Global Organization Design Society

READINGS IN GLOBAL ORGANIZATION DESIGN

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FAIRLAWN MINE

by Dr. Roger Harvey, Dr. Stephen Clement and Sir Roderick Carnegie

Fairlawn Mine[1]

"Is everyone in favor of appointing Mr. Hugh Socrates as the next General Manager (GM) of Fairlawn Mine? Hearing no objections, Mr. Socrates is our unanimous choice as the next General Manager of Fairlawn Mine," thus declared the Chairman-of-the-Board of International Mines Limited. For the first time in its long history, International Mines nominated a Rhodes Scholar to run one of its mines.

THE NEW GENERAL MANAGER OF FAIRLAWN MINE

Hugh R. Socrates was somewhat of a renaissance man in the mining industry, becoming that way in spite of the stigma attached to his family name. Hugh graduated first in his class at the University of New South Wales (UNSW) in mining engineering. During his years at UNSW, he took the school's soccer team to four consecutive national college championships. His scholarship, sports accomplishments, and university service earned him a Rhodes scholarship. As a Rhodes Scholar he spent two years at Oxford studying psychology and management; he then returned to Australia to work for International Mines as a management trainee. Early in his career at International Mines, his boss' boss nominated him for the company's "2+2+2" fast track career program. The "2+2+2" program took promising young staffers from headquarters and put them into mine operations for six years (hence the name "2+2+2"). Each candidate spent two years at

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[1] Dr. Roger Harvey, Dr. Stephen Clement, and Sir Roderick Carnegie prepared this case as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. This factious case is a compendium of actual events that occurred at several mines owned by a multinational mining corporation.

each management level in a mine operation: 2-years as a Level II superintendent; 2-years as a Level III unit manager; and 2-years as a Level IV general manager. With the vote of the Board, Hugh was moving from his position as unit manager at the Broken Arrow Mine to general manager at the Fairlawn Mine. If he is successful after his two-years at Fairlawn, he will move to a Level V position back at headquarters.

A Call From The CEO

Shortly after the call from the Chairman-of-the-Board, Ian Leeder, CEO of International Mines, phoned-up Hugh from his office in Melbourne. "First, congratulations on your new position. But as both you and I learned at Oxford, dispense with the formalities quickly and get down to business. So, let me get right to the point Hugh, things at Fairlawn are bloody-well screwed-up. First of all, for the last two years the mine has been loosing money – big money – and I think I know why. In his final year in the "2+2+2" program, we had to fire your predecessor because of the way he managed the mine. Management is an issue. Second, and not unrelated, productivity at the mine is the lowest of all our mines; and if I'm reading our benchmarking reports correctly, among the lowest of any mine in the world. Frontline productivity is an issue. Third, your predecessor put in twelve layers of management – can you believe that – twelve layers. So structure is a problem. Fourth, I'm a strong believer in team work. No team work at Fairlawn. So leadership is an issue."

"I could go on and on, but you've spent a week at Fairlawn so you know what I'm talking about. I will say I'm glad you had time with your predecessor 'what's his name' before he left; that should give you some insight into what we're facing there. Let's follow-up your Fairlawn visit with a visit here at headquarters. Why don't you fly down to Melbourne on Monday and spend some time with me?"

Hugh accepted the invitation; he knew that he could learn a lot about managing by spending a day with the CEO of International Mines. The last thing that Leeder said to Hugh was "be prepared to ask lots of questions … one way I've always judged a manager is by the questions he or she asks." Leeder's parting comment was "your predecessor never asked me any questions and, for that matter, didn't seem to have any answers either. Now he's gone and it's your turn."

Hugh said cheerio to Leeder and then thought to himself, "This is my chance to get a leg up on my new job, so I don't want to blow it." Hugh knew that Leeder had been a consultant with McKinsey & Company for 15 years, working in the United States and Europe. While with McKinsey, he started the firm's Australian practice in Melbourne, later to become a Director of the Company. Like so many of the more highly qualified McKinsey senior executives, Leeder left the consulting firm to accept a CEO position with International Mines.

Hugh also knew that Leeder was known as an innovator in the practice of management. Leeder was a proponent of and written articles on innovative subjects such as continuous improvement (CI) strategies and tactics; annual targeting of mine productivity (tons/per employee hour); applying sound requisite organizational design principles theory to organizational structure; sizing organizational units to facilitate face-to-face leadership relative to recognizing your employees; using three level team-working to build vertical cohesion teams for special projects, and applying "rough justice" as a principle for the equitable distribution of resources in a company.

"Bloody Hell," thought Hugh, "I don't want to blow this chance. I need to start working on questions for Mr. Leeder right now."

THE FAIRLAWN MINE

"The Fairlawn Mine is located in the town of Tarago in the Southern Tablelands region of New South Wales. Since exploration began in 1967, Fairlawn has produced considerable wealth for International Mines, with the exception of several years during which mineral prices were declining. The fully diluted ore treated at Fairlawn was approximately 1.6% copper, 3.6% lead, 9.1% zinc, 0.5 grams/ton gold and 74 grams/ton silver. Over its history, the Fairlawn Mine produced about 13.8 million tons of high grade ore, of which 8 million tons were derived from the 200 meter deep open cut mine and just over 5 million tons from the underground operation. The operation milled ore at a rate of around 500-600,000 tons per annum. Historically, the mine was known for its rich ore bodies, and not for its productivity. Fortunately, the richness of its ore overcame the poorness of its productivity.

The mine employed about 400 miners and operators, and benefited from the most modern mining equipment available at the time. As was true in most mining towns like Tarago, the cost-of-living was low and the miners were paid well. Jobs at the mine were sought-after from workers as far away as Canberra, the capital of Australia. Those who worked at the mine were highly motivated because of the compensation and benefits, and because they knew there were other workers always ready to take their place. Although the miners at Fairlawn were highly motivated and readily accepted new mining technology, over time they became suspicious of management changes. New, young energetic general managers seemed to come and go about every two years, each with his or her agenda for "making things better." In fact, the mine's newsletter, *The Fairlawn Digger*, just announced the newest general manager, Hugh R. Socrates.

THE FLIGHT FROM CANBERRA TO MELBOURNE

Hugh Socrates just finished a book by Dorothy Leeds, *Smart Questions – The Essential Strategy for Successful Managers*, as he flew to Melbourne. Tomorrow he will meet with CEO Leeder. He then opened his steno pad to the pages where he had written his Fairlawn visit notes. Before he started to formulate questions for Leeder, he wanted to refresh his memory on what he observed and heard during his visit …

- *400 miners and operators, 25 managers, 20 professionals (e.g., engineers, accountants, technicians, etc.), and 40 staff support people*
- *professionals organized into their own groups (e.g., process engineers had their own department; accountants and bookkeepers their own department, etc.)*

- *engineers especially aloof … seemed hung-up on new equipment … little time in the mine … lots of time in meetings with their group manager, the Director of Engineering. Looks like a time management problem!*
- *frontline effectiveness was measured in terms of productivity -- tons per man-hour*
- *productivity gains over the past 4-years were a little under 2% annually*
- *no project teams or task forces in the last 2-years*
- *span-of-control 4-5 organizational units*
- *the maintenance unit seemed to get the lousy jobs, lousy equipment, and lousy hours -- high turnover -- whiners*
- *finance people were traditional Aussie bean-counters*

After reviewing the list, Hugh thought to himself, “This meeting is going to be tougher than I thought. Hum, where should I start? What will be my first question?”

“Would you like another drink, Sir?” the flight attendant asked. “Make it tea,” Hugh replied, “I have a lot of heavy thinking to do; I better forget the heavy drinking.”

GO Global Organization Design Society

GO SOCIETY PURPOSE AND VALUES STATEMENT

To support the organizing of work in a responsible, fair and healthy manner in which people are led in a way that enables them to exercise their capabilities.

The Society believes this requires applying a systems framework* emerging from reflective inquiry in which levels of work and capability are the initial paradigm and growth in human awareness is the essential process.

The benefits are organizational effectiveness, fulfilled people and organizations designed for value-creation, sustainability and social well-being.

Note: inspired by the work of Wilfred Brown and Elliott Jaques

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The *Global Organization Design Society* was founded in 2004 to establish and operate a worldwide association of business users, consultants, and academics interested in science-based management to improve organizational effectiveness.

The GO Society fulfills its purpose by:

- Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.
- Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources. The GO Society supports the learning and development of current and future practitioners by holding world conferences and professional development workshops, publishing books and a journal, and maintaining a resource-rich web site with related articles, monographs, books, videos, blogs, discussion groups, and surveys.

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