

Press Release: Into a gold mine: How South Deep achieved its dramatic turnaround in 12 months

Like many other sectors in South Africa, the mining industry was severely impacted by the national lockdown. Minister of Mineral Resources and Energy Gwede Mantashe showed great understanding of the need to strike a balance between ensuring the health of employees and maintaining some degree of business continuity for the mining industry, which remains a significant contributor to South Africa's economy and a major direct employer. In line with the measures announced by the Minister on 25 March 2020, mining operations – particularly deep-level mining, which is generally considered labour intensive – were scaled down significantly.

Gold Fields' South Deep Mine, located on the West Rand, was placed on care and maintenance in April and in compliance with government regulations, operated well below its full labour complement for the remainder of the lockdown period. Despite this, South Deep continued to show progress on most of its operational measures during the first half of 2020 compared to the same period in 2019, largely due to an organizational culture and capability alignment process.

Prior to the outbreak of the COVID-19 pandemic, Gold Fields announced two consecutive cash-positive quarters at South Deep Mine at the end of 2019 and recorded a full year of cash flow positive results, while meeting production guidance.

Since acquiring the mine in 2006, Gold Fields has experienced a number of organizational challenges and setbacks, preventing it from operating South Deep as a modern, bulk, mechanized and profitable mine.

To address these challenges, Gold Fields embarked on a strategic transformation journey which included an organizational restructuring exercise, followed by a broader cultural and capability alignment process.

South Deep engaged Cape Town-headquartered business consultancy OIM Consulting to support the cultural and operating aspects of the process.

Run by a core management team with a wealth of experience across various sectors, including mining, retail, financial, and manufacturing, OIM Consulting services various blue-chip companies, specializing in enhancing organizational performance through operational optimization and people management and development.

OIM Consulting's four-pillared process is centred on what it considers to be the 'beating heart' of any organization – its frontline leaders. As Arjen de Bruin, OIM Consulting's Managing Director, explains: 'We've realized that the successful execution of any business plan relies on supervisory effectiveness, yet organizations typically do not place enough effort on building this capability and capacity, and changing frontline leader behaviour.'

'Our process addresses cultural change, the identification and building of new capabilities, and performance assessment, management, and improvement, with a pivotal focus on the supervisor as key to sustaining this improvement.'

De Bruin notes the establishment of a 'coaching culture' as integral to the process. 'We maintain that 80% of our time needs to be spent on the shop floor, mentoring line managers so that they continue driving change upon our eventual exit. This is essential to entrench new skill-sets through ongoing reinforcement.'

The initial results at South Deep are extremely encouraging, with the mine reporting a profit at the end of the initial 12-month period. More revealing are the metrics that demonstrate significant operational improvement; the mine saw a 41% increase in gold production when comparing H1 2019 with H2 2019. Its overall productivity in 2019 improved by 30% to 26.7 tons per employee, costed from 20.5 tons per employee in 2018. The overall efficiencies for development and destress improved to 60 m per rig per month in 2019 from 39 m per rig per month in 2018, all contributing to turning the net loss made in 2018 to a net profit of over R104 million in 2019.

De Bruin points out, it is important to note that 'these results were achieved with approximately 30% less staff and equipment than the year before.'

Says Martin Preece, Executive Vice President at Gold Fields, 'We've seen a remarkable improvement in most production metrics during 2019, resulting from a culmination of initiatives centred around our people, including organizational culture, processes, systems, and technical improvements; a process supported by OIM.'

De Bruin attributes the integration of culture, capabilities, and practices as the foundation that underpins all operational improvements. 'In order to improve output and efficiencies, one needs to start with changing mindsets, through developing appropriate and relevant skill-sets and toolsets.'

'As a world-renowned leader with operations that span three continents, we are very proud to partner with Gold Fields, and are honoured to have been granted the opportunity to support them in driving their organizational goals.'

EDITORIAL:

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OIM Consulting contributes to transforming South Deep Mine to cash-positive