industry.

This change should occur quickly. Competition for talent and related technical functions such as project development, exploration, and operational excellence will intensify—swiftly and, at times, unexpectedly—as the current cycle continues its shift.

For mining companies, putting in more structure, foresight, and discipline in their talent management will help them exploit future opportunities in a more cost-effective and disciplined way compared with slower-moving competitors.

The key is to act now, by heeding the guidance, attributed to Winston Churchill, on not letting a good crisis go to waste. Making strategic talent management investments during bruising market conditions requires leadership courage. It will bear high returns.

References


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