



## Retaining Institutional Knowledge in a Downturn

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## Introduction

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## Its not business as usual

The massive restructuring Anglo American announced in December 2015 is just one more indication that the global mining industry is retrenching and taking drastic actions to survive. It is clear that industry leaders expect the commodity downturn could last a long time. It is at times like these that organizations need their best and brightest minds to help them navigate. It is not business as usual, although it should be!

In fact, in boom times too many companies lose sight of the cyclical nature of the mining business. The so-called Super Cycle led many leaders to think that the good times would last forever. They expanded as if the money taps would never turn off. Properties that were marginal before the boom became profitable. Now reality has set in and those properties have again become marginal or worse have become losers. Projects considered sure bets only a couple of years ago have now been indefinitely shelved.

Perhaps a bigger problem is that in a rush to expand and take advantage of the peak commodity prices companies may have been careless about their capital expenditures and a bit laissez-faire about operating expenses. Hiring and firing recklessly is a symptom of these times. As the demand for commodities has declined many businesses have been caught in the crossfire wherein Companies have over-committed financially vast amounts of capital and now face the very real threat that they cannot service the massive debts. For many the impact threatens their very survival. Minas-Rio, a Anglo American's Brazilian iron ore project is such an example <sup>2</sup>.

Yet cycles of boom and bust are actually business as usual. We need collectively to learn how to manage through them.

## More than a person leaves

"Opinions are divided on whether we have reached the bottom of the cycle," Mark Cutifani, Rio Tinto's CEO said in a speech at the Investing in African Mining Indaba conference in Cape Town, South Africa. "So things may still get worse before they get better." <sup>1</sup>

Prices are not the reason mining is performing poorly. Mining companies and their leaders also must shoulder some of the blame. Until the mining industry, as a collective, acknowledges the mistakes that have been made in the past, it won't be able to get on with the business of resolving them, or avoiding them in the future.

In a February 20, 2016 article in Canada's Globe and Mail, Rick Howes of Dundee Precious Metals observes that the mining sector needs disruptive technology to not only break the cycles but to learn how to manage through them. He asks, "How will we adapt to disruption and the growing distribution of mining expertise around the world?" The answer means



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focusing on how we can build the mines of the future that use technology and data to operate more efficiently and effectively.

The problem is that we need leaders who can show so restraint through the boom times and have the foresight to build up contingency plans to weather the inevitable down turns. Herein lies the rub. What every company is forced to do when times go bad is to lay-offs their “most important” assets - the people who do the work.

## The Consequences

The industry as a whole suffers. Young people who may have only recently entered the workforce are turned off by their experiences and leave the industry for good. Older workers who have built up the experience companies will desperately need in the future when the up cycle returns likely begin thinking about retirement. It is often the best and brightest who have marketable skills who leave first and are least likely to return.

Metal prices began their steep decline more than four years ago, but the sector has only recently responded and has done so in relatively dramatic ways, like laying off 85,000 workers as Anglo American is doing. Companies became complacent after enjoying a decade-long bull market. They were not proactive in cutting costs and reducing debt. The problem is will they be able to respond quickly when the upturns returns?

The leaders of these mining companies have been very quick to reward themselves and take credit for high-performance when prices were high and demand was plentiful. However, are they being held accountable for performance when the conditions are difficult? The falling commodity prices after a mining super cycle should hardly be a surprise; in fact suitable preparation should have been put in place long before the downturn ever started. Everybody knew that something had to be done but yet the evidence would suggest it is still taken many by surprise; leaving questions of what was leadership doing to prepare for the inevitable downturn.

There is a distinct need for these companies to review what has happened and to realize the lessons that can be learnt from what has now taken place. **There needs to be strategies developed to retain the right people so they are available when the cycle moves up, which it will. Where it simply is not possible to retain the people organizations need to figure out how to retain the institutional knowledge that has been built up.**

Elsewhere we have seen organizations who have not taken their people strategies seriously been forced to bring back their retirees and people that were displaced as high priced “consultants”. This is at best a bandage on the problem. Instead now is precisely the time for mining companies to examine the decisions they have made, figure out how to capture the knowledge and expertise they are losing and to plan for a different more sustainable kind of success in the future.

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## Talking the talk

It's possibly a misconception that skills and knowledge transfer is a constant in any organization. Everyone may agree the goal is to retain institutional knowledge in order to pass it along to successive generations. In a boom and bust industry the reality is that organizations are constantly need to grow talent from scratch because people enter during the boom times and abandon the sector when things go bust. Retaining talent and knowledge is essential for any organisation to grow, develop and innovate.

With the current climate, the expectation and the reality is that many organisations will be forced to downsize and the potential of losing highly experienced employees through this process as well as natural attrition means that without the necessary processes to capture the experiential learning and knowledge organisations will lose business critical information. This is a key problem technology needs to address.

Those organisations that do not have a strategy, or have not been able to successfully execute a strategy for dealing with knowledge loss will find the ability to turn around the company much harder. When the upturn in the marketplace returns they will be slow to capture the opportunities that may present themselves. For others the current conditions in mining businesses force them to focus on the fight for survival. Not addressing the way an organisation learns and retains knowledge will make the fight, whether for competitiveness or survival, that much more difficult.

## Sleepwalking in to problems

One of the reasons many organisations fail to adequately prioritise and focus on retaining and exploiting the knowledge of their assets and employees is due to unclear responsibility or accountability. The accountability for setting the retention of experiential knowledge is not a Human Resources department responsibility. It is the role of the CEO to set the tone and make this a key organizational objective. The CEO must address this key risk to the long-term viability of the organization. The records of too many companies in the sector suggest that the top executives have not accepted the problem.

Rick Howes observes, "The pressure for this isn't just the product of depressed demand and metals prices. The far more significant driver of change is a restructuring of our industry's competitive dynamic. In mining, competitiveness will no longer be premised upon land and capital, as it has been in the past. Instead, we're quickly moving toward a technology- and data-enabled period in which success and failure will depend on our ability to extract efficiencies and productivity from the information we collect at our operations."



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The disruptive technology he refers to however will be of no value unless the industry taps into the knowledge and experience of the people who perform the work. Employees working at the front lines know that certain individuals are key to the organization's success. These are the people others turn to for help and advice; the “go to people”. When they leave they take a lot of value with them. The risk to the business is too often underestimated when this happens.

## Switching On

Organisations need to identify and understand who these individuals are within their organisation if they are going to be able to mitigate risk and exploit the opportunities. This risk is only amplified in a downturn when many senior people exit the industry. Once organisations have identified who these key employees are, they need to figure out how to capture and retain the knowledge and experiences they have developed.

Most of the subject matter experts or those with the experiential knowledge would have learnt by either having somebody else to show them, making their own mistakes which organisations should seek to avoid, or by making decisions. Learning from bad decisions is also something organisations should also seek to avoid. How often is the same mistake made in an organisation because they have failed to capture the learning?

When we think about training people we usually consider classrooms, books, presentations and reports however this doesn't necessarily relate to how those experts obtained their knowledge in the first place. Many will tell learning is about experience, it's about making bad decisions or mistakes and then understanding what went wrong and then adjusting accordingly.

When the subject matter experts or highly knowledgeable people are approached within organisations to help with a particular problem or to offer opinion, you will not get textbook answer or something from a slide pack. What people receive is their experience, their critical thinking and their judgement.

There is a clear difference between being able to retain knowledge and been able to utilise it. Any type of system that is being considered to identify, and exploit knowledge and learning needs to consider not only supplying the relevant material or information but also the opportunity to experience as part of the learning process. It is not about giving people the answers but providing the right environment where the experts can progressively allow others to experience and validate their learning.

Any good mentor will support to the need to engage a cognitive process including problem-solving and innovation along with previous knowns or bodies of knowledge in helping them to think through solutions and improve their decision-making abilities.



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Culturally making the subject matter experts and those with a deep-seated knowledge and experience suddenly accountable for training in developing those who require it most may come as a bit of a surprise. Furthermore if they themselves have not had specific training in how to develop mental authors then without being provided the right mechanisms (and even though their desire and intentions may be in the right place) the effort versus reward may result in avoidance.

## Make the right choice

The right type of systems to support them should allow them to see their success through others as they actively distribute and test the potential of other employees as they cascade their knowledge through the business. The investment in developing a system that enables knowledge to be obtained, experienced and tested will allow the organization to obtain and pull from the bodies of knowledge of those who are currently represent the highest risk of turnover and pass this on to future generations. Such a system creates visible searchable records that can translate into applications by new people down the road.

Additionally those having gone through the experience of learning in an environment supported by coach, mentor or subject matter experts should be able to take their learning and experiences as they progress through the organisation. It is therefore important that any system considered for experiential learning has the ability to log the achievements at both the mentor and the mentee have achieved.

When systems are suitably developed that allow logs and reports to be generated the opportunity for an organisation to call upon a huge databank or repository of knowledge and experience in relation to any specific problem the organisation is trying to solve will be at their fingertips.

**Implementing a systems approach to tackle the problem will create a different type of competitiveness. As Howes sees it, “The result will see the evolution of traditional mining companies into knowledge-based companies that use data analysis and technology to optimize the extraction of metals. In so doing, we’ll soon come face to face with non-traditional competitors, companies whose superiority in technology and data analysis will make the physical extraction of a metal a secondary concern.”**

It’s inevitable that employees will leave and therefore the method or the approach to exit interviews is potentially a last opportunity an organisation has to capture an individual’s experience and knowledge of the organisation and specifically relating to their role within the organisation. Whoever the new incumbent employee is their ability and the speed of which they are able to add value to the organisation will depend significantly upon gaining a deep-seated knowledge from the previous roll holder.



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Finally to embed a system of knowledge transfer several methods already exist. Some choose incentive systems (such as a bonus), others make it necessary to evidence as part of career advancement, however those systems that are available which simply make it part of how work is to be completed and ensure that any future role design holds the requirements to use such a system will ensure it becomes part of the culture of the organization, that is one of learning development and innovation. Compulsory Management systems will allow such a body of evidence to be supplied that making additional incentives potentially redundant, but allowing more thorough reviews or appraisals to be carried out and evidence to support leadership roles for the future.

In summary:

1. Plan for the inevitable cycles.
2. Identify key areas of experiential and institutional knowledge and risk.
3. Identify key “go-to” individuals with this knowledge.
4. Create opportunities for others to work with and along-side these people.
5. Provide systems to aid these in-field experts to pass on their knowledge.
6. Capture information in databases and transfer to new-hires and others.

1)

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2)

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3)

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