Claudia Perry-Beltrame Presents

**Rio Tinto Case Study**

The influence of strategy, culture norms and values in decision-making
Introduction

This case study on Rio Tinto considers the decision-making that led to the destruction of the 46,000-year-old Juukan Gorge in Western Australia. It demonstrates the importance of strategy and culture alignment in making decisions.

Company profile

Rio Tinto is the second-largest metals and mining corporation on the globe. It operates across 36 countries with a total of 46,000 employees, 2019 revenue of $US43.2 billion and profit of $US8 billion. The company has its headquarters in London. The Board has nine members with three Australian members, of which one has a mining background. Around 20% of shareholders are from Australia.

Rio Tinto’s strategy is “to create superior value for shareholders by meeting our customers’ needs, maximising cash from our world-class assets and allocating capital with discipline.” The strategy implementation focuses on four P’s: Portfolio, People, Partners and Performance. The Portfolio is about low-cost management of long-life assets. Rio Tinto has the ambition to attract, develop and retain the best people and build a diverse and inclusive workforce. For Performance, Rio focuses on safety as top priority-driven through operational excellence, improved efficiency, and resource value over volume. Lastly, for its Partner value, Jean-Sébastien Jacques, Rio’s CEO, states:

“Today, as the world grows more complex, our stakeholders’ expectations are changing, and growing, and spanning all aspects of sustainability - climate change to communities. For nearly 150 years, this company of pioneers has successfully navigated both challenge and opportunity (...). We are committed to doing so again in this new decade.”

Leadership and mandates from 1995 to 2020

In 1995, chief executive Leon Davis signed a land rights agreement under the Native Title legislation. It was the first of its kind among miners making Rio Tinto the leader in Australia. Davis and Rio’s chairperson, Bob Wilson, had experience working with local communities. The former in Bougainville, where protests by local people closed the mine, the latter in Asia and Africa.

During the China-led boom in the early 2000s, Rio grew 350 per cent in its flagship iron ore business. This growth led to systems and process changes, which made the engagement with local communities more transactional.

In January 2013, Tom Albanese was asked to resign after less than six years at the helm as CEO. The resignation arose after two failed acquisitions and significant write-downs on its investments: Riverside in Mozambique with $US3 billion and Alcan with $AU13.7 billion.

From 2013 to 2016, Sam Walsh had the task of turning the business around. Cost-cutting, debt reduction and capital restraint was the key focus of his role. Under this watch, the mining expansion, which involves blasting Juukan Gorge, was approved by the Rio Board and permission granted by...

---

2 Rio Tinto Strategy, Accessed: 28 October 2020
the Western Australian government under the Aboriginal Heritage Act. In 2014 and 2018 a sight review advised Rio Tinto of its high significance. But the company did not re-evaluate its plans.  

Jean-Sebastian Jacques was appointed in 2016 with the mandate to cut costs and generate cashflow. Long-term, experienced cultural heritage and social performance professionals left Rio Tinto from 2014 onwards, reducing the expertise available in working with local communities. Moving Aboriginal engagement and heritage protection responsibility from local mine management to centralised corporate affairs further undermined cultural expertise.  

During Jacques’ term, Rio was assessed for its ESG reporting by the Australian Council of Superannuation Investors. Rio is considered among the 46 leading ASX200 companies researched. These companies have consistently performed in the leading level over four consecutive years to 2019.  

**Juukan Gorge debacle**

In May 2020, Rio Tinto’s blew up Juukan Gorge to expand the Blockman mine of the Western Range iron ore project. The custodians of the land and UniSuper had met with Rio to oppose the blasting. Three days before the blasting of the caves, Rio hired lawyers to prepare for a potential injunction against the destruction. The case is costly. There are three reasons:

1. The damages to Rio Tinto’s social license to operate.
2. The trust of shareholders.
3. “The value of the brand damage far exceeds the value of iron ore in the locality”, states Leon Davis, former Rio Tinto CEO.

The Juukan Gorge is not the only cultural heritage site in Western Ranges project. There are 327 heritage sites with 124 listed for destruction. 26 of these have already received approval under Section 18 of Western Australia’s Aboriginal Heritage Act. The outdated act means traditional owners cannot oppose the approvals granted by the government.

Since the blast, there has been outrage in Australia and international criticism of Rio’s actions. Investors raised their concerns over the destruction of the cultural heritage site and questioned the governance and risk management within Rio. Pressure mounted. Jacques was asked to resign. He will leave Rio Tinto in March 2021. Two other executives have resigned from Rio Tinto including the Group Executive of Corporate Relations.

Some of the recommendations from an Australian Senate Inquiry are to fully reconstruct and remediate the Juukan Gorge site at Rio’s expense, remove gag clauses from agreements with Indigenous people and return all artefacts to the traditional owners and fund appropriate keeping places.

**A decision-making fiasco**

The company made decisions aligned with its strategy but only considered some of its values (four Pillars) (Table 1). Table 1 shows eight values groups present in society today and how they align with an organisation’s business ecosystem and community benefits. When all eight work together, then decisions are holistic and can cover the requirements of diverse needs and stakeholders.

---

12 Evans Nick (2020) *Behind the revolt that finally led Rio Tinto to cave in*, The Australian, 12 September.
Table 1 further shows Rio’s strategic intent, four pillars, as well as some critical decisions made since 2013. Rio’s strategy has a clear focus on the values group of Achievement and Survival with maximising cash from assets. These values groups have an organisational ‘Me’ focus. Most decisions focused on these aspects of the business.

The values groups Tribal, Participatory and Service have both an internal and external collective (We) focus on people. The strategic intent ‘to meet customers needs’ (Tribal) may require clarity about the term customers. Are customers also the communities and other stakeholders? Or are these only paying customers? Over a long period, decisions were forgetting the community stakeholders. It was a collective forgetting at all levels of the organisation due to the restructures, the growth and the cashflow needs.

It resulted in decision tensions between Rio’s strategic intent and the four Pillars (values). Some examples are:

- The company aims to attract, develop, and retain the best people. However, since 2014 it has reduced experience and capability to deal with its social license to operate. It moved its frontline community engagement to corporate affairs.
- Rio seeks collaboration (Participatory) and real benefit to all stakeholders (Service) but its decisions don’t reflect these aspects. The decisions have created clear winners and losers among its stakeholders.
- The strategy’s focus on maximising cash from assets and capital means financials take priority over values.
- The values group of Power (red band) is not represented in the strategy or in the four Pillars. Yet, if featured dominantly in decisions and their execution.

The lived culture will always influence strategy execution. Unless there is a culture change across the organisation and the individual localities in how Rio forms its decisions, these errors of judgements will continue. The values group of power becomes a strong driver and can be a force for good or bad. A priority ranking of the four Pillars may aid decision-making but would not go far enough. To manage Rio’s complex business model, decisions must consider their systemic nature and include a focus on Service for the long-term.
### Table 1 – Values model for decision-making

<table>
<thead>
<tr>
<th>Values Groups</th>
<th>Rio Tinto’s strategy and values (4 Ps)</th>
<th>Rio’s decisions since 2013</th>
<th>Business ecosystem competencies required</th>
<th>Community benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td><strong>Partners</strong>: Real benefits to all stakeholders.</td>
<td></td>
<td>Deliver for the common good. Long-term focus. Ethical conduct and decisions.</td>
<td>Unity.</td>
</tr>
<tr>
<td>Systemic</td>
<td></td>
<td></td>
<td>Manage complexity of open system, social performance. Functional aims aligned.</td>
<td>Intergenerational transitions.</td>
</tr>
<tr>
<td>Power</td>
<td></td>
<td>Alternative options for caves not presented to local custodians. May 2020: Juukan Gorge blasted. Lawyers employed just before blasting.</td>
<td>We have the power to act for the good or bad of stakeholders.</td>
<td>Self-Determination. Training.</td>
</tr>
<tr>
<td>Tribal</td>
<td><strong>Strategic intent</strong>: ...meet customers’ needs...</td>
<td>Restructure of locations, roles and traditions.</td>
<td>Focus on teams, local communities, and customers.</td>
<td>Population growth. Security.</td>
</tr>
</tbody>
</table>

Source: [Rio Tinto Strategy](#)
### At your Service

We work with proactive leaders to help you manage your culture before it manages you. Our services work with the interconnection of culture, strategy, governance, and transformation.

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ecosystem Assessment</strong></td>
<td>We assess and measure your culture and business ecosystem to make them healthier and future fit with the help of our Ecosystem Platform and Dashboard.</td>
</tr>
<tr>
<td><strong>Culture and Transformation Roadmaps</strong></td>
<td>We develop a roadmap from the assessment results to align culture, governance, and strategy to improve business performance and reduce productivity loss or dysfunction.</td>
</tr>
<tr>
<td><strong>Transformation Planning</strong></td>
<td>We support your transformation planning by identifying the strengths you can build on and solve and document any problems holistically. We use a collaborative approach to planning.</td>
</tr>
<tr>
<td><strong>Change Infrastructure</strong></td>
<td>We establish your change infrastructure so you will not waste money and time duplicating effort arising from individual projects. Change infrastructure development is customised to the needs and culture of your organisation.</td>
</tr>
<tr>
<td><strong>Partnerships</strong></td>
<td>We link you with professionals to support your strategy implementation including project management, coaching, policy development and more. Please ask and we will tap into our network.</td>
</tr>
<tr>
<td><strong>Advisory</strong></td>
<td>We advise on services considering the interconnection of your culture, governance system and strategy including associated impacts on transformation implementation.</td>
</tr>
<tr>
<td><strong>Capacity Development</strong></td>
<td>We build capacity with culture, change and transformation workshops and courses, insights, and knowledge sharing with access to our client portal.</td>
</tr>
</tbody>
</table>
CONTACT US
Claudia Perry-Beltrame
Mobile: +61 (0)439457 240
Email: info@ecosystemsync.com
Website: www.ecosystemsync.com