Unit Outline*

MGMT8616

Advanced Topics in Management: Strategic International Mining Management

Trimester 3, 2011
Crawley

Professor Malcolm Richmond

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction
The unit comprises a series of lectures that cover the application, of business strategy and international management principles, to the world mining industry. Lectures cover the behaviour of the world mining industry, the significant strategies and decisions taken by firms that have shaped important shifts in the industry’s current and future direction.

Unit content
The unit comprises 5 full day lectures (essentially 12 lectures)

- Scrap book presentations by each student will start mid unit (15 minutes each)
- Halfway through the unit (7TH October 2011), I will introduce the case Study (for presentation/completion in the final week)
- The dates are below: each day starts at 8.30 am and finishes at 5 pm; there will be two key lectures plus a presentation together with intensive Q&A.
  - Friday, 16th September 2011
  - Saturday, 17th September 2011
  - Friday, 7th October 2011
  - Friday, 4th November 2011
  - Saturday, 5th November 2011

The goal of the unit
Overall, it is the goal of the unit to provide the student with a deep understanding of a major industry, covering issues such as competitive and growth strategy, industry micro economics, production technology, international marketing, internationally effective organisations and recruitment of staff to international organisations.

Learning outcomes
The unit seeks to provide the student with a framework for better understanding the industry today and where it might be heading tomorrow. It can be seen as providing the student with a real world application of many important tenets of international business, generally (particularly as it relates to China) and to the mining industry and last but not least: project management.

The unit provides the student a good insight into the use of classical microeconomic tools (eg supply curve analysis) which have wide application in a commodities industry. Towards the end of the unit the student is brought up to date with how Boards actually select (or reject) major investments and growth projects.

More specifically the unit will consider:

The important forces shaping the industry as a whole.

- The demand for metals and minerals internationally
  * Metal demand and its relationship to macro economic variables in both developed and emerging economies.
  * Expected demand/outlook for major economies (the special case of China).
  * Important shifts in technology, in the use of metals.
- Longer term supply and the role of exploration.
- Supply/demand balance in international price formation.
**Key issues of individual firm activity**

The following issues are covered from both the basis of early stage and established firms:

- Corporate strategies for growth and development
- Asset spread/Portfolio strategy
- International marketing – contract agreement and price setting
- Political management in an international world
- Exploration – the life blood of new projects
- Financial strategy
- Project development and financing
- Engineering/technology
- Initial business planning and development of new customers

**Prerequisites**

This unit is very challenging; the lecture materials given to students are extensive and, in essence, a good example of “applied strategy.” As such, it is strongly recommended students have already undertaken units in finance and strategy.

**Educational principles and graduate attributes**

In this unit, you will be encouraged and facilitated to develop the ability to form critical judgements as part of a small group or “Board”. In fact, in the key (final) project, students will take the role of a company director (with the lecturer as CEO). The role of “director” demands, inter alia, the student to master a complex set of papers on the proposed acquisition of Alcan, and sustain incisive questioning (at a “Board meeting”) about a major new investment. The papers and investment proposal are authentic. Students will be asked to outline whether the company should proceed with the investment under review, and if so, under what conditions.

**TEACHING AND LEARNING RESPONSIBILITIES**

**Teaching and learning strategies**

The “Scrapbook” Project will examine a major decision taken by a firm within the world mining industry and consider the reasoning behind the decision and evaluate its outcomes; for example

**MAJOR DECISIONS**

- *BHP development of HBI*
- *BHP acquisition of Magma*
- *RIO decision not to purchase WMC*
- *Anglo American reorganization*
- *RIO purchase of NBH*
- *Xtrata purchase of MIM*
- *BHP development of Escodida*
- *BHP’s Sale of Steel Bus*
- *BHP’s future moves at Olympic Dam*
- *Development of FMG*
- Vale’s purchase of INCO.

Scrapbook presentation is roughly 10 slides of analysis, (on Powerpoint). Supporting graphs, charts, and references are in addition to this.
The approach to learning which underpins the structure of this unit is shown in the following diagram:

<table>
<thead>
<tr>
<th>Resources</th>
<th>Processes</th>
<th>Learning</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>other students' experiences</td>
<td>feedback</td>
<td>identification of own approach</td>
<td>behavioural learning &amp; application</td>
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<tr>
<td>(particularly Decision Scrap book)</td>
<td></td>
<td></td>
<td>Good Industry Understanding</td>
</tr>
<tr>
<td>own experiences (work, role plays etc)</td>
<td>reflection &amp; application</td>
<td></td>
<td></td>
</tr>
<tr>
<td>research (principles of good practice)</td>
<td>reading lectures &amp; discussion (Case Study)</td>
<td>understanding</td>
<td>A good grasp of underlying theory</td>
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</table>

**Teaching and learning evaluation**

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

**Attendance**

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process, therefore it is important that you attend classes. More formally, the University regulations state that 'to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials'. Where a student, due to exceptional circumstances, is unable to attend a scheduled class, they are required to obtain prior approval of the unit coordinator to be absent from that class. Any student absent from class without having had such absence approved by the unit coordinator may be referred to the faculty for advice and may be required to withdraw from the unit.
CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
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<tbody>
<tr>
<td><strong>Name:</strong></td>
<td>Professor Malcolm Richmond</td>
</tr>
<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:Malcolm.Richmond@uwa.edu.au">Malcolm.Richmond@uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Consultation hours:</strong></td>
<td>By appointment</td>
</tr>
<tr>
<td><strong>Lecture times:</strong></td>
<td>16th &amp; 17th September, &amp; 7th October, 4th &amp; 5th November 09:00am until 05:00pm</td>
</tr>
<tr>
<td><strong>Lecture venue:</strong></td>
<td>BUSN242</td>
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<tr>
<td></td>
<td>7th October BUSN142</td>
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</tbody>
</table>

Your Lecturer

Professor Malcolm Richmond has a business background – largely with the international minerals industry, with a career spanning 30 years with Rio Tinto Ltd (many years of which at senior positions), for example Vice President Strategy and Acquisitions, MD of Research and Development and Executive Director of Hamersley Iron. Malcolm has been (and remains) a Director of many companies and organizations. His major interests include strategy and decision making in complex and uncertain environments particularly where technological risk is a major factor.

Professor Richmond has significant interest in China and lectures to a number of major metallurgical and mining institutions there, and is regarded as a leading authority on many aspects of mining industry strategy.

TEXTBOOK(S) AND RESOURCES

Unit website

http://www.webct.uwa.edu.au

Lecture notes will be posted on the unit web site.

Recommended/required text(s)


Additional resources and reading material

Students will be provided with very extensive lecture notes, addenda and relevant papers at the first lecture.
UNIT SCHEDULE

The unit is to be taught “intensively” over five days with the topics to be covered listed below:

<table>
<thead>
<tr>
<th>Time</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>9am – 5pm</td>
<td>Friday, 16th September, 2011</td>
<td><strong>Introduction/Overview</strong>&lt;br&gt;  * An industry undergoing major change – the issues at large.&lt;br&gt;  * The extraordinary shift in demand/supply balance&lt;br&gt;  * Political relations, new countries&lt;br&gt;  * An initial look at corporate strategy&lt;br&gt;  * The impact of the current recession</td>
</tr>
<tr>
<td>9am – 5pm</td>
<td>Saturday, 17th September, 2011</td>
<td><strong>Shifts in demand/supply and price formation</strong>&lt;br&gt;  * Economic development – stages of growth&lt;br&gt;  * Industry growth and demand for metals&lt;br&gt;  The extraordinary importance of China</td>
</tr>
<tr>
<td>9am – 5pm</td>
<td>Friday, 7th October 2011</td>
<td><strong>Supply: Mining Projects, Exploration, Shipping</strong>&lt;br&gt;  * Problems maintaining continuity/cost competitiveness</td>
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<td><strong>Introduce Case Study</strong>&lt;br&gt;  * Anticipated outlook for supply/demand&lt;br&gt;  * Price formation; the various approaches adopted</td>
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<td></td>
<td>Friday, 4th November 2011</td>
<td><strong>Detailed Review of Some Key International Markets</strong></td>
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<td><strong>Project Development and Financing/Early Stage Marketing, Evaluation and Studies:</strong>&lt;br&gt;  * Prefeasibility, BFS.</td>
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<tr>
<td>9am – 5pm</td>
<td>Saturday, 5th November 2011</td>
<td><strong>Industry Strategy overview and Specific Firm Strategy.</strong></td>
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<td><strong>Case Study – Discussions: Rio/Alcan acquisition</strong></td>
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<td><strong>Putting It Together – the key decisions at the Board table of a major mining firm</strong>&lt;br&gt;  * How large scale projects are assessed</td>
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<td><strong>Case Study Presentation</strong></td>
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ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic programme. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

Assessment mechanism summary

The unit will involve a series of assessment methods, including: Class participation and the development of a major project. Prior to undertaking this unit students should have completed Stage 1 of the MBA, and have a reasonable grasp of both financial and strategic analysis.

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight/Component</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class participation</td>
<td>20% Class Participation</td>
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</tr>
<tr>
<td>“scrap book” presentation</td>
<td>40% “Scrapbook”</td>
<td>7th October 2011</td>
</tr>
<tr>
<td>Major Project</td>
<td>40%</td>
<td>14th November 2011</td>
</tr>
</tbody>
</table>

Supplementary exams are not available in this unit.

Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: The grade FC indicates failure to complete an identified essential assessment component and means failure of the unit.

Note 3: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.

Assessment components

Major Project/Presentation

Rio/Alcan acquisition. Student assumes role of major firm’s director (ie: at Rio). The project for your analysis is large and complex. You are required to provide a formal answer – should the firm proceed with the project? Why? Why not? What concerns do you have? The answer will draw upon the student’s ability to absorb large amounts of information – much of which he/she will have little direct experience in.

Length: Not more than 2,500 words (with latitude for graphs and appendices)
Assessment criteria

a) Major Project:
Your project will be assessed according to the following criteria:
(i) to what extent does the analysis and discussion in the assignment show that the student has both successfully mastered the constructs and ideas raised in the lecture room together with the approaches outlined in the required reading.  (ii) to what extent does the assignment reach clear practical conclusions that are relevant in terms of the issues outlined in the “Papers” students are given as part of the exercise.

b) Class participation
Class sizes will be reasonably small and so considerable interaction is both feasible and desirable (much like a Board meeting).  Students will be assessed in terms of the quality of responses to the key issues of the lecture.  This will include their ability to take discussions into new imaginative and useful lines of the argument.

c) Scrap Book
There will be one class presentation.  The scrap book exercise is concerned with a major analysis/discussion of a major resource industry undertaking.  Students need to critique the actual decision made from the viewpoint of the decision maker and the information he/she had available at the time.  Students are marked according to how well they understand the forces on their chosen decision maker and the reasons he/she came to the conclusions they did and to point out both the strengths and weaknesses of the process that was followed.

Submission of assignments

Submit your assignments in an electronic format by going to the Uniprint web site www.uniprint.uwa.edu.au , then click on “Student Assignments” and follow the instructions.

Student Guild
Phone: (+61 8) 6488 2295  
Facsimile: (+61 8) 6488 1041  
E-mail: enquiries@guild.uwa.edu.au  
Website: http://www.guild.uwa.edu.au

Charter of Student Rights and Responsibilities

Appeals against academic assessment
The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer http://www.secretariat.uwa.edu.au/home/policies/appeals).