

The Case for Counter-Cyclical Hiring and Talent Development in Mining

By Edilson Camara and Sameera Sandhu

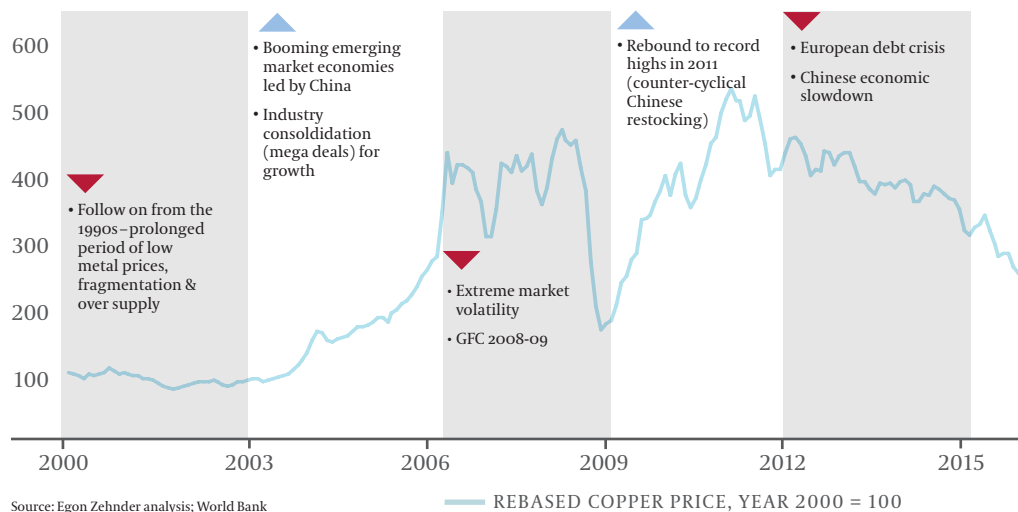
In December 1999, Sir Robert Wilson, then Executive Chairman of Rio Tinto, delivered a speech in Melbourne (Australia) on the mining industry's response to the economic downturn occurring at that time. His view of the situation then is just as fitting for the recent downturn still prevailing in parts of the industry today. He said the industry's cyclical mentality results in short-term management decisions. In a boom, it leads to the creation of excess capacity for growth's sake. In a bust, it leads to downsizing and cost reductions in response to falling prices and overproduction.

The mining industry is still reeling from the withdrawal of a China-induced 'supercycle', as the Chinese economy transitions from an investment-driven model to consumer-led growth. However, even the broadly upward growth trajectory enjoyed by the industry during 2003–2012 was subject to mini-cycles, with implications for talent hired or lost in each period. Retrenchment typically takes place across all organizational levels in tough times and often has little to do with job performance. Although borne of necessity, companies run the risk of seriously mismanaging their talent by applying the same 'cycle mentality' when confronted with important people decisions.

conversations on leadership

Egon Zehnder's Mining Practice studied the price movements of Copper between 2000 and 2015 to identify boom and bust cycles. While we have picked Copper to identify the cyclicity behind the 'people decisions' in the industry, we are also convinced that the same logic could be observed across a vast array of metals and commodities (and companies) in the mining sector globally. This analysis was matched with a sample of 319 candidates we have recruited across the industry over the years 2000–2012, classifying them as either 'boom' or 'bust' cycle hires. We then proceeded to quantify, prove and reinforce our intuitive understanding of talent management practices in boom times vis-à-vis talent nurtured during a bust.

Industry cycles: copper price movements



From experience, we gather that bust cycles allow for more affordable, high-caliber talent acquisitions, with more desirable longer term outcomes. Furthermore, executives hired during difficult business times are exposed to the struggle of remaining profitable whilst commodity prices nose-dive, demand weakens and the supply overhang continues to build. These executives are brought on board often in an environment governed by fire-fighting agendas. The 'burning platform' typically sparks executives' ability to improvise and question the status-quo. Solutions are more creative, with cost optimization, operational efficiency and innovation taking precedence. Bust year hires are therefore geared to be change agents, having tackled the industry's unmasked challenges and complexities head-on.

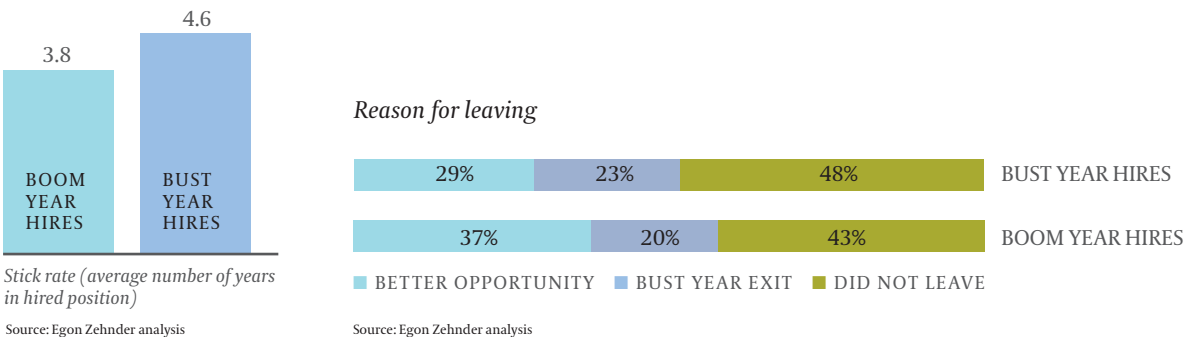
On the contrary, during a boom, the industry has tended to lose sight of declines in productivity, rising costs and the need to continuously innovate. Encouraged by rising prices, the industry has typically responded with the sole objective of growth, growth and more growth, underpinned by the optimism that the good times are here to stay. To drive these growth expectations, there is greater industry-wide emphasis on hiring talent (typically at a premium) and, once in-house, subscribe to their expectations. Together with our colleagues in Egon Zehnder's Mining Practice, after having

conversations on leadership

witnessed various cycles over the last 20 years, we observed behavioral traits developed by many mining executives at the height of a boom cycle: an undeserved and seemingly endless sense of entitlement.

Upon analyzing the retention and career progression of hires within our sample, we found that executives hired in a bust cycle demonstrated longer commitment to the hired organization than their boom year counterparts. Equally important, even the ‘bust year hires’ with relatively shorter tenures had their departures triggered largely due to short-term, bust year business decisions that made their jobs redundant – not performance. In contrast, boom cycle hires were not only brought in at a premium, but also showed a greater level of opportunism and moved on in a relatively shorter span of time to pursue better opportunities.

Employee retention and progression through boom and bust cycles



Experience navigating tough circumstances equips bust year hires with much-needed skill sets to manage the inherently volatile and complex nature of the industry. Their success is evidenced by our analysis of recruited executives who retained their jobs and advanced in their respective organizations, with 47% of bust cycle hires being promoted at least once in comparison to 37% of boom cycle hires. If we extrapolate the impact of this 10 percentage point difference in the career progression rates of bust cycle hires across a company’s talent bench, we can contemplate the massive positive impact of de-coupling key people decisions from the industry cycles.

In sum, it bodes well to acquire, retain and develop top talent even during lean times in preparation for the next inevitable boom, allowing companies to hit the ground running with rounded executives experienced in transitioning from one cycle to the next over the long term.

conversations on leadership

Authors



Edilson Camara

Toronto

edilson.camara@egonzehnder.com

+1 416 681 2906

Ed is Egon Zehnder's Managing Partner for Canada and a member of the firm's Global Executive Committee. He also leads the Mining practice in the Americas, serving world-leading companies in mining, metals, building materials, oil & gas and agricultural products, among others. Ed is deeply experienced in executive assessment & development and board consulting, and he is a trusted advisor to large institutional investors and family-owned companies on governance matters. Prior to joining Egon Zehnder, Ed was Strategic Planning Manager, Treasurer, and Assistant to the CEO at the Swiss building materials group Holcim and began his career as a business analyst at Exxon Chemical.



Sameera Sandhu

Gurgaon

sameera.sandhu@egonzehnder.com

+91 124 4755992

Sameera is the Global Head of Research for Egon Zehnder's Mining & Metals practice. She works closely with Egon Zehnder consultants around the world on talent advisory and executive search assignments for world-leading mining and metals companies. Prior to joining Egon Zehnder, Sameera was a Senior Analyst in the Global Mining & Metals practice at Ernst & Young, where she developed thought leadership and was deeply involved in client engagement projects. As EY's global subject matter expert for copper, aggregates and M&A, she was the principal author of bimonthly/quarterly analyst reports on the aforementioned commodities, as well as a co-author of the annual and half-yearly report "M&A and Capital Raising in Mining & Metals".

Since 1964, Egon Zehnder has been at the forefront of defining great leadership in the face of changing economic conditions, emerging opportunities and evolving business goals. With more than 400 consultants in 69 offices and 41 countries around the globe, we work closely with public and private corporations, family-owned enterprises, and nonprofit and government agencies to provide board advisory services, CEO and leadership succession planning, executive search and assessment, and leadership development. For more information, visit www.egonzehnder.com and follow us on LinkedIn and Twitter.

Amsterdam	Madrid
Athens	Malmö
Atlanta	Melbourne
Bangalore	Mexico
Barcelona	Miami
Beijing	Milan
Berlin	Montreal
Bogotá	Moscow
Boston	Mumbai
Bratislava	Munich
Brussels	New Delhi
Budapest	New York
Buenos Aires	Oslo
Calgary	Palo Alto
Chicago	Paris
Copenhagen	Prague
Dallas	Rio de Janeiro
Dubai	Rome
Düsseldorf	San Francisco
Frankfurt	Santiago
Geneva	São Paulo
Hamburg	Seoul
Helsinki	Shanghai
Hong Kong	Singapore
Houston	Stockholm
Istanbul	Stuttgart
Jakarta	Sydney
Jeddah	Tel Aviv
Johannesburg	Tokyo
Kuala Lumpur	Toronto
Lisbon	Vienna
London	Warsaw
Los Angeles	Washington, D.C.
Luxembourg	Zurich
Lyon	

© 2017 Egon Zehnder International, Inc.

All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording or otherwise—without the prior permission of Egon Zehnder.