Mining

STRICTLY BOARDROOM

Management Insights from Inside the Resources Sector

ALLAN TRENCH

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About the author

Allan Trench is a Professor of Mineral Economics at the Graduate School of Business, Curtin University of Technology and Research Professor (Value and Risk) at the Centre for Exploration Targeting, University of Western Australia, a Non-Executive Director of several resource sector companies and the Perth representative for CRU Strategies, a division of independent metals and mining advisory CRU Group.

Also by Allan Trench

Australia's Next Top Mining Shares, Major Street Publishing[+] (2012)

A Sharebuyer's Guide to Investing in the Australian Mining Boom (2011), Major Street Publishing

Top 100 Resources Stocks (2011 CD), Aspermont

Top 100 Resources Stocks (2010 CD), Aspermont

Top Resource Stocks 2009 (2009), Wiley[^]

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Top Resource Stocks 2007 (2007), Wiley[#]

The Insider's Guide to Investing in Australian Mining and Resources Stocks (2002), Wiley[*]

The Insider's Guide to Success in Australian Business and Management (2002), Wiley[*]

The Insider's Guide to Success on the Australian Sharemarket (2001), Wiley[*]

In Search of Mining Excellence (2001)

The Business of Mining – Beating the Commodity Trap (2000)

+ Co-authored by Dr Dan Packey
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This book contains one guest column by Phil Newman of CRU Strategies – on the subject of delegation (chapter 37). Phil is greatly acknowledged for his contribution.

Dedication

"Anybody can be a leader, can be excited, can be first-in-line when things are going great: The test is when you battle through tough times, when things aren't perfect – where do you stand? On that day – and for the rest of your life – you look in the mirror and you know – you know – I gave it all I had, and I gave it for a worthy cause."

Anonymous Football Coach

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Foreword by Ian Glacken

I first encountered Allan Trench at that late great institution of the Australian Mining Industry, WMC Resources (or plain Western Mining as it was in those days) when, as fellow employees, our paths crossed a few times. In the nineties Allan was working as a geophysicist for Roy Woodall's Exploration Division, whereas my roles were more on the mining geology and resource development side. Like Allan, I was able to take full advantage of WMC's generous study leave programme and reorient my career – but that is another story. Even then, Allan had a reputation as being one of the hardest-working (and studying) people in the mining industry, and the articles in this volume bear testimony to the breadth and depth of his knowledge and to his talent for extracting meaningful messages and lessons worth learning from the mass of facts, figures, reports and opinions surrounding the global mining industry in the early twenty-first century.

The book you hold in your hands comprises selected articles from the Strictly Boardroom column in Miningnews.net that Allan Trench has been writing for the past seven years. As a geologist, geophysicist, mineral economist, mining industry and management consultant, company director, chairman and university lecturer he is more qualified than most to offer wry comment, sharp insight and concise summaries of what makes the minerals business tick.

The mining industry is like no other on this planet. It is a business where at one end of the scale the barriers to entry are low, but the chances of success are even lower and the risks are mind-boggling. Whereas at the other end of the value chain, huge mining operations churn out billions of tonnes of ore year after year from vast mines. Few other businesses offer the same chances for order-of-magnitude return on investment; few other investments offer such opportunities for spectacular failure. In no other business, apart from the oil and gas industry, is it so hard to find the raw materials for the business – the metals and minerals which are the lifeblood of mining. In so few other areas do we encounter such huge booms and such crashing busts (and it is worth noting that the dates spanned by the articles in this book cover at least two bust cycles).

Inside this volume you will find concise articles on leadership and management (not the same thing – read ahead); on various aspects of setting, and sticking to, a strategy for growing a successful minerals company; many insights into and droll observations of the various machinations of corporate boardrooms; observations on that most difficult of pastimes, picking commodity prices and exchange rates; useful advice and insight on investment in the mining sector; and sage words (many from personal experience) of running, and investing in mineral exploration companies at the junior end of the market. Allan has neatly captured that mixture of good fortune, exploration success, good assets, spruiking, sound management and persistence which so concisely represents the minerals business.

This book offers you condensed insight from Allan's varied career, his teaching and consulting, but also from his wide reading on the topics of leadership, management, communication and marketing, to name but a few relevant issues. Most importantly, Allan's insights are all seen through the often-murky lens of the crazy world which most of us inhabit, the twenty-first century global mining industry.

I commend it to you.

Ian Glacken, Optiro

About the book

The title of this book was always going to be *Strictly Boardroom* as on now approaching 350 occasions I have penned a weekly column of that title for the MiningNews.net web service. For the benefit of those readers who are not one-eyed mining-types, however, I have inserted the word "mining" into the book's title so as to signal the industry focus of its content. Although a portion of the content is equally applicable both inside the mining industry and well beyond from a management perspective.

Strictly (Mining) Boardroom is a "best-of" those weekly columns. You will notice that each column (or short-chapter) still keeps the date when it was originally published. This gives the reader some context. It is interesting that some can now be regarded as quite prophetic; others just a reflection of that time. To assist in its readability, the book's chapters have been arranged in seven parts, under a number of broad subject areas as follows: In the Boardroom, On Mineral Industry Management and Leadership, On Mineral Resources Sector Strategy, On Mineral Exploration, On Mineral Commodity Analysis – Microeconomics, On Mining Investments and Investing and On Mineral Policy and Government. These themes align to the content of a short course I occasionally teach, entitled "Resource Sector Management". Any students of that course reading this book may be doing so for a reason as no doubt it will now be included in future reading lists.

Like most things, the column itself was somewhat accidental in its origin. It stemmed from a chance conference meeting with Paul Garvey, who was at the time the editor of MiningNews.net. Over the years, the Strictly Boardroom column has allowed me to discuss topical issues in the mining sector, and to speak to aspects of key issues, with the aim of providing context and insight, entertainment (I hope) and most critically to encourage the reader to think about the way in which the Australian mining industry operates and does its business.

As those readers who are well-read on business theory will know all too well, it is often challenging ‘the way things are done around here’ that leads to significant business opportunity. So perhaps a grand aim of Strictly Boardroom over the years has been to assist the industry to start thinking about itself more and to be better off for so doing.

In practice, Strictly Boardroom has allowed for the discussion of items of interest to industry decision-makers, ranging from the boardroom right down to the operating frontline. As an aside on that point, some of the most enjoyable, rewarding and educational times within the mining industry for me have been on those occasions where there was opportunity to work closely with the frontline operators at mine-sites.

Each part of this book is briefly introduced as it progresses from the boardroom, through to management, to strategy, to exploration and then into the domains of investment and policy. I will not repeat those introductions here. What is appropriate to note, however, is that the underlying aim remains constant at each stage. That is, each article has a sub-text that says something like ‘surely there’s a better way to do it than this’ – and I’ve no doubt that there is. It is my sincere hope that readers will find those better ways.

Over a decade ago, when working with mining executives in a learning environment, the call-to-arms was easy; the then-low commodity prices meant that we needed to be smart to achieve a good return for shareholders and deliver upon planned corporate outcomes. With commodity prices now higher, if volatile, the challenge is not all that different. Many companies (and I am on the board of some of them) are still not performing to shareholders’ expectations. The message is still that we need to get a whole lot better at what we do.

Introduction

When I left North Wales on a 6.16am train to London back in 1982 to commence a geology degree at the grandly titled Royal School of Mines, I had no idea what the following 30 years would hold. Little did I know at that time that I would spend the majority of my working life far away in Australia and that my three children would all be born and bred in Australia's gold capital, Kalgoorlie. I had no knowledge either that a geology degree was a ticket to visit many parts of the world that I'd not at that time even heard of – or that I would never return to Wales for much longer than the time it takes to play the odd game of rugby and to catch up with old school mates and family.

The mining industry back in the early 1980s in the United Kingdom was dying – a painful death – with nightly news heralding the fight between unions and the government of the Iron Lady, Mrs Thatcher, over sweeping reforms to the domestic coal industry. I had sympathy for the miners as my father had been one for a period, looking after the pit ponies at an underground colliery in North Wales. My expectation was not to work in the mines but in the oil and gas fields of the North Sea, having worked for oil service companies in my school (and then university) breaks. Upon graduating, however, a depressed oil price meant that the chances of securing a job on an oil rig as a geologist ranked alongside getting a job in the UK coal industry; a big fat zero. So commenced a further commitment to university hoping that things in industry might pick up in the interim. First up I studied at Glasgow University, where I learned to order two pints of lager in a Scottish accent. Then to Oxford where I attempted to refine my accent towards a poor version of BBC English in order to be served promptly at the bar.

Decision-time next came in the late eighties. Should I stay in Oxford in cap and gown and accept an offer of another five years learning more and more about less and less (the standard fate of academics)? – intriguingly, this would have involved several trips to the Antarctic. Or should I get out into the real world of mining? A sojourn on a seismic vessel in the North Sea eating Norwegian fiskeboller (fish balls) every day and listening to the only music tape on the ship, Lionel Ritchie's *Dancing on the Ceiling*, made up my mind. The thought of doing something similar in the Antarctic, with or without Lionel, was not all that appealing. It was time to get a real job – one on dry land, preferably.

Oxford had taught me to write. When I had arrived, an academic who had reviewed my first paper in a learned journal considered the English in it to be so bad that he thought it must be my second language. Thankfully the science within the paper saved it from rejection from publication. I wish that I had an excuse but English was actually my first language, despite hailing from the Welsh hills. Aside from the laboratory work and writing, Oxford was all about fieldwork (and conferences – but that's a story for another day).

Geological fieldwork in the likes Scotland, Ireland, England, Wales, Norway, Sweden, Poland and the United States was not an ideal preparation for fieldwork in Australia, which was where I headed in 1991 armed with a Royal Society Visiting Fellowship. This sounds far more impressive than it really was. The reality was a $20,000 per annum stipend which did not go that far when I was also trying to add to my then 10-plus years experience in pubs and clubs.

The rocks in Europe are typically younger than in Australia and are reasonably recognisable with basic skill and experience. At least those rocks that are very old in Northern Europe, such as in parts of Sweden and Northern Scotland, are thankfully sticking out of the ground so you can see them. That is, they are not covered in deeply weathered soils as a result of millions of years of slow oxidation, as they are across large tracts of Australia. The Ice Age served to clean things up nicely in Northern Europe to make life that much easier for geologists.

My first introduction to Australian rocks proved somewhat more difficult. Whilst various academic studies had already exposed me to the broad geology of Australia, when I fronted up and got my boots dirty I couldn't recognise a damn thing. There was just red dust all over the place, with white clays beneath that, before you got close to any semblance of a decent-looking rock. Geologists have an informal name for some of the rocks that have been through the wringer of geological history, which for many of the rocks that host mines in Western Australia's Goldfields means about 2.7 billion years of Earth history. They term the most altered of rocks that make their identification particularly difficult as fubarite, which is a politically incorrect acronym for F****d Up Beyond All Recognition (ite!). So when I first arrived in the Goldfields of Western Australia I saw little else.

Getting to know the mechanics of the Australian resources industry (and distinguishing between the 57 varieties of fubarite) has taken me over 20 years now and I still learn more every day. This book is intended to shorten that learning journey for readers who wish to understand the way the resources industry actually works in practice. It is not a technical book – there are plenty of those available on geology, mining and metallurgy, not least those published by the Australian Institute of Mining and Metallurgy. This book is intended as a light introduction to the less technical, but arguably even more critical, aspects of mining and exploration – namely the mineral economics, finance and management of the mineral resources industry itself. What influences decision-making in the sector for example?

After spending a year at the University of Western Australia when arriving in Perth via Norway, my own journey into the real mining world commenced in earnest at Kambalda, south of Kalgoorlie. I recall at the time that there were 13 underground nickel mines there and a further five gold mines (a combination of pits and underground), all owned by Western Mining Corporation (WMC). WMC had the foresight to hire me as a geophysicist and in the process they doubled my salary – to $40,000 – and then let me loose across both exploration areas and mines alike. The job was brilliant and led to time spent in the bush, spells underground applying new geophysics techniques or at the diamond core 'farm', looking through the vast archive of diamond drillholes dating back to Kambalda's famous discovery that sparked the nickel boom in 1966.

That lot was just on the weekends. The working week was even better as I was part of a 50-strong geology team spread across the 18 mines.

Critically, WMC also at that time had a generous part-time study program which meant that I enrolled part-time at the Western Australian School of Mines to study Mineral Economics and Mine Management. This was a new program which only existed thanks to generous donations from industry and from anonymous private individuals. I owe those philanthropists a great deal. In making the common career transition from technical role into management, one thing that stood out was just how little the specialised mining professionals knew about the business side of the mining industry. Ironically, the accountants didn't know that much about the big picture aspects of the industry either as they relied on the technical people!

I finally left WMC but not before moving north from Kambalda up to the Leinster and Mount Keith regions of the Goldfields, as the nickel mines there were undergoing expansion. As is common in the industry today, I was 'poached' to leave, being offered a better deal to move into a new job by mining entrepreneur Joseph Gutnick who was finding more gold and drilling more holes than just about anyone at the time. The culture in a smaller company was vastly different to a larger one. Things were done with far greater urgency and the reporting lines were quicker. Again, however, the pattern of the technical people not knowing the business aspects of the sector was repeated – which is why such courses as the Mineral Economics program at the WA School of Mines are so valuable (and now so popular).

A downturn in the mining industry was coming. To paint a picture, around the years 1999 to 2000 there were an estimated 1,500 geologists driving taxis in Perth – none able to get other work. The joke at the time went along the lines of, "What is the difference between two large pizzas and a geologist?" The answer being that one could feed a family of four (I had a family of five).

Fortuitously I had taken a year off from the tough market, spending time back in Oxford to complete an MBA – a Master of Business Administration. The learning experience was fantastic. I sat alongside newly-minted dot.com millionaires, Rhodes Scholars, and students from over 50 countries. That network cost me a course fee of $50,000 – before drinking expenses – which in hindsight was a very cheap deal indeed – although with an Australian dollar that only bought 35 pence in the pound at that time, it made the beers very expensive.

Holders of the MBA qualification are sometimes referred to less flatteringly around the mining industry, however, as 'Mediocre, But Arrogant'. That is, the mining industry remains one where first-hand experience counts for a great deal and rightly so. Nothing beats frontline experience in the sector – but getting beneath the surface on the business side of things helps too.

Now armed with the management bug, the next logical step was to join management consultants McKinsey & Company – about whom I had read so much. Around half my MBA colleagues had applied to work for them and, so as not to feel left out, I had done so too. Two years at McKinsey (about the half-life for a typical consultant) were then spent assisting the boards of larger companies that could afford the fee structure to make informed decisions about the businesses they were in – or in some cases the industries they wished to be in. I signed a contract that binds me never to reveal the client work that was conducted during that period but suffice to say it was a very steep learning curve. Again, a clear takeaway was that senior decision-makers in the industry often lack the context, and the facts, to make informed decisions. This book is intended to solve in part the first challenge: understanding the contextual forces that act to shape the industry. After McKinsey came tours of duty with Barrick, the world's largest gold company, in Australia and Africa – and finally a period in the oil and gas world, in the strategy team at Woodside Energy. In both cases I was a form of internal consultant.

Since 2003 I have had the pleasure on a part-time basis of sitting on the boards of emerging resources companies and of meeting the next generation of the industry's leaders in teaching on the Mineral Economics masters program, first at the Western Australian School of Mines and now within the Graduate School of Business, both at

Curtin University of Technology. That none of the companies where I have been a director to-date have sustainably broken the $200 million market capitalisation benchmark is a source of personal frustration – but also of purpose. The mineral economics students, in some cases, have led companies which have grown far quicker beyond that level however; so I can bask in their reflected glory. Much remains to be done in the coming decade. The taxi driving days for geologists now seem a distant memory: I doubt that those days will return any time soon.

What went into this book took over seven years of writing. I hope that it will shorten that journey too for the reader, explain the Australian mining industry to you and entertain you along the way. If so, it will be mission accomplished on one aspect of payback for all that the industry has provided to me.

Allan Trench
October 2012

1 The Australian mining industry for Martians

Monday, 3 May 2010. Your scribe was recently asked to speak to a group, who knew very little of the mining sector, by way of an introduction to our industry. As a result, Strictly Boardroom provides an 'outside-in' view of Australian exploration and mining.

Being close to an industry can make you forget what is taken for granted. To industry insiders the rituals and standard practices of the exploration and mining sector become accepted as the norm – "it's just the way things are done around here". To those outside the industry, however, the rationale for those same practices is not always obvious and in some instances may seem a little odd.

Here are some personal observations of our industry, as explained to a group of Martians on their away-day to Perth's Curtin University.

> **Exploration** is an endeavour that is practised with great fervour yet has a very low probability of success. Exploration geologists can spend 40 years continuously looking, but often finding nothing of economic consequence.
>
> Some explorers do experience repeated success, which they ascribe in various measures to a combination of skill and tenacity (and in the case of the more humble, to good luck also).

> **Raising risk capital** for exploration is also practised with great fervour. Those skilled at raising capital for exploration are usually not those most skilled at the practice of exploration, though the two groups do occasionally act in concert. This can be a powerful combination on those rare occasions that this does occur.
>
> For every smooth-talking suit that charms up the funds for the riskiest of exploration plays, there needs to be a geologist, preferably in a pair of well-worn field boots, standing close beside.

> **Project development capital** provided by banks is a wholly different ball game to raising capital for exploration (luckily

Martians play football and had recently beat England at cricket so no explanation of the term “ball game” was required). Banks fund risky projects yet are inherently conservative as sources of capital.

Explorers often have little mining or project development experience so the exploration “lunatics” can sometimes control the new mining asylum. Banks and wannabe miners experience relationship challenges akin to a teenage marriage: they are joined in matrimony early but with steep learning curves on both sides to get to know each other. The Martians took the view that banks are from Venus, whereas wannabe miners are from Earth.

> **Exploration investors** are drawn to the sector by the excitement of “hitting the big one” or at least hitting something that for a period of time might look like the big one. This is before the reality of JORC (Joint Ore Reserves Committee) resource reporting puts real numbers on a new find, invariably leading to disappointment for those investors with eyes on the biggest of prizes.

Indeed, exploration investors are an eclectic bunch. The Martians found it hard to believe all such investors originated from the same planet. Some investors show the attention span of a three-year-old, often switching jockey mid-race (Martians like their horse-racing too). Other investors exhibit strangely misplaced loyalty to exploration stocks that have under-performed since the last Ice Age, and which to any rational observer have no chance whatsoever of economic success.

> **Mining investors** are a different breed to their exploration-focused counterparts. Mining investors scrutinise production costs, which must come down each year, indeed must decline each quarter, despite mines moving deeper and processing lower grade ores from year to year.

Mining investors are therefore destined to be disappointed more often than they are exhilarated by the latest cost information provided by miners. Rare groups of mining investors push against this trend, however. These groups generally hail from China and take a longer-term view on things, partially linked to the premise that the unit revenues from commodity prices will outpace increased unit costs from mining. In the recent past these investors have been proven largely correct.

> **Governments**, at least the politicians therein, appear in many cases to have less understanding of exploration and mining than do Martians. Governments hail the benefits of regional development then fail to support those very companies best placed to deliver on regional growth. Politicians see mining companies as an easy tax target, forgetting that returns from the industry have under-performed those from US government bonds until only recently.

  The Martians are an astute bunch. As one scholarly Martian by the name of Dave observed to your scribe, "There are very few votes in mining on Earth, Allan. Mining is a capital-intensive industry not a labour-intensive one. This simple fact explains why politicians act as they do. If miners want government support, metals and mining companies should forward-integrate into car manufacture: from mining to motorway, so to speak."

> Finally, some words on those individuals who lead our companies, the company directors. This group also constitutes an eclectic bunch. The Martians were surprised that more accountants, lawyers and commerce-trained directors had led new exploration listings to market in the last few years than had geologists. The suggested explanation (again from Dave) was that few geologists in your scribe's slideshow looked at all credible in suits.

2 Mining industry ABCs for MBAs

Monday, 10 October 2011. This week Strictly Boardroom comes to you from Oxford, England – attempting to explain the mining industry to MBAs.

Your scribe is visiting the ancient university town of Oxford in the Old Country to address aspiring MBAs on the workings of the mineral sector – the business of mining, so to speak.

It continues to amaze me how poorly understood our industry still is, with the NGO-led myth that miners simply plunder our planet for shareholder gain, competing for the hearts and minds of our next generation of business leaders.

So here is a selected (and candid) list of some high-level messages and industry insights conveyed to those less familiar than MiningNews.net readers to the nuances of the metals and mining sector. Your suggestions for other key points to communicate the actual reality (rather than incorrect myths) of our industry to those beyond its narrow confines would be most welcome.

> Strong commodity prices are only half the story driving the minerals sector: high prices do not automatically translate into windfall profits. Costs matter too. Cost increases – whether sourced from within the industry itself or imposed by governments – are placing more pressure on industry margins than is acknowledged.

> Rising resource nationalism is a threat to sector growth. Governments may not be fully informed. Classical economists consider that any excess return above the risk-weighted cost of capital is fair game for governments to repatriate to each country's residents. But such thinking underestimates the incentives required – and the returns that should accrue – when new mineral discoveries are unearthed.

> Exploration is the lifeblood of our industry. Bankers and analysts can run the numbers to spot and then transact value-creating mergers and acquisitions but anyone can drive a spreadsheet. Without exploration discoveries the global metal inventory does not increase and gains from the merger and acquisitions (M&As) are therefore finite.

> Economic development through mining is a potential path out of poverty. First-world countries seeking to provide aid to the third world could do far worse than to assist those countries by providing pre-competitive mineral exploration datasets in addition to just food parcels. Resources can be a blessing or a curse –

economically speaking – but when well-managed, countries are better off with a growing mining industry than without one.

> There are (unfortunately) “lies, damn lies and mining costs” across the mineral sector – to customise the well-known “lies, damn lies and statistics” maxim. Mining companies do themselves no favours by looking at costs through rose-tinted glasses in order to create a positive impression with shareholders. When three-quarters of the companies in a given metals sector all claim to have costs that lie within the lowest quartile of the industry you know that something is systemically wrong. The practice of “normal” costing using 100% offset of by-product revenues to make main product costs look artificially low is an area that needs industry-wide reform. Until then, miners can continue to expect governments to target their “super-profit” margins.

> Speaking of the minerals sector as a singular entity is a gross over-simplification. The microeconomics of each metal and mineral can differ markedly – including, for example, the shape of the relative cost curves in each industry. The economic outlook differs for each individual metal: it is not simply a matter of a Periodic Table-wide boom. To misquote George Orwell, at any point in time, some commodities will be more “equal” than others.

> Last but not least, the minerals industry as a whole does need more talent. The minerals sector is crying out for everything from frontline workers through to geologists, engineers and accountants. There may even be room for a select few MBAs and economists too!

Good punting.

Part 1

In the Boardroom

The boardroom dynamics of each and every company are very different but all share common elements. I liken it to playing sport at different grounds. Each venue has a specific feel to it, there are different overall layouts and different ground dimensions but the pitch is always marked up to an accepted, standardised manner (depending on your sporting code) and the rules that govern the game remain the same regardless of which pitch you are on. To extend the analogy further, the style of play (for both boardroom and sporting teams) can vary widely, too, within the same rule book. Some games are very much more direct than others, even when the same teams are on the ground. The same applies to board meetings. This part of the book seeks to open the door to the resources company boardroom and look inside.

3 Directors: are you with The Force or Dark Side?

Monday, 18 May 2009. This week Strictly Boardroom takes a Star Wars lens and tries to discover whether resources sector directors align with The Force or the Dark Side. Do you know any directors with Lord Vader tendencies? The attributes below let you judge.

Another set of brochures from the Australian Institute of Company Directors (AICD) arrived in your scribe's mailbag during the week.

Should I choose to attend the intensive training session to "get the most out of board committees"? Or else perhaps select to "build a stronger relationship with the company secretary"?

Both initiatives sound very good counsel to board members but poor time management on my part prevented me from signing up for either course, at least this time around.

The AICD brochures did, however, prompt some thinking as to what constitutes a good (and bad) director.

So here are some thoughts on that question through a Star Wars lens. The traits below are from personal observation only – and, for the avoidance of doubt, are not endorsed by the AICD.

So as a director, are you sworn to The Force or influenced by the Dark Side? Ten contrasts in basic boardroom behaviour may help you work that out.

Directors with The Force

1. Read the board papers ahead of the board meeting, and make notes and questions.
2. Have completed all the action items assigned to them.
3. Undertake rational and unbiased assessment of the facts provided by management.
4. Make clear, timely decisions.
5. Are prepared to make hard decisions.
6. Listen, then speak.
7. Bring special skills to the board, adding to collective board capability.

8. Clearly understand corporate governance principles (and act accordingly).
9. Tender support to management, but offer constructive critique.
10. Represent the interests of all shareholders and, if the need arises, understand conflicts of interest and how they are to be disclosed and acted on.

Directors with tendencies towards the Dark Side

1. Fail to read board papers.
2. Do not volunteer to undertake extra duties – then fail to deliver on those they do take on.
3. Let personal agendas override fact-based assessments.
4. Procrastinate, pontificate and are pedestrian in decision-making.
5. Make decisions that have little impact.
6. Speak, then (perhaps) listen.
7. Make up the numbers.
8. Would benefit from a refresher course on corporate governance principles.
9. Are unclear about the management-to-board interface.
10. Say they represent the interests of all shareholders.

This scribe's counsel is to align clearly with The Force. As for those directors who get the most out of board committees and have strong relationships with the company secretary – they most likely lean towards The Force too.

4 The origin of the species – chairmen of the board

Monday, 6 September 2010. Taking a look at the professional backgrounds of company chairmen across the junior Australian resources sector reveals anything but a hung parliament when it comes to professional affiliation: chairs from financial backgrounds have a clear majority.

It seemed like a good idea at the time. Just quickly look through the web bios of the 100 chairmen of the Top Resources Stocks[1] 2010 companies, assign each to a broad professional affiliation, and then report on the collated findings in Strictly Boardroom.

It should have taken all of a couple of hours. Unfortunately it didn't. Indeed, the song title from the '70s soul band Chairmen of the Board, "Give me Just a Little More Time", came to mind more than once as the task progressed.

It took a few hours more than anticipated, and several chardonnays were consumed in order to complete the job. Nevertheless, here are the results, hopefully with the final statistics uninfluenced by some slightly blurred categorisations as the bottle of Cape Mentelle neared its end.

Unlike the recent Australian parliamentary election, the voting for chairmen across the emerging Australian resources sector does not deliver a narrow outcome whatsoever.

The victory is clear-cut. Chairmen from a financial background, comprising financiers of both accounting and investment banking persuasions, win the poll hands-down.

Indeed, with 39 of the 100 chairmen being assigned to this category, the overall result could be viewed as financiers first, then daylight second.

Moving on through the results of the analysis, however, next in line is a tie between the engineers and the geoscientists – each profession polling 18 chairmen.

At this point your scribe should advise that for this brief analysis materials engineers, civil and mechanical engineers joined their mining engineering peers in the former group.

Similarly geochemists, geophysicists and environmental scientists were joined with mainstream geologists in the latter group.

Where are the lawyers then I hear you ask? Those from a legal profession were the next best represented group with a total headcount of 11 (just one short of a jury).

[1] Top Resources Stocks is a publication that I compile every year.

Next is a small group defined for the purpose of the exercise as entrepreneurs (at four chairs) and last is an "other" category comprising one economist and a marketer.

Astute mathematicians will have quickly surmised that the above numbers do not fully add up to 100. Why? Because the original background of some chairmen was not clear from their web bios. This group of unassigned chairmen totals some eight individuals.

Perhaps some companies view the work of the chair as so far removed from what each did decades ago at university that their original profession is no longer relevant.

The group of unassigned chairmen looks unlikely to hold the balance of power, however. Even if the geologists and engineers pooled their resources, the combined technical party numbers still fall short of those from a financial background.

So those are my conclusions. Financial chairmen clearly have the numbers across Australian junior resources company boards (at time of writing anyway).

The answer to the next question is less obvious: so what?

5 Calling effective managing directors

Monday, 20 July 2009. It's official. You don't so much need a decent mine, projects in feasibility or high-potential exploration properties to grow a mining company – what you need most of all is an effective managing director. Strictly Boardroom shares the results of a recent snap poll.

What is the most important attribute required to make a mining company successful? Surely a decent mine, right? Wrong – at least according to participants in the masters course in Mineral Economics at the Western Australian School of Mines.

Some 30 masters students were asked (actually, they were forced) to rank eight business attributes from the most important through to the least important in driving mining company success. They had to take the question seriously too. Why exactly? Because some annoying academic had included it (as a compulsory question) in the exam paper.

But their effort was worthwhile. The result of collating exam responses was that an "effective managing director" came out as the attribute ranked with highest importance.

Do you agree? Please let me know. Here is the list the students had to consider – rank these attributes from 1 (most important) to 8 (least important).

> A compelling vision and mission
> A clear strategy
> A high-performance culture
> At least one good mine (a cash cow)
> High-potential exploration properties
> Projects undergoing feasibility
> An experienced and erudite board
> An effective managing director

Of course, all these attributes are very positive things to have at a mining company and it is perhaps grossly unfair to ask that a ranking is forced at all.

But that's what made the exam question all the more valuable – to get the thinking caps on, so to speak. Explaining the rationale behind their thinking was more important than the students getting "the right answer".

The fun in the exercise is, of course, that by forcing a ranking some very positive attributes are destined to come out last. Your scribe's pre-exam favourite, "an experienced and erudite board", may sit in last position in a student's thinking – a sort of mineral economics equivalent to the Fremantle Dockers (written pre-Ross Lyon, of course).

But, as it turned out, an "erudite board" didn't do that badly, finishing in a credible fifth place.

To the results: here are the raw average scores of the rankings. The lower the number, the better. That is, if any attribute had been consistently ranked of greatest importance by all exam participants, it would have achieved a score of 1. Similarly, had an attribute always been ranked last, it would have scored 8.

1. An effective managing director (average rank 3.24)
2. A compelling vision and mission (3.34)
3. A high-performance culture (3.79)
4. A clear strategy (3.83)
5. An experienced and erudite board (4.45)
6. At least one good mine (4.52)
7. High-potential exploration properties (6.24)
8. Projects undergoing feasibility (6.28)

Overall, readers will note that hard assets didn't fare too well at all. Actually, they were ranked last.

Now, I can't really believe those rankings are correct (although there is no entirely right or wrong answer). Nevertheless, it seems irrational to consider that the actual mines (ranked sixth), projects (eighth) and exploration properties (seventh) of a company should rank in the last three places when it comes to importance!

That they did is perhaps a result of over-emphasis by a certain lecturer on the other dimensions during the coursework (strategy, vision/mission, culture, etc.).

After all, the main focus of the course was upon smart mineral industry strategies, so it is perhaps not surprising that the people factors ranked very highly.

Next year, the snap poll will be taken both at the start and end weeks for comparison purposes. Too late to turn the clock back this year though. For now, it is simply hats off to managing directors out there.

6 A fly on the boardroom wall

Monday, 30 November 2009. What's said in the boardroom stays in the boardroom: confidentiality issues surely prevent any other way. But this week Strictly Boardroom digs out a few quotes that give insight into the conduct and process of the boardroom from an insider's perspective.

The boardroom depicted in hit TV show *The Apprentice* – whether the Australian, the United Kingdom, the original American version, or even the Irish version – bears little resemblance to the real thing.

What's more, the real thing is far more entertaining and usually runs for well over an hour per episode.

The problem for the makers of good quality TV is that what is said in the boardroom stays in the boardroom. So, despite the boardroom being a fertile ground for a hit drama series – or some might suggest even for a hit sit-com – little becomes known of the true goings on in the public domain.

In part remedy at least, Patrick Dunne's book *Running Board Meetings*[2] includes numerous quotes from boardroom participants, yielding insight into what really goes on behind closed doors.

Here are some of the more amusing (and nonetheless insightful) quotes from experienced hands in the boardroom:

> **On the preparation of board papers:** "It didn't matter what the facts were. As long as you put it in the form the old buffers could easily digest, they would approve what you wanted. They never argued with spreadsheets or computerised graphs – only opinions. So the trick is to work your opinions into a chart or a spreadsheet assumption."

> **On pre-work for board meetings:** "I've no time for all this pre-meeting and sounding out stuff – or for political boards. The chairman's job is to ensure there's an atmosphere of trust and a cohesive team".

> **On the job at hand:** "The board's overriding responsibility is to develop the company, which is far more about tough-minded discussion between executives and non-executives in an atmosphere of trust than it is about spinning endless webs of process around the executives on the assumption that evil will otherwise triumph."

> **On strategy:** "You don't pick up a plant and look at its roots every six months. Strategy is a bit the same. You have to take your time to get it right and then avoid tinkering with it unnecessarily."

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[2] Dunne, *Running Board Meetings,* Kogan Page Press (2007)

> **On contributions from around the table:** Consider the perspectives from the chair as follows: Firstly, "I want you all to tell me what you think, even if it costs you your jobs". Or in contrast, "If I want your view Jim, I'll ask for it". Perhaps more encouragingly the following: "When we arrived for the meeting the night before we were all unanimous in the view not to proceed with a particular proposal. The debate at the board meeting the next morning, however, came out a different way. Everyone was happy with the decision to proceed with the proposal. Even better, we were right to do so".

And finally, board members must remember that certain decorum comes with the role, meaning there are both appropriate, and inappropriate, ways to behave towards your fellow board members.

Consider the following quote on boardroom etiquette: "Before we start each meeting, the chairman plays Aretha Franklin's *R-E-S-P-E-C-T* on the compact disc player. Those who want to are encouraged to karaoke along."

Readers might suggest other popular music more appropriate to their own experiences of boardroom etiquette, process and outcomes. From a personal experience, I'll start the bidding with Meatloaf's classic "Two out of three ain't bad".

7 Introducing the directors' decathlon

Monday, 2 November 2009. Long board meetings can be likened to a form of armchair decathlon in some respects, requiring multiple skill-sets to be displayed in quick succession. Most directors will have one or more boardroom skill-sets, or "events" so to speak, at which they excel above their peers. This week Strictly Boardroom takes this analogy a little further and lists 10 events in which all company directors must participate.

Your average director is unlikely to be fit enough to excel at a decathlon in its strictest sense – showing prowess across 10 different athletic events in the space of just two days. But company directors do engage in a form of decathlon each time they walk (or run!) into the boardroom.

The duties and responsibilities of the modern director require a broad range of skill-sets. So by way of reminder, here are the 10 athletic disciplines of the decathlon and their corporate analogues in the boardroom.

100-metre sprint

Availability at short notice, ability to agree on fast, decisive corporate action. Ten seconds, the time taken for the world's best athletes to complete a sprint, is too short a timeframe for corporate decision-making. But with pre-read, well-prepared board papers, most decisions should take minutes, not hours, shouldn't they?

Long jump

Analogues to leaps forward for the company abound, but perhaps the most important analogy to the athletic form of the long jump is that directors must be willing to be stretched constantly and to jump beyond their comfort zone. Few directors have natural prowess here, meaning that well-prepared board papers (again) are a key to success in this event. Stretching the analogy further is the concept of the foul jump – where long jump competitors overstep the tape and have to try again in the next round. Unfortunately for those participants in the corporate long jump, the same rules seldom apply: directors may not have the same luxury as athletes to cancel a leap forward to try again without undue penalty.

Shot put

This event measures directors' willingness to get their hands dirty, to join forces with management in doing the heavy lifting when and where appropriate. At small companies, in particular, the availability of human resources is tight. Non-executive directors signing up to the boardroom decathlon as coaches to management need to be willing to take to the field, not merely offer advice and encouragement from the stands.

High jump

Directors' liabilities are seldom anything but a hot topic in corporate circles, akin to the ultimate high jump when corporations fail. High-profile corporate collapses of years past have been followed by the trials and tribulations that many companies have faced during the financial crisis. Let's trust that for most directors, just knowing the detail of the corporate high jump (i.e. understanding directors' liabilities) is all they will ever require – not actually having to face the high jump itself.

400 metres

One lap of the track in athletics represents 400 metres, with a world-beating run taking only some 45 seconds to complete. If each board meeting is akin to a single lap of the track, this event in the directors' decathlon simply reflects the requirement of directors to attend and to actively contribute to each board meeting – that is, to make each and every lap a successful one for the company. The analogy ends there, however: in this director's experience, unfortunately board meetings take considerably longer than 45 seconds. As an aside while on this theme, it must be very easy to be a 400-metre runner as you only work for 45 seconds every month or so, when you actually run on the track competitively, just as it must be easy to be a company director, because all you do is attend the occasional meeting. I hope that those readers who have yet to serve as directors (and also those readers who are keen 400-metre runners), can see the error in this simple, yet incorrect, logic as to how easy the directorship role is.

110-metre hurdles

The ability to overcome repeated obstacles placed in the path of corporate progress is a core skill for a director. Some lateral thinking, a combined technical and commercial skill-base within the board and access to capital when needed should see a company through to the finish line.

Discus

Or should that read "Discuss"? Every director needs the ability to engage in constructive discussion on corporate matters, taking a holistic view of the issues. The traits for corporate success in this event are well known: an open-mind, an ability to change your position as the facts change, a willingness to put the corporate agenda ahead of any personal agendas. We all know what makes for success in this event, yet few directors consistently excel at it.

Pole vault

This event surrounds a director's ability to firstly recognise, and then to exploit, leverage opportunities on behalf of the company, whether that leverage is financial, strategic or can be applied in negotiations.

Javelin

Director behaviours sometimes better fit with analogies that involve throwing toys from prams and/or spitting dummies in the board-room, rather than hurling spears over long distances as required in the javelin event. Taking a more positive slant, however, the analogy here reminds me of a fascinating book entitled *Creative Accounting and the Cross-Eyed Javelin Thrower*,[3] which outlines how increased financial reporting regulations aim to curb inappropriate accounting practices by some directors and boards.

When Sir David Tweedie, head of the Accounting Standards Board, was asked if the regulatory battle against creative accounting could be won, he answered: "The ASB is like a cross-eyed javelin thrower competing at the Olympic Games. We may not win but we'll certainly keep the crowd on the edge of their seats."

1,500 metres

This event relates to directors ensuring their availability for board meetings of extended duration – perhaps not marathon-like in absolute distance but certainly marathon-like on occasions of specific meetings. Few board meetings resemble a sprint; most are more akin to a middle distance run.

Better run myself now – to another training session in the boardroom.

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[3] McBarnet and Whelan, *Creative Accounting and the Cross-Eyed Javelin Thrower,* John Wiley & Sons (1999).

8 Boardroom diary: the director's cut

Monday, 18 December 2006. In the past year of writing Strictly Boardroom columns, activities in and around the boardroom itself have only occasionally formed the main subject matter. This week that changes with a mining equivalent of Bridget Jones' diary – an inside look at what actually gets done on a day-by-day basis in the boardroom.

Boom times in the mining world, coupled with the onset of the festive season, have meant that recent days have been busier than usual in finding time to pen an insightful piece for Strictly Boardroom.

So perhaps writing about what actually is making things so busy right now – a sort of Bridget Jones' boardroom diary – will provide for suitable subject matter.

And in a further first, by way of an excuse to the editor as to the lateness of the submission, this column comes to you from around 36,000 feet.

So putting on a boardroom hat, why are things so busy right now? Which facets of boardroom activity have ramped up?

To answer that question, it is useful to ponder upon what it is that company directors actually do! (And please hold the obvious jokes about indulgence in corporate excess – or was that largess?)

Directing a company broadly covers five areas: corporate stewardship, business development, stakeholder management, technical oversight and leveraging relationships.

I've tried reading books on this sort of thing, and recommend every one of them to insomniacs, so the above list is a personal one as opposed to one sourced from academic tomes.

Here are the reasons why this week has been a busy one.

Corporate Stewardship

One governance duty of directors is to ensure that shareholders are served by a capable, enthusiastic management team. Naturally, this requires that managers receive adequate compensation and reward for their efforts and also an incentive to get out of bed each morning.

Why so busy now? Because the end-of-year is performance-review time for managing directors. It is the time that the board remuneration committee considers whether corporate milestones have been achieved. For example, has the company share price performance beaten peers? Will the MD be fired up or lose interest if his (or her) annual bonus is "too big" or "too small"? Equally, should the MD's recommendations for annual bonuses for staff be accepted?

Answers are seldom clear-cut, so there's plenty of food for thought. All this takes time.

Business Development

Deciding what a company should do, and equally importantly, what a company should not do, is another duty that requires director oversight. At a time of heightened rationalisation in the industry, the number of potential acquisitions and divestments, at both corporate and asset level, is greater than ever. Combine this with an environment in which price expectations are inflated by rampant commodity markets and the potential downside of making a wrong call becomes ever greater.

So extra care and due diligence are warranted. All this takes time.

Stakeholder Management

We are through with annual general meeting season. But inevitably the questions raised by shareholders require a discussion of those issues that have been highlighted at board level; that's what directors are there for too.

Guess what? All this takes time.

Technical Oversight

In small companies in particular, even non-executive directors still need to get their hands dirty – well a little dirty anyway. Whilst you will seldom find a director logging drill-samples or pegging a mining lease (although I know a few exceptions), directors still have a duty to comprehend the technical progress and challenges faced by the company. If they do not, then they can hardly offer guidance in the boardroom.

Not surprisingly, this takes time. Why all the more so now? Because the market expects rapid progress at all times – even more when markets are hot.

Leveraging Relationships

By way of a quick diversion into academic theory, one key expectation of company directors – and there are obvious benefits – is to provide access to a network of business contacts that may benefit the company in one way or another. Academics call this resource-dependency theory. So it pays to make introductions.

After all, it's one of the things you get paid for as a director. And of course, this takes time.

And what is last but not least on the 'to do' list?

It is Christmas party season of course. Just part of a director's 'relationships' duties I guess.

But getting back to work in bright-and-breezy form the next morning is not always easy.

You guessed it: it just takes time.

And as for Ms Jones' diary, detailed minutes are prepared of all board meetings, but I severely doubt that they will constitute a Hollywood screenplay.

9 Which boardroom stereotype are you?

Monday, 7 September 2009. Boardroom personalities are a major influence on company strategy and performance. So Strictly Boardroom asks which stereotypical board member you resemble. Are you the useful old hand, the great debater, the really useless or perhaps even the seether?

Long haul flights this week gave your scribe ample opportunity to catch up on a substantial backlog of reading. Subject matter spanned a couple of books on economics and the global outlook, one on gold and other precious metals trading and two management texts pertaining to the boardroom.

Now for those readers who struggle to sleep on planes, *Audit Committee Essentials* could just be the thing for you; it saw me off twice before exiting the first chapter!

But rather than focus on the dry and dull, this week's column is dedicated to one of the more entertaining of these reads (touched on already in Chapter 6, A fly on the boardroom wall), namely *Running Board Meetings*[4] by Patrick Dunne.

Dunne's book is in its third edition and, as well as giving many entertaining anecdotes, it includes some generic profiling of typical boardroom stereotypes. The descriptions certainly had this reader chuckling. So which one are you? Here they are in edited and abridged form.

> **The silent seether.** Clever, shrewd people who lack either the confidence or arrogance to be heard. Instead, they sit quietly while others make the wrong decisions. Attempts at interjecting are too late and the momentum of the debate too great to take their view on board. Later, via email or offline conversations, they pour forth with alternative views. They often threaten to resign but seldom do, preferring to sit and seethe – until they snap!

> **The seether.** A close relation to the silent seether but neither as bright nor as quiet. Seethers generally have a chip on their shoulder or something unnecessary to prove. By getting them to give an extreme version of what they want, the chair can quell the seether with, "That's a bit strong, Craig" or, "I don't think we should quite go that far Julie". More often than not though, seethers just turn out to be a pain.

> **The key influencer.** Not necessarily the chair or managing director, perhaps a powerful non-executive, founding family member, heir apparent, key shareholder representative or adviser.

> **Mr or Ms Wonderful.** They do exist. Ideal board member material: hold strong views but will listen to others; have questions rather than fait accompli but you know very well where they are coming from; motivated by what is best for the board as a whole rather than their own personal position; never slaves to political correctness or to the convenient, expedient but flawed compromise; and share responsibility for a problem even when they counselled against the course of action causing all the trouble.

[4] Dunne, *Running Board Meetings* (3rd ed), Kogan Page 2005

> **The quiet floater.** A diplomat who never does much so has never done much wrong. A master at letting others do all the fighting and emerging the winner by making a small compromising contribution at the end, thus providing the chair's summary and the company secretary's minute.
> **The dangerous director with no more to offer than a silken tongue.** A source of irritation in life who has the capacity to sound good but isn't. When they speak it sounds convincing, but trying to convert their words to action reveals their eloquent dialogue as utter claptrap.
> **The really useful old hand.** Always handy to have around. Have been through many swings of the economic and industry cycle, survived numerous crises and had the joy of many triumphs. Possess an innate sense of when to be optimistic and when to be cautious. Fierce loyalty to the successful values of the business, matched by a keen sense of when it's time for change. Someone you would love to have as an uncle or aunt.
> **The really useless or dead hand.** Sad cases. Hail from the school of decision avoidance and fearful of change. Tolerated because of their shareholding or some other accident of history. Tend not to be the brightest people and so in their desire to procrastinate they love having more explanatory information and papers to hand. Someone once said that as we get older our eccentricities become exaggerated. This lot start with a full set to begin with.
> **The great debater.** Some people just like to talk. This group approaches every issue with an open mouth.
> **The young pretender or heir apparent.** A difficult position to occupy. Many an heir apparent has come to grief on the rocks of arrogance and jealousy. Any heir apparent needs a mentor and constructive critic to keep them balanced.
> **The pulse.** This is the person who, whatever is going on, has an innate sense of what people think both inside and outside the company and how they feel. Tremendously helpful at calibrating

company presentations – and pretty useful at dealing with the seethers too.

> And finally, let's not forget **Rosey**. No matter what the issue, Rosey finds a positive interpretation. While they may be helpful in cheering up all the rest, they are typically over-promoted sales types unsuited to a board role.

Recognise yourself or your boardroom colleagues?

10 Right said NED

Monday, 13 December 2010. Strictly Boardroom reviews what it takes to be a great non-executive director (NED). It probably takes 50 different things – but here are three of the more important ones.

Many years ago, when researching the attributes that differentiate successful explorers from those who are less successful, the list of dos and don'ts became lengthier (and lengthier) as the research project continued.

For example, some exploration managers insisted that boots on the ground was the key determinant for success – while others espoused the virtues of best-in-class remote sensing data as the way to make or break a company's exploration effort.

When a final list of attributes from the study emerged, the situation did not become that much clearer.

For example, some of those exploration companies where the research data suggested they spent little time drilling nevertheless insisted that they achieved more "dollars in the ground" than did their peers. The ability to self-assess competency level seemed rare.

Indeed, perhaps self-assessment in exploration is akin to self-assessment of one's driving skills.

That is, far more than half the population consider themselves to be great drivers (or at least above average), yet I doubt any would rival Mark Webber or Lewis Hamilton – and I suspect few drivers even manage to get to and from work each week without at least technically breaching our road rules.

So it is with some trepidation this week that your scribe attempts to identify what makes for a great NED. Whatever list results, your scribe suspects that even the worst NEDs will see themselves as walking on water.

So without further ado, I should suggest up front that one given as an attribute for a great NED should be honest self-reflection.

That difficulty aside, however – and knowing there is scope for the list to become endless – here are three attributes that are likely close to the top of any NED appraisal list.

Skill-set

Some commentators push for a fresh set of eyes in putting together a board – meaning that individuals from way outside an industry area can make valuable contributions to a board.

It is hard to deny this, of course. Anyone with intelligence is capable of a contribution, and some of the most impressive scientific breakthroughs come from those researchers capable of crossing boundaries between disciplines; the polymaths of our world.

But top of the Strictly Boardroom list of success attributes is that a NED must bring a valuable relevant skill-set to the board, whether that skill-set is technical or commercial. This is especially true for small companies in the resources sector. There is no room for passengers; even if those passengers have great intellect.

Temperament

Airport bookstall readers will know the difference between EQ and IQ. EQ, or emotional quotient, encompasses a basket of abilities that involve dealing with people. The sub-list could get very lengthy.

Suffice to say that NEDs with high EQ need to know the following: when to challenge management and when to back off; when to agree to disagree and support the opinion of the majority; when to open new doors for management without wasting their time; and when to use their ears rather than their mouth.

It all sounds simple, but EQ is likely the main discriminator as to why some NEDs fit and others do not.

Desire

Okay, so let's say that you have the right skills to add value to the board of your company and you have a high EQ too. But that's not enough. What is the further X-factor that will make the difference in your performance level?

In this scribe's view, the next hurdle is desire – for which read, burning desire. How do you measure desire? From actions rather than intent or from words, of course. The non-executive director who will go that extra mile is driven by desire rather than by a $50,000 fixed fee. There can be many root causes of desire: perhaps a desire to carve out a professional reputation, or a desire to achieve spectacular wealth (possibly via an options package), or just a strong desire for self-actualisation from work.

Sporting analogies are perhaps over-used in business but we all know which team wins when one team wants it more than the other. The same maxim holds true in the boardroom.

Simple – there you have it, the top three NED attributes relate to skill-set, temperament and desire. So if you want to get a great non-executive, you should seek out a director who has virulent STD.

11 Exploration boardrooms slow to discover female directors

Monday, 16 January 2012. Strictly Boardroom updates the maths on the number of female directors across the junior resources sector and finds the numbers have increased – a little bit.

Boardroom gender analysis remains a hot topic across the business and popular press as the new year gets up and running.

Since the Australian Securities Exchange (ASX) Corporate Governance Council introduced new recommendations relating to diversity into its corporate governance principles and recommendations, the subject of boardroom gender diversity – and of general corporate diversity too for that matter – has become increasingly prominent.

This week, Strictly Boardroom aims to inform the ongoing dialogue on gender diversity in the boardroom by doing its bit to compile some relevant numbers across the junior minerals sector.

Your scribe first visited this theme some 16 months ago on August 2010.

The passage of time since that first data compilation provides an opportunity to take a quick look at whether there is now greater diversity in resources sector boardrooms than was the case back then. Unfortunately, the comparison is not quite on a like-for-like basis.

Back in mid-2010, the Strictly Boardroom data set was a 200-strong group of junior and mid-tier ASX-listed resources companies – totalling 1,004 board positions.

This time around, the data set comprises the board members of 76 minerals sector initial public offerings (IPOs) listed in 2011, with a combined total of 309 board positions up for grabs.

To the data and research process then: with his recently compiled list of metals and mining sector IPOs for 2011 to hand, your scribe spent lunch and tea breaks during the third Australia-India cricket test checking out company board compositions and noting their gender balance.

By way of background, back in 2010, Strictly Boardroom found only a meagre total of 24 women occupying board seats of the 1,004 potential positions. That's a minuscule 2.4% when looked at as a total employment pool.

The numbers for company representation were somewhat better.

That is, at least one female director was present on 11.5% of the company boards (being 23 of the 200 companies – one company had two female directors).

So what of the 2011 mineral sector IPOs' boardroom diversity?

First to the absolute numbers: of the 309 board positions, just nine were occupied by women – so 2.9%.

Next looking to the company as the primary unit of analysis, nine of the 76 IPO companies had a female director – so approximately 12% of the companies in total. (Note that 78 minerals sector IPOs listed in 2011 but your scribe was unable to easily locate the board quantum and gender composition for two of those companies.)

Both these metrics at 2.9% and 12% respectively are slightly higher for the 2011 compilation than for the 2010 snapshot – but not by a great margin.

Strictly Boardroom expects all readers would agree considerable headroom exists to lift these numbers.

Extending the diversity analysis out to company secretaries offers more encouragement, however, as it did back in 2010.

Back then, of the total of 222 company secretaries across the 200 minerals companies (some of the companies having joint secretaries), some 40 of the positions were held by women – approximately 18%.

The 2011 dataset shows a strong increase on that of 2010.

Of 82 company secretary positions across 76 companies, some 27 were held by women – so approaching one-third.

So is the junior end of the mining sector acting on boardroom diversity and opening up new opportunities?

The answer seems to be yes – but it appears we still have a very long way to go.

How far exactly?

The Australian Bureau of Statistics (ABS) estimates the Australian population comprises 50.2% of females. Now there's a gender balance target that is both easily identified and quantified.

The obvious conclusion is female directors with resources sector experience will be in strong demand for the foreseeable future.

12 Women on mining boards – the top 100 companies

Monday, 16 April 2012. Strictly Boardroom revisits the numbers on boardroom gender diversity and finds higher percentages than in previous studies when looking to the largest 100 ASX-listed mining company boards.

Boardroom gender diversity is a topic Strictly Boardroom has visited previously – on two occasions actually.

Back in 2010, your scribe checked out the gender diversity across a 200-strong field of emerging resources companies from early-stage explorers through to mid-tier miners.

Next, in January of this year, the 78-strong minerals sector IPOs of 2011 were used as the dataset to once again check out the diversity statistics (see previous chapter).

In your scribe's third analysis on the subject (and the second one to be recorded in this book), the minerals company dataset is different once again. On this occasion, it is the Top 100 (meaning the largest 100) ASX-listed minerals companies that are number-crunched to reveal the latest boardroom diversity statistics.

As with the previous analyses, the numbers of women on mining boards remains modest – but significantly higher.

The trend looks encouraging. First, however, to the Top 100 company dataset itself – and also a word of thanks: your scribe thanks Gresham Partners for their March compilation of the Top 300 minerals companies by size (as at end February 2012) for those mining companies that have a primary listing as the ASX. The largest 100 companies from that analysis, which excluded oil and gas companies, formed the basis for this brief study.

To the overall number of board positions in the dataset then. That number came in at a grand total of 622, including alternate directors where they exist. The boardroom composition for each was sourced from the ASX website company profile.

Readers will no doubt have already done the mental maths to derive an average number of around six directors per board (including alternates) in the dataset.

Next to the question of how many companies have female directors. That statistic sits at 25%, meaning that exactly 25 of the Top 100 had at least one female director, whereas 75% of the companies amongst the Top 100 presently have an all-male boardroom.

This number may appear low but it is actually higher than in the previously reported studies referred to above. That is, just 11.5% of companies in the 2010 200-strong minerals company dataset had a female board member at that time, a percentage that was essentially repeated (11.9% to be exact) in the 2011 IPO company dataset.

For the record, only four of the Top 100 companies had more than one female director (each of the four companies having two female directors), with two of those companies not surprisingly being global diversified mining giants BHP Billiton and Rio Tinto.

The other companies on that select list are Atlas Iron and Marengo Mining, which also share the prize for the highest individual board percentage of women, each with two women directors within a seven-strong board.

To some further key statistics and patterns in the recent data viewed in the context of the previous studies:

> Larger mining companies display greater board diversity than their smaller counterparts. That is, 12% of board roles in the Top 10 of the Top 100 companies are held by women (10 of 84 board positions), a statistic not matched for any other decile in the dataset, the next highest deciles between those companies ranked between 10 and 20 by size (6.3% female board composition) and the companies ranked 81st to 90th by size (6.4% female board composition).

> Overall board diversity among larger minerals companies is also evidenced by the contrasts between the present analysis of the Top 100 companies and the previous brief studies. The total percentage by number of board positions amongst the Top 100 stands at 4.7% (29 of 622 positions) compared to 2.9% in the 2011 IPO dataset and just 2.4% in the 2010 study – however the passage of time may also explain part of the observed increase.

So there you have it: looking at the largest 100 minerals sector companies reveals the highest female participation at board level thus far. The numbers to beat in future are 25% (of companies with at least one female board appointment) and 4.7% of all board positions (the total percentage of all board positions in the dataset held by women).

There is still plenty of scope for these numbers to increase of course – and your scribe confidently predicts that these statistics will indeed rise over time: watch that space.

13 Need an exploration company MD? Call an accountant

Monday, 19 January 2009. Desktop research can sometimes throw up some interesting surprises. While updating a decade-old study that concluded geologists outnumber other professions as managing directors of exploration companies, Strictly Boardroom found the latest data did not fit this previous conclusion.

Based on recent IPOs at least, you are just as likely to find an explorer led by an accountant as by a geologist.

What seems a very long time ago now, (in 1999), I penned a short research study titled "The market for corporate control in the Australian minerals sector".

While hardly thrilling in its conclusions, the research did reveal some interesting observations as to the backgrounds of managing directors in the resources sector.

In fact, you could have just about made up the conclusions yourself without doing the hard yards of actually researching the study at all. Exploration companies were led by – guess who? Geologists.

Mining companies were led by whom? That's right – mining engineers. Finally, larger resources companies, those actually generating a bit of money, were found to have a few more accountants and lawyers at the helm than their smaller counterparts.

This week your scribe decided to redo a part of the study, the analysis of exploration companies, with contemporary data.

And where better to look for that information than the 2008 crop of newly-listed mineral explorers? So the backgrounds of executive chairmen or managing directors of last year's minerals sector IPOs were duly researched and recorded.

But that's where the fun starts. Unlike the previous study where geologists dominated the exploration scene, the latest data paint a somewhat different picture.

So here are the scores from the latest round of data. Of 51 minerals sector initial public offerings in the dataset, 18 (35%) turn out to be led by managing directors who hail from a commercial background (typically accountants, but also including law and commerce graduates).

That actually beats the number of companies led by geologists (where geologists included geophysicists and geochemists). The geos were found to head up only 16 companies, some 31%. This is a far cry from the old study in which geologists recorded 51% and accountants/lawyers only 22%.

Next on the list in the latest numbers came mining engineers (with a couple of mechanical engineers thrown in for good measure) who led seven companies (14%).

Then it was the metallurgists/mineral processing engineers making an appearance, leading four companies (8%).

To close out the dataset, came entrepreneurs (two companies), a medical doctor (one company) and finally, there were a further three 2008 IPOs where your scribe was unable to determine the background of the MD at all.

So there you have it. In 2008 at least, the geologists were beaten on their home ground – by a combination of accountants, lawyers and commerce graduates.

The geologists were outnumbered in leading exploration IPOs to market last year. The next research challenge is, of course, to work out quite why – and your scribe is not sure and wants your help.

So you are invited to vote for one of the following hypotheses as the major driver of the 2008 result – or else submit your own rationale for the rise of accountants, and for the fall of geologists.

Please submit your votes by email. Unfortunately given the tough economic times, there are no prizes for the most creative answers – but the first 100 responses will be eligible to receive a free copy of the dataset. So choose from hypotheses A, B or C below – or submit your own:

A. Geologists had already run their race. Most geologists wishing to list an IPO would have done so in the years 2003 to 2007. By 2008 they were either fully occupied or had retired on the proceeds from cashing out.

B. The rise of accountants in 2008 reflects a market that was around its peak, for the first part of the year at least. Exploration IPOs don't need geologists when the market is on a roll.

C. Accountants actually make better explorers than geologists. So it's simply a form of Darwinian evolution at work. After all, don't a lot of geologists go on to study finance afterwards? And it's been a while since we've had a significant mineral discovery so it's about time someone else other than geologists had a go.

I look forward to hearing from you – and can already guess which answer the accountants will vote for.

14 Resources sector top 100 managing directors: the engineers strike back

Monday, 2 February 2009. Encouraged by reader interest in the leadership of exploration companies, this week Strictly Boardroom takes a look at the professional backgrounds of managing directors of the largest 100 minerals and energy companies by capitalisation – and finds engineers a plenty.

In the column detailed in the previous chapter, Strictly Boardroom communicated the results of a quick look at the professional backgrounds of managing directors of some 50 or so exploration company IPOs listed in 2008. The surprise, at least to this writer, was that accountants outnumbered geologists as the leaders of these explorers.

Reader feedback fell into two broad camps when asked to explain this fact – with opinion divided along party lines between geologists and accountants.

A number of geologist readers opined that Blind Freddy was capable of leading an explorer to market at the height of the boom and that in exploration terms at least, this meant accountants could get away with it, so to speak.

Other geological types among readers backed up this boom-time thinking by suggesting the quality of exploration projects floated in 2008 had fallen to the point where no self-respecting geologist would act as managing director to a number of the floats listed last year.

Finally, some readers of a more accounting persuasion took the view that geologists did not take naturally to the administrative requirements of leading a listed company; they were none too good at it either and this rationale explained the geologists not "having the numbers" in 2008.

Strictly Boardroom wishes to maintain the best of relations with both his accounting and geological professional networks so will refrain from giving a personal view.

However, it is noted for the record that in terms of votes cast, the geologist responses outnumbered their accounting counterparts by some three to one.

So having stirred the pot between geologists and accountants, why not go one step further this week?

Here are the results of a quick look at the professional backgrounds of managing directors (or the executive chairman where appropriate) of the largest 100 minerals and energy companies on the Australian Securities Exchange. Now, as you might expect most, but not all, of these larger companies are already minerals and energy producers. So you might expect engineers to get a look in somewhere. And you would be right.

Here are the results of the largest 100 companies by managing director background:

> Engineers 36% (including mining engineers and metallurgists/process engineers);
> Commerce (including finance specialists, accountants, economists and lawyers) 31%;
> Geologists 21%;

Unknown background (where their original training was not easily deduced) 12%.

So the engineers strike back. When companies reach the production phase, it seems it is out with the accountants, lawyers and geologists (at least to some degree), and in with the engineers.

And so it should of course be when trying to get a mine up and running or a processing plant to work properly.

Now for the matter of record – or perhaps even to stir the pot among the engineering fraternity – mining engineers occupied some 12 positions, mineral processing or chemical engineers some nine positions, while those with a general, mechanical or undetermined engineering background took up the remaining 15 positions attributed to engineers in the study.

Thanks for all your feedback. I look forward to hearing more from you – whether you hail from a finance, geology or even an engineering background.

15 A mad minute of boardroom frameworks

Monday, 5 December 2011. This week a list of more than 60 management models that "every manager must know" – and I ask how many do you know and how many have you actually used?

In those now distant days of weak commodity prices at the turn of this century, your scribe worked for a period at an international management consultancy, in the process being force-fed a large number of management frameworks of the type that have now proliferated through the business literature.

This dark-side experience as a management consultant was rekindled this week upon discovery of a new best-selling business book that offers a synthesis of such frameworks, published by the Financial Times [5].

Key Management Models, now in its second edition, counts the number of frameworks that "every manager needs to know" (and one would presume every board member needs to know too) at a grand total of 60. So, by way of an informal Strictly Boardroom quiz in the lead up to Christmas, here is the full list of 60 management models, grouped in the three areas of *strategic models*, *tactical models* and *operational models*.

[5] Van Assen et al, *Key Management Models* (2nd ed) Financial Times–Prentice Hall Publishing (2009)

Now here's how the Strictly Boardroom quiz works. In the first round, give yourself one point if you are familiar with the model name when it is mentioned below. The list of management frameworks contains a large number of unexplained acronyms and industry terms: SWOT, MABA, EFQM, etc. We have not explained any of these acronyms here. That's the point of the quiz! You get points if you already know the answers.

Next revisit your now (far shorter?) list of those models that you do actually know and award yourself a further five points for each model you have used!

There is no prize on offer for the highest score but your scribe's score is given at the bottom of the article for benchmarking purposes.

Hopefully, this impromptu quiz is at least one level above the Bingo game of management buzz words that regularly does the rounds of humorous emails. But for anyone who does wish to go that route, once you reach a score of 100, you should shout Bingo!

In a more sophisticated version of this quiz, perhaps those readers who have completed an MBA should be handicapped 25 points on their final score if competing with colleagues?! Here goes:

Strategic Models

1. Ansoff's product/market grid
2. The BCG matrix
3. Blue ocean strategy
4. Competitive analysis: Porter's Five Forces.
5. Core competencies
6. Greiner's growth model
7. Kay's distinctive capabilities
8. Market-driven organisation
9. Off-shoring/outsourcing
10. Road mapping
11. Scenario planning
12. Strategic dialogue
13. Strategic HRM model
14. Strategic human capital planning
15. SWOT Analysis
16. The value chain
17. Value-based management
18. The value disciplines of Treacy & Wiersema

Tactical Models

19. The 7-S framework
20. Activity-based costing
21. Beer & Nohria – E and O theories
22. Benchmarking
23. Business process redesign
24. Competing values of organisational effectiveness
25. Core quadrants
26. Covey's seven habits of highly effective people
27. Curry's pyramid: customer marketing and relationship
28. The DuPont analysis
29. Factory gate pricing
30. Henderson and Venkatraman's strategic alignment model
31. Hofstede's cultural dimensions
32. House of purchasing and supply
33. The innovation circle
34. Kotler's 4Ps of marketing
35. Kotter's eight phases of change
36. Kraljic's purchasing model
37. Lean thinking – just-in-time
38. MABA analysis
39. Milkovich's compensation model
40. Mintzberg's configurations
41. Monczka's purchasing model
42. Overhead value analysis
43. Quick response manufacturing
44. Senge – the fifth discipline
45. Six sigma
46. The EFQM excellence model
47. The theory of constraints
48. Vendor managed inventory

Operational Models

49. The balanced scorecard
50. Belbin's team roles
51. The branding paradigm
52. Change quadrants
53. Discounted cashflow
54. Kaizen/Gemba
55. Mintzberg's management roles
56. Risk-reward analyses
57. Root cause analysis/Pareto analysis
58. The six thinking hats of de Bono
59. The Deming cycle; plan-do-check-act
60. Value stream mapping

How did you do? Your scribe's score for the record was around the 180 mark. A pity we aren't playing darts instead.

I must admit it does take some management commitment (or should that be intestinal fortitude?) to get through the full list but there are some real gems hidden in there, so it is a thumbs-up for the book from here!

16 Distinctiveness – the Holy Grail of the minerals sector

Monday, 30 April 2012. This week Strictly Boardroom questions whether minerals companies are actually any good at things and finds in general it is very difficult to know – without getting up close and very personal.

In a former life as a management consultant, your scribe was occasionally charged with the task of determining the distinctive capabilities of organisations – with several of the corporate guinea pigs for such analyses being mining companies.

Unfortunately, the results of these investigations were not always flattering to the companies concerned, which made for some very awkward boardroom presentations indeed.

After all, no company likes to be advised there is little or no factual evidence they are distinctive in any positive way compared to their competition.

The search for that "Holy Grail" of business – to identify distinctive capabilities (which can drive sustainable competitive advantage) – should go on, however – despite the difficulty and pain of the quest.

Why? Because those few companies that do have a true capability above their peers should be handsomely rewarded, both to their bottom line and in growth terms.

Companies need to know what they are good at and then build upon that strength to capture full value. If the company's capability is truly distinctive and in particular if it is also inimitable then both shareholders and the market should know too, of course.

Distinctive capability itself still remains misunderstood as a business concept (despite emerging in the management literature more than 30 years ago). Some companies wrongly equate corporate capability to their asset base and even with their cash – whereas assets and cash are transient.

Distinctive capability is typically found sourced in people and in processes rather than on the balance sheet. An understanding of what defines distinctiveness is the first step but even those companies that do understand capability as a concept can still struggle to ascertain the true value of specific capabilities.

Put simply, some capabilities are worth far more than others, so corporate capabilities should be ranked and valued. Some capabilities can be scaled up and are worth an absolute mint, others unfortunately cannot.

A real example is illustrative.

When assessing the capabilities at one large resources company some years ago, the various functions across the multi-billion dollar enterprise could be classified as sitting within four categories.

Firstly, those functions that were just doing their job – with no formal measurement of when (or if) that job was particularly cost-effective, value-adding or any better or worse than their previous efforts.

Secondly, those functions measuring success against themselves – aiming to better their track record over time.

Thirdly, there were those functions measuring their performance – not only against their past best achievements – but also against their segment of the industry as practised by peers.

Finally, there was just one function (and only one across a dozen key functions) that routinely measured its performance against itself and its peers, that demonstrated it could routinely beat all competition and also strived to get better.

This function added value beyond peers to the tune of several tens of millions of dollars per annum.

Unfortunately, my guestimate of those companies with a true distinctive capability in any one function sits below the 20% mark (one in five) – and possibly even below the 10% mark (one company in ten). What's worse is when many companies fool themselves they do have a distinctive capability, yet the facts – when gathered – deny that. So is your company one of the truly talented few or one of the mediocre many?

17 Best-practice communication

Monday, 13 March 2006. Strictly Boardroom suggests that mining company professionals are great from a technical perspective but can't communicate effectively at board level.

Writing a column on best-practice communication is a tough ask. Chances are that the odd typographic or grammatical error will squeeze through the editorial process. But at the risk of such embarrassment, the prize makes it worth trying. If, as technical professionals, we could become better skilled in the art of communication, I believe that our industry would reap significant benefits as a result.

By way of recent evidence, last week I was fortunate enough to attend a two-day training session on feasibility planning. The presentations at the end of the course were technically excellent but the conclusions that were presented were far from clear to those course leaders role-playing as company board members.

One best-practice communication tool is known as the Pyramid Principle. Simply put, it suggests that you start with your conclusion, and then present the supporting evidence that led you towards it. Here, below, I present the fictitious examples from Gene Zelazny, former communications guru to consultants McKinsey & Company.

To set the context, the examples are letters written by a little girl called Lucy to her school friend Shirley. One is in appropriate form for board communication (the Pyramid example) the other is not (although akin to the way most technical professionals communicate). I leave it to you to work out which one is which!

Given that a recent estimate put the number of board papers reviewed by a major resources company at around 250 a year, I suggest that boards would prefer messages to be succinct, to the point and clear. Wouldn't you?

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[6] Zelazny, G. *Say it with Presentations,* McGraw-Hill, (1999)