Mining companies enduring the first wave of COVID-19 effects on their operating models need to think about responding across five horizons

**5R approach**

1. **Resolve**: Hard decisions on immediate challenges (inexhaustive)
   - **Employees**
     - Implement physical—distance measures during transport, shift changes, and breaks
     - Provide temperature checks, additional PPE, sanitization strategy
     - Launch mental-health initiatives for employees
     - Lean on technology for remote working, ad hoc training, and communication across the sites
   - **Production and supply chain**
     - Guarantee operational flexibility
     - Build short- to midterm mine plans and schedules, and communicate to supervisors
     - Adjust maintenance strategy by prioritizing critical production equipment
     - Adjust mill-feed qualities by optimizing active mining areas per current and longer-term market conditions
     - Reinforce communication across the whole value chain: exploration, mine, plant, final customer; engage with external key stakeholders: contractors, suppliers, unions, and communities
   - **Customers**
     - Prioritize strategic contracts
     - Communicate with stakeholders daily
     - Renegotiate conditions of active client contracts
   - **Immediate liquidity**
     - Understand current cash position and prepare rolling forecasts
     - Identify short-term cash reductions in inventories (eg, supplies) and operations (drill and blast, exploration programs, contractors) but manage them to mitigate longer-term risks (shortages, secondary disruptions)

2. **Resilience**: Speed and discipline for midterm strategic response
   - **Fixed-cost reduction**
     - Headquarters restructuring and central consolidation
     - Review contracting strategy (eg, leasing options)
   - **Capital—expenditure strategy review**
     - Review projects pipeline: prioritization, resequencing, reassessment, etc
   - **Targeted M&A**
     - Review M&A strategy and opportunities in a post-pandemic environment
   - **Production cutback**
     - Rebalancing of supply and demand
     - Shutdown of high-cost operations
     - Adapt mine-planning strategy to fast-evolving environment
   - **Divestiture of noncore assets**
     - Optimize participation in secondary operating assets and projects
   - **Balance-sheet restructuring**
     - Secure and monitor cash position
     - Extend duration of bonds
     - Dividend cuts

3. **Return**: A plan to bring operations back to scale
   - **Signs of recovery**
     - Decline in positive cases
     - Demand stabilization
     - Decreased volatility on global markets
   - **Recovery**
     - Refine operational instructions in new constrained environment: new standard operating procedures, occupational health and safety, etc
     - Prepare operations for a quick ramp-up: update annual and life of mine plans, restart sequence, replenish production inventories, review maintenance strategy, etc
     - Review supply chain and discuss stock management with stakeholders: clients, suppliers, etc
     - Focus on cash-cost reductions: spend-control towers, lean operational programs, application of advanced analytics to YETI procurement, and review capital-expenditure strategy, etc

4. **Reimagine**: What is the next normal for the company?
   - Reposition product portfolio to leverage new demand (eg, lower carbon, decommoditization, supply-chain traceability)
   - Accelerate the “mine of the future,” supported by a strong digital and analytics strategy

5. **Reform**: What will the next environment for mining companies be?
   - **Governments’ interventions could result in meaningful changes to mining regulatory environment across regions**
     - Engage with governments on trade-agreement negotiations
     - Engage with authorities about new technologies and “mine of the future”
     - Collaborate on regional development plan to achieve environment, social, and governance goals*
   - **Operations**
     - Value-chain optimization concept
     - Probabilistic and agile mine-planning strategy
     - Automated technology and remote-based operations
   - **Management infrastructure**
     - KPIs4 on stability and variability
     - Monitoring integrated across the entire operation
     - New oversight structures: “nerve centers,” control towers, etc

---

*Yield, energy, and throughput.

---

*MineLens commentary

---

For more, see MineLens or email us at MineLens@McKinsey.com.

Copyright © 2020 McKinsey & Company. All rights reserved.