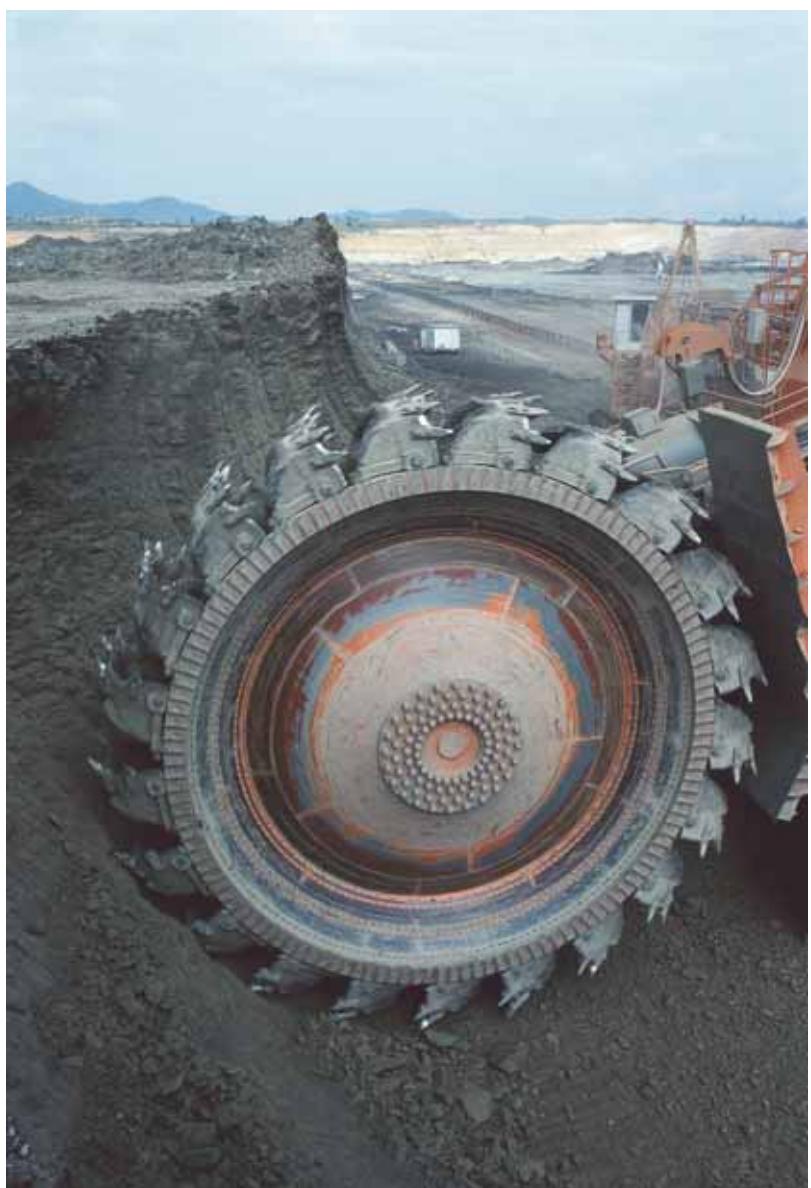


## Managing Complex Transformations Achieving excellence

A summary of our transformation management and programme leadership capability in the mining industry



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# Introduction

Deloitte's Mining practice has a dedicated specialist team of programme leadership professionals who have the knowledge, skills and experience to lead, advise and support large-scale, complex transformational change. By their very nature, organisations operating in the mining sector frequently undertake large-scale complex transformations. There are significant pressures to deliver benefits within tight time and cost constraints whilst minimising risk. Our Programme Leadership team draw upon skills, techniques and expertise acquired through experience to provide our clients with valuable advice and support.

Our team provides solutions which address the range of challenges facing companies as they adapt to changing regulations, shifting political, economic and environmental concerns, technological developments, as well as to changes brought about by market restructuring, mergers and acquisitions, performance improvements, increased environmental sensitivity and stakeholder pressure to increase profitability. The amount of change organisations need to undertake requires real expertise in the major issues and complexities around planning, designing, structuring and effectively executing transformational programmes. The ability to shape, deliver, and assure transformation is crucial in minimising the risk of delivering the change whilst maximising the benefits.



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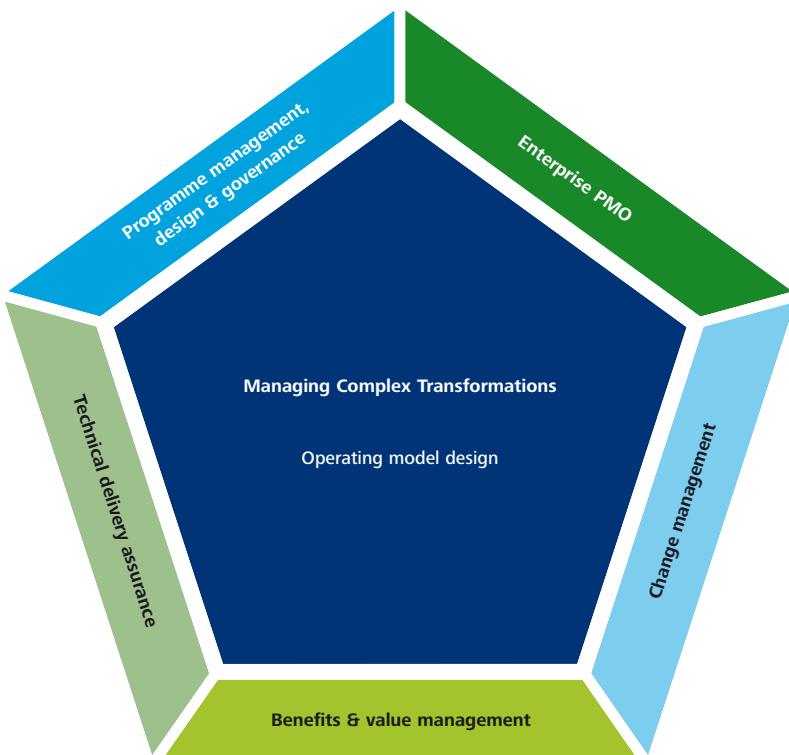
**Our Programme Leadership team draw upon skills, techniques and expertise acquired through practical experience to provide our clients with valuable advice and support.**

# Our approach to transformations

Our approach to advising, leading and shaping large global complex transformations is based on our Managing Complex Transformations (MCT) approach. This approach focuses on achieving key strategic imperatives and benefits to deliver a sustainable and successful transformation programme rather than the traditional project approach of focusing only on time, cost and quality.

Through adapting this approach, organisations can create a 'line of sight' between strategy and successful transformation delivery.

Based upon our extensive experience of advising, supporting and managing complex transformations, we normally recommend consideration of six critical themes within the transformation management office:



## Programme management, design & governance

- Focus on designing and shaping the transformation, developing the vision, direction and design of the programme.
- Establishing effective governance with clear roles, accountabilities and responsibilities across the programme. This should enable effective supervision, decision making and necessary controls and management.
- A fit for purpose yet flexible methodology supported by leading tools and techniques to manage the programme and projects effectively and efficiently.

## Operating model design

- Design of the future operating model to ensure that when the organisation is transformed, it is effective both to meet the strategic objectives of the organisation and be congruent with the top-down strategy and bottom-up operational realities across business units.
- Consideration of an appropriate target operating model design of people, process and technology will enable the formulation of a business case and creation of an integrated execution plan.

## Benefits and value management

- Defining and developing a benefits management approach to identify, define, plan, measure and report the realisation of benefits intended from the transformation. This will involve the development of an approach, framework, tools and techniques to prioritise initiatives based on benefits, cost and risk, as well as provide the approach, framework and tools to track the delivery of benefits.
- Establishing a clear linkage between improvement initiatives and shareholder value.

#### **Enterprise Programme Management Office (EPMO)**

- Implementing an Enterprise Programme Management Office to monitor, co-ordinate, report and control all the transformation activities across the projects within the transformation programme.
- Implementing intelligent processes, procedures and tools including but not limited to planning, risk and issue management, resource management, budgeting and financial control, change control and quality management.

#### **Technical delivery & assurance**

- Specialist advice with deep mining industry and technical subject experts across all subject areas and geographies, that are on hand to provide delivery and technical advice, assurance and proactive intervention where necessary.
- Specialist advice and assurance from mining industry experts who understand the end to end mining supply chain.
- Advice and assurance from technical specialists who understand the complexities and competencies necessary for the success of different types of programmes; from Tax, Corporate Finance, IT, Human Capital, Operations, Supply Chain, Finance through to Enterprise Risk and Security.

#### **Change management**

- Assess the organisation's readiness for change, along with the likely impact of change on staff within the organisation.
- Strategic change needs to be managed through the development and implementation of a tailored change strategy, which identifies the interventions and organisational levers that will minimise resistance to change.



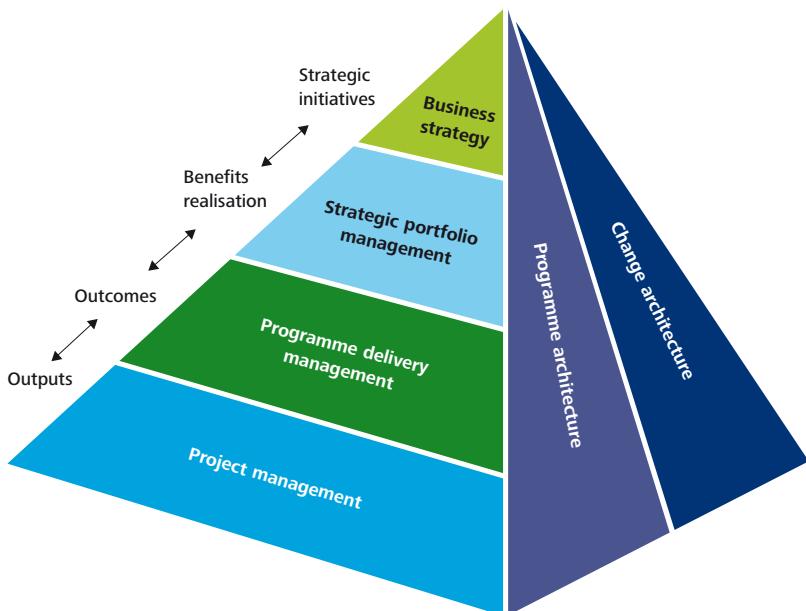
**Our approach to advising, leading and shaping large global complex transformations is based on our Managing Complex Transformations (MCT) approach. This approach focuses on achieving key strategic imperatives and benefits to deliver a sustainable and successful transformation programme rather than the traditional project approach of focusing only on time, cost and quality.**

# Our Programme Leadership practice

Programme Leadership takes a holistic approach to the delivery of projects and programmes in complex transformations. We align projects with the overall strategic objectives, transforming the business strategy into a co-ordinated portfolio of initiatives. The approach addresses the need to build organisational capability for the development and implementation of new processes, structures and systems as well as the skills and abilities of people. We take an integrated approach to delivering business changes, creating means for continuous delivery. Our approach is to build core organisational capabilities which enable organisations to be agile in their response to their environments or markets.

Key areas Programme Leadership covers include:

- **Strategy translation** – turning business strategy into programmes of work to deliver organisations' objectives.
- **Programme management** – ensuring the benefits set out in the programme of work are delivered.
- **Project management** – ensuring that work packages are delivered to time, cost and quality.
- **Programme and change architecture** – helping organisations build capabilities that support challenges of large scale complex change.



We help our clients align their projects and programmes with the strategy of the organisation and deliver the benefits originally intended.

# Our people

Programme Leadership is comprised of high calibre consultants with a vast range of experience in programme planning and delivery across the mining industry. We invest in our employees who come from a diverse range of backgrounds, by giving them access to the best training and career development programmes.

Our consultants specialise in many areas including project and programme delivery and management as well as risk management, planning, governance and reporting. We work closely with our colleagues in Human Capital and Technology Integration so together we can provide credible solutions for the more significant and complex challenges faced by organisations. We have an exemplary track record in high quality programme delivery and have robust process to assure the quality of our delivery so that you can focus your efforts elsewhere.

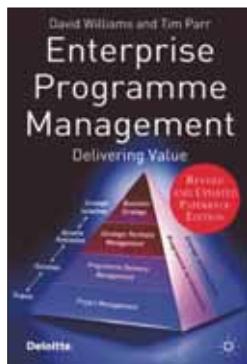
Programme Leadership helps you unlock the full value of your initiatives, especially when you have a range of complex projects going on simultaneously. We combine deep strategy and operational capabilities with extensive implementation experience in order to develop value-based executable strategies and to realise and manage benefits across your organisation.



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We have an exemplary track record in high quality programme delivery coupled with working collaboratively with our clients.

# Methodologies, thought leadership and centres of excellence



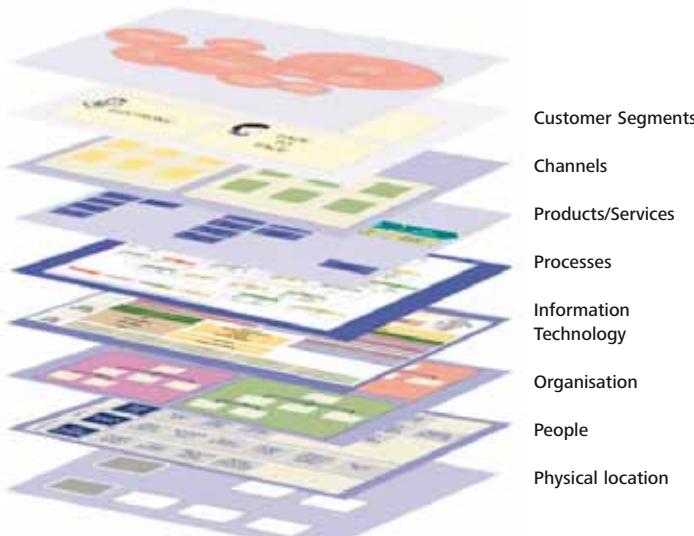
## Programme management, design & governance

When delivering projects, all our practitioners use PMM4, Deloitte's own Project Management Methodology. It builds on industry leading best practice approach to project management.

As well as PMM4, Deloitte has a suite of resources and material available to all practitioners involved in the management of Programmes and Programme Management offices. We continuously update these resources to add value to the programmes we deliver. The majority of our staff are Prince 2 and PMI qualified and many of our people also have MSP and Six Sigma qualifications. We have developed independent relationship with many of the leading project management software vendors and can advise on which Programme Management software solutions meet your needs. We have Programme Leadership centres of excellence in the UK, US and South Africa staffed with subject matter experts in managing transformations and programmes in the mining industry. The Enterprise Programme Management book on delivering value published by Macmillan provides an example of Deloitte's thought leadership in the Programme Leadership area.

## Target Operating Model

- A good operating model can be a key competitive differentiator. Moving from strategy definition to strategy execution requires an important and critical preparation step – namely the translation of corporate strategy into operational strategies. This translation should take the form of a comprehensive operational design, or Target Operating Model (TOM).



- By designing a Target Operating Model (people, process and technology) in detail, an organisation can best assure the successful execution of its strategic ambition. A TOM provides a clear, unambiguous articulation of how an organisation's operations will be configured to achieve the desired end state.

- Deloitte's Target Operating Model is a structured approach and proven methodology. By analytically de-constructing the organisation into its' constituent parts, the impact of the organisation's proposed change can be clearly mapped and visualised. Evaluating the organisation through the nine layers helps ensure that the optimum solution is derived, and any gaps or duplications are identified and remediated.

The key steps in designing a Target Operating Model are:

1. **Diagnostic** – Analysis of the current operating model and the gaps in capability to reach the future target operating model.
2. **Development of the design principles** – Rules guiding how the new operating model will be developed and defining the critical measures of success.
3. **Design of the Target Operating Model (TOM)** – Design of how the future organisation will operate and the capabilities it will require in line with the strategic intent. This will involve designing to an appropriate level of detail the nine component layers.
4. **Develop and refine the business case** – Quantifies the change implications in terms of costs, benefits and the risks involved.
5. **Implementation plan** – Roadmap or work plan prescribing timeline, roles, responsibilities and actions to implement the Target Operating Model.

# Our client experience

## De Beers UK – Transformation management support

De Beers UK is the sales and distribution arm of the De Beers Group. De Beers UK was embarking upon a significant programme to transform the organisation by the end of 2009 as a result of a number of drivers for change. Deloitte was engaged to structure, shape, scope, plan, and design the programme in phase 1. This was to enable the execution of the activities to achieve the end state vision, objectives, and cost saving articulated in the business plan. The key challenges of the transformation were:

- Developing a new integrated operating model for the organisation.
- Ensuring execution and delivery of transformation objectives in a structured and organised manner.
- Working effectively and managing relationships with joint venture companies.
- Managing and motivating staff members through the change.
- Becoming one organisation with shared vision, objectives and values.
- Delivering the benefits articulated in the business plan.

Deloitte's approach involving transformational leadership delivered the following benefits:

- De Beers UK executive committee gained insight, understanding and assurance over the activities which were being undertaken.
- Programme activities were structured and formulated with effective governance, reporting and oversight to enable control and direction.
- Processes, tools and methodologies were established to enable effective transformation management, change management, benefits management, planning and design and operating model design.
- Clear understanding of the gaps in the future operating model, together with detailed action plans to remediate weaknesses.
- Baseline cost position for all business units was established along with the process, and tool to track costs and benefits of the programme.
- Baseline plans were established to enable programme activities to be effectively tracked.

## Global mining Conglomerate – Aligning Business Systems (ABS)

The Metal Mining Company is one of the world's largest mining companies with interests across all regions of the globe and in resources ranging from coal to diamonds. Historically, most of the business units (BUs) that make up the company have operated as individual businesses with their own rules, processes and systems. In 2005, the client commenced a global business improvement initiative to align business processes and systems across all client BUs by c.2010. We have so far:

- Assisted the programme management office in developing some of their project tools, particularly for financial modelling and project budgeting. We also assisted with the development of project method and accelerators.
- Led the development of a profitability analysis framework which would be used to develop the profitability analysis model for the client.
- Provided help with the transition support at the global, build and business unit implementation level, working in the areas of communications, business engagement, capability, and learning and performance support to assist with the successful adoption of the business processes and system across the company.
- Assisted in process design and realisation activities, with involvement in the very early stages of the project design through to the latest efforts in realisation and continuous improvement.
- Led the definition of the requirements definition method, assisted process teams with requirements definition and assisted business units with requirements gap analysis.
- For each of the implementation projects in the ABS programme, the business had to have its interests represented and defined. Deloitte provided representation for the client's business units both during rollout and to support post implementation improvements.
- Partnered with the client tax department to assist BUs in defining optimal tax solutions which supported alignment, where possible, since fully aligned business processes and systems could not be achieved in the area of tax, due to differing local and national tax regulations across the globe.

### Xstrata – Project Koniambo

Xstrata engaged Deloitte to perform continuous audits of the Koniambo project. This project is to build a greenfields nickel mine in New Caledonia. The project is an engineering, construction and procurement (EPC) project to build a mine, 12km conveyor belt, metallurgical plant, power station, port and the supporting infrastructure (such as roads and accommodation) over a 5 year period.

Deloitte reviewed the whole project, from organisation, finance, process, procurement, design and construction. This involved assessing the current status of the project against the Deloitte Capital Projects Maturity Model.

#### Value delivered

- Baseline review – initial assessment of the project maturity in the critical dimensions of:
  - Design intent framework.
  - Critical path definition.
  - Programme organisation and reporting.
  - Programme planning & scheduling.
  - Program contractual framework.
- Second EPCM project review – followed up issues raised in the baseline review and examined:
  - Schedule adherence.
  - Cost control.
  - Risk management.
  - Design intent framework.
  - Engineering change notification.
  - Tendering and procurement process.
  - Project documentation process.

### Global mining company – Commercial Hub implementation including SAP deployment and tax optimisation

This global mining client's programme goal was to relocate their Mining Groups Commercial Hub, including implementation of a new operating model, SAP system and tax optimised co-operation arrangement between smelters and the Hub. Deloitte was asked to provide Tax Advisory and Programme Management services during two phases, Feasibility and Implementation.

The client's decision to relocate the Commercial Hub was driven by a need to manage price risk more effectively, this led to an early decision to implement a new SAP system. A decision made in isolation without an understanding of the other streams of work across, finance, tax, legal etc., that were also required to ensure the establishment of a compliant Hub. The group also had a global presence and significant project management was required to manage the implications of the Hub re-location across 6 regions. Location of Commercial Hub decision required significant navigation of internal politics, economic and environmental challenges and operational issues.

Deloitte's approach to the programme include:

- building an Integrated programme plan across 14 work streams demonstrating the key interdependencies and milestones;
- coaching the client programme manager on programme leadership fundamentals and building supporting programme management tools eg. risk & issue management, change management etc;
- providing project management support to Deloitte Tax teams including activity planning, cost estimate generation and delivery support;
- generating and delivering key programme and change management communications; and
- orchestrating the Programme Engagement & Kick-off workshops, to align the vision and objectives across all work streams.

Deloitte delivered a number of critical results in helping the client to deliver value through the transformation programme, including:

- Fully integrated programme plan, with two phased strategy – Achievement of a Compliant Commercial Hub and Metal Management System implementation.
- Tax optimisation of co-operation agreement smelters – Hub. Generation of programme vision and alignment of 14 work streams including tax advisory teams across 6 regions.

# Contacts



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John leads the Energy and Mining Consulting team in the UK. He focuses on managing complex business change and transformation programmes with a specific focus on the Mining and Oil & Gas industries. He specialises in managing business transformation execution approaches, based on strategic, process, performance, technology, and organisational change requirements.

He has deep experience in the set-up and operation of Programme Management offices for complex transformation programmes. John has experience in implementing large scale enabled transformation for clients globally.

John's key clients include Rio Tinto, De Beers, Baker Hughes, and Sasol.



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### **Partner – Energy, Infrastructure & Utilities**

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Debbie heads the Metals & Mining team in the UK and represents the UK on the Deloitte Global Mining Team. She has worked in both South Africa and the UK and has over 16 years experience in the mining sector. Her focus is on audit, assurance and transaction services and her clients have included Rio Tinto, BHP Billiton, Anglo American, De Beers and Vedanta Resources.



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Niresh leads the sub-group within Programme Leadership focusing on Energy, Infrastructure and Utilities. Niresh is Project Management Professional (PMI), MSP and Prince2 qualified and is an expert in portfolio management and setting up Transformation Management offices.

Niresh has experience providing Transformation Management, Target Operating Model, Portfolio Management and Programme Management solutions for De Beers, BP, Shell, Saudi Aramco and Kuwait Petroleum.

Niresh was the interim Programme Director at De Beers UK, responsible for assuring and reporting on strategic projects to the De Beers UK Executive Team and Managing Director. He was also the programme manager for the first phase of the complex business transformation De Beers UK undertook in 2008 (see case study).

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