

How South Deep achieved its dramatic turn-around in 12 months

Like many other sectors in South Africa, the mining industry was severely impacted by the national lockdown. Operations - particularly deep-level mining, which is generally considered labour-intensive - were scaled down significantly.



South Deep Gold Mine. Image: Gold Fields

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 organisational culture and capability alignment process.

Prior to the Covid-19 pandemic, the mining house 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 South Deep in 2006, Gold Fields has experienced a number of organisational challenges and setbacks, preventing it from operating as a modern, bulk, mechanised and profitable mine.

Four-pillared approach

To address these challenges, the company embarked on a strategic transformation journey which included an organisational restructuring exercise, followed by a broader cultural and capability alignment process. OIM Consulting was appointed to support the cultural and operating aspects of the process.

The four-pillared process is centred around the front-line leaders. The successful execution of any business plan relies on supervisory effectiveness, yet organisations typically do not place enough effort on building this capability and capacity, and changing front-line leader behaviour, says Arjen de Bruin, OIM Consulting's managing director: "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."

Establishing a 'coaching culture' is integral to the process. "We maintain that 80% of our time needs to be spent on the shop floor, mentoring line managers to continue driving change upon our eventual exit. This is essential to entrench new skillsets through ongoing reinforcement," he says.

Results

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 revealingly are the metrics which 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 tonnes per employee, costed from 20.5 tonnes per employee in 2018. The overall efficiencies for development and destress improved to 60m/rig per month in 2019 from 39m/rig per month in 2018, all contributing in turning the net loss made in 2018 to a net profit of over R104m in 2019.

These results were achieved with approximately 30% less staff and equipment than the year before.

"We've seen a remarkable improvement in most production metrics during 2019, resulting from a culmination of initiatives centred around our people, including organisational culture, processes, systems and technical improvements," says Martin Preece, executive vice president at Gold Fields,

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