



THE TIMES 100

BUSINESS CASE STUDIES

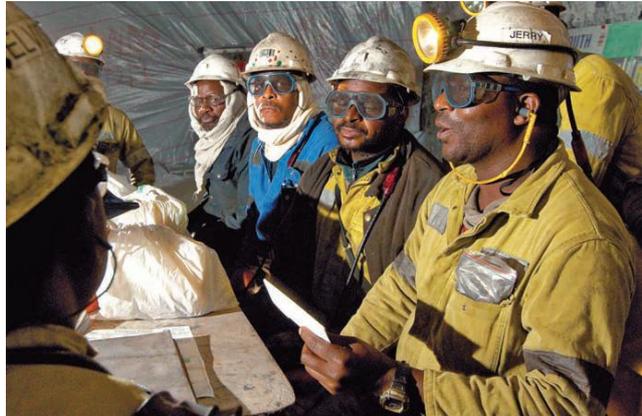
Adding Value – Anglo American

Anglo American is one of the world's largest mining companies. The company operates in Africa, Europe, South and North America, Australia and Asia. It owns a portfolio of mining businesses and natural resources. These include diamonds and platinum group metals. Other activities include the mining and extraction of copper, iron ore and coal. The company employs over 100,000 employees. In 2010 its operating profit was almost \$10 billion.

Like any other company Anglo American manages a value chain. The value chain is the chain of activities involved in making a product more desirable to the end user. For Anglo American this involves extracting natural resources which may be thousands of metres underground. Minerals and metals then need to be made into finished products. Anglo American seeks to add value in every process that it is responsible for in the chain. Adding value often involves reducing waste, cutting costs, saving time and improving efficiencies. Anglo American's approach to adding value is referred to as Asset Optimisation (AO). AO is a programme of activities designed to ensure that operational performance is maximised relative to cost. This is achieved by owning the most attractive assets i.e. the natural resources, capital, technical know-how and workforce skills that give the biggest return.

Asset Optimisation therefore helps Anglo American to:

- Unlock the value of its resources, equipment and people
- Establish an improvement culture within the organisation
- Create improvements across the value chain from resources right up to the customer.



The important thing to understand about AO is that it is not just a one-off programme. It is continuous and ongoing. The AO programme therefore links closely to the Japanese concept of Kaizen. Kaizen is also known as continuous improvement. It involves all workers within an organisation making ongoing improvements to quality in their work. For it to get results, the culture of continuous improvement must filter through the entire organisation. Workers are empowered to make decisions affecting quality. This leads to lower wastage levels and reduced costs.

In 2009, the target of achieving annual benefits of \$1 billion was set for AO. In the first year \$1.6 billion of benefits were achieved. In 2010, over \$2.1 billion of benefits were achieved. Over 85% of these benefits were sustainable rather than being one-off benefits. An example of this is the extra profit made each year by the introduction of more efficient extraction of Platinum Group Metals that resulted from the AO programme. It is expected that annual profit benefits will exceed \$100 million.



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Questions

1. Define 'added value'.

2. Anglo American focuses on improving efficiency to add value. List the other ways that value can be added.

3. Explain why Kaizen is important to Anglo American during its Asset Optimisation programme.

4. Analyse the benefits organisations like Anglo American might enjoy from adding value.

Task

In small groups, pick a well known product about which you will create a presentation explaining how value is added. Go through the different ways that value can be added to a product or service to identify whether these apply in your case. Remember, you are looking at the ways that value is added to the product so the customer is prepared to pay more for it. (If you are struggling to pick a product here are some ideas – Aston Martin DB9, packet of Walkers Crisps, Superdry T-Shirt, Grazia magazine, Lynx body spray, Innocent Smoothie)

What have you learned?

Write down a brief list of 10 things you have learned in the session about 'adding value'. Swap lists with a partner. You have two minutes to memorise your partner's list. Now, without looking, try to recite the 10 points in order.