

No ivory tower for Swanepoel

"You can do well, you can do business, or you can do what you can to put the country at large in line with the government's own agenda and convert it into a positive business opportunity. That's what we have done with issues like Black Economic Empowerment (BEE)," says Bernard Swanepoel, Chief Executive of Harmony, simply and without fanfare. And you'd be hard pushed to find anyone who would dispute this comment.

Harmony, with Swanepoel at its helm, is widely hailed as having travelled a long way down a road that has been partly signposted by the government and partly paved by Harmony's own inherent belief that only through genuine empowerment, resulting in a win-win situation, can real and sustainable progress be made within the industry.

Harmony has one of the largest capital expenditure profiles and is spending a vast amount on organic growth projects, including sinking new shafts and improving productivity and efficiency, where they continue to make significant progress. The corporate growth partnership approach with regards to BEE was therefore, a deliberate strategy.

Swanepoel was amazed at fellow mining captains who were shocked at hearing the impending empowerment legislation changes when the Mining Charter was leaked. "Where have they been? It was inevitable." ("It" being government's requirement that local mining companies have a 15% BEE participation within five years and 26% within 10 years.) "Long before the charter was promulgated, Harmony began to position itself. We have completed four major empowerment related transactions and all four are recognised as successful examples, despite each one being different."

In March 2001, Harmony sold a 10% stake in its Elandsrand mine to Paseka Ncholo's Khumo Bathong for R100-million. Bathong left 12 months later, selling the stake back to Harmony for R210-million, with which it financed the Crown surface plant and the

Despite reaching the higher echelons of the industry, Bernard Swanepoel, Chief Executive of Harmony Gold never sat in an ivory tower and still clearly remembers what frustrated the guys on the bottom rung, who often had the solutions. Deleen Wilson spoke to him.

ERPM mine in Boksburg, among others.

Then in May the same year, the Simane consortium purchased a 10% stake in Harmony, from which Simane has made "spectacular returns." Simane's chairman, Audrey Mokhobo, has since been appointed a non-executive director of Harmony.

In January 2003, Harmony concluded a deal with the unknown newcomer, African Vanguard Resources (AVR), led by Denel Chairman, Sandile Zungu. The result enabled the fledgling empowerment mining outfit to participate in the R1.27-billion Doornkop South Reef Project. As with all of its empowerment deals to date, Harmony designed an interesting financing option. AVR will pay R250-million for 26% of the mineral rights in Doornkop, with part of the payment involving AVR offering Harmony call options on 290 000oz of gold.

Of the four empowerment deals it has done to date, the largest was its joint acquisition in January 2002 of AngloGold's Freegold mines, with Patrice Motsepe's ARMgold. So successful has the relationship between Harmony and ARMgold been, despite common wisdom dictating that companies should never participate in 50/50 deals, "someone always has to be the boss" – that these two companies have recently announced plans to merge and become "one of the most innovative and attention-grabbing deals in many years".

Says Swanepoel: "There is a reality of necessity in South Africa that sometimes makes us do things which you won't read about in business books." Such unorthodox ventures have elevated Swanepoel's industry hero status even higher, while Motsepe is now the role model for successful black economic empowerment and entrepreneurship.

In addition to the merger "making so much sense", according to Swanepoel (particularly regarding global diversification and the inevitable regulatory and economic challenges that face the industry in the future), it also helps both companies in meeting the conditions set out in the

Power profile

government's new mining charter

Harmony's vision of empowerment reaches much further than the immediate industry in which it operates and far deeper than being purely stake-holder propaganda. While many companies bandy the term 'Corporate Social Investment' (CSI) around as a hollow peace offering for their many environmental and social faux pas, Harmony regard it as a sensible and intrinsic element of its business and a part of the total solution.

Its CSI programme is widespread and includes offering antiretroviral drugs to HIV-positive employees; being the first local mining company to sign a Social Plan Framework Agreement with the National Union of Mineworkers (NUM) and establish a Social Plan Fund; and the creation of 800 jobs in the jewellery manufacturing industry in Virginia as a result of the production of jewellery-grade alloys on-site.

"Some of the policies beyond value added beneficiation make a lot more sense than the government gets credit for. We have to worry about the legacy we leave behind when Harmony shuts down. Some employees can be relocated, others can't and we need to move the community beyond its dependency on the mine," says Swanepoel.

If anyone knows about small community dependency, he should. Growing up in the platinum mining town of Rustenburg, Swanepoel went to university the only way open to him on a mining house bursary as a mining engineer. After a lifetime in the industry he considers himself a "fully converted miner", but it was more circumstance than drive that began his journey.

His mining career was interrupted a few times for secondment to various departments or functions within the mining company, most significantly early secondment to work as an analyst at the then Genbel. This was to be a highly influential time as it exposed him, for the first time, to the idea that mining is actually a business, rather than simply an engineering challenge.

Union Corporation, which gave him the bursary, then merged with General Mining, which, in turn, became Gencor, and Swanepoel then worked for its gold division, Gengold. As Grootvlei, where he started his career, was a marginal, low profit gold company, it was an ideal opportunity to gain incredible experience, especially as it was one

of the first mines to fully recognise the unions in the early 1980s. Being one of the youngsters at that time, Swanepoel and his peers found it much easier to adjust to working with the unions than the previous generation of managers, a relationship that has stood him in good stead over the years.

Swanepoel was also involved in the never-ending treadmill of finding cheaper ways to mine, be it downscaling, shutting down shafts or retrenchments. By the time he was made general manager at the Beatrix mine in 1993, he had the "arrogance of youth" combined with the desire to implement change and was more than up for the challenge. Although Beatrix was a very successful mine, Swanepoel's enthusiasm permeated the structures and it became the lowest cost producing mine in South Africa within 12 months of him joining the team.



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Yet, in keeping with the true tradition of a poor boy made good, Swanepoel felt constrained by the century-old traditions self imposed by the industry. However, regular promotions every six months ensured that he moved up and on too quickly to get entrenched in the system, allowing him to implement changes before being irrevocably

moulded into a grey suited yes-man.

Despite reaching the higher echelons of the industry, Swanepoel never sat in an ivory tower. He still remembers what frustrated the guys on the bottom rung, who often had a better perspective of the problems and solutions. Management status brought less opportunity to implement change, not more, so when the opportunity arose in 1995 to leave Beatrix – which was the flagship mine of the industry – and join Harmony – which was arguably the dog of the industry – it was an absolute "no-brainer," says Swanepoel. "This company was so down and out that surely a new manager would certainly be allowed to make some dramatic changes. And that was exactly what I thought would be a nice challenge."

The rest is well-documented history that includes ending the union wars, employing the first full-time union steward, minimising retrenchments and reducing the structure from 11 layers to just four. For a mine whose official strategy was "to close with dignity," it wasn't difficult to excite people about doing things differently and Swanepoel insists that the bulk of the changes were actually implemented by the people on the mine. "The only value I can add now is to question," he says modestly.

This statement is much in keeping with his gentle, open manner and apparent lack of ego. Despite being highly successful and having made more money out of mining than he ever thought possible, Swanepoel has never been driven by wealth, and today still finds it rather vulgar. Only his distinctly non-corporate shirts hint at the rebel within.

Today, most companies that need

to comply with BEE standards and those wanting to be empowered, talk to Harmony. "We see a lot of business opportunities because people regard Harmony as a good partner. On the one hand we have done some good, on the other we have seized growth business opportunities. To me that sounds like smart business." ❖