

**ORGANISATION STRUCTURE CHANGES  
AT BUFFELSFONTEIN**

*T.S. O'Connor*

**BUFFELSFONTEIN GOLD MINE**

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**BY : SEAN O'CONNOR, GENERAL MANAGER  
BUFFELSFONTEIN GOLD MINING COMPANY LIMITED**

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# ORGANISATION STRUCTURE CHANGES AT BUFFELSFONTEIN

## *INTRODUCTION:*

The South African gold mining industry has survived the past two decades firstly as a result of the Dollar gold price escalation in the 70's and then, due to a weakening Rand versus the Dollar in the 80's, a relatively high Rand price per ounce.

The end result of the two decades was to make South Africa move from the lowest cost producer in the world to the highest cost producer. Coupled with this high cost of mining was the inevitable result that returns on investment were reduced and investment in gold mining projects assumed a high risk profile.

However, since 1987 to date, both in Dollar and Rand terms, the price of gold has decreased by 45%. In the face of a real declining gold price mines have firstly, adopted a policy of survival. This has been achieved on some mines with relatively more success than others. Strategies to improve grade and gold kilogram output have been addressed as well as continued efforts to reduce the working costs.

The focus on working costs has been mainly directed at reducing the major cost component of mines, i.e. the high percentage attributed to labour. Over 150 000 jobs have been lost over this period as mines embarked on major rationalisation drives.

On Buffels, faced with a declining ore reserve and a limit to increasing gold production, together with the high cost of the operation, a strategy had to be developed. This strategy was to ensure not only our survival as a business, but also to fulfill our responsibility to the shareholder by managing the depletion of the remaining ore reserve cost effectively.

***THE NEED FOR CHANGE:***

Having survived the 80's through major cost rationalisation programmes, the question has to be asked: What strategy do we adopt for the 90's?

With production costs in our previous financial years of R31755/kg (1990/91) and R29 872 (1991/92) and with a cost in January 1993 of R29 185/kg we had to adopt a strategy of making our operation more viable with an increased profit margin.

In an analysis of businesses, it is the optimum utilisation of the following three resources which produce results: Capital, Human Resources and Technology. In the life of a mine which is already 40 years old and has remaining underground reserves of 5 years, installed capacity in the form of capital is generally underutilised. The ability to enhance this capacity utilisation is obviously restricted by the declining ore reserves. Technological improvements in the mining industry are apparently only applicable on newer mining ventures. This then left the one resource which could be further developed to contribute : Human resources. In perspective, both capital and technology are driven by human resources and as such it is the resource with the most leverage.

"The assumptions that guided organisations in the past were (1) that they could control their own destinies and (2) that they operated in a relatively stable and predictable environment." <sup>1</sup> (*R Beckhard and W Pritchard, Changing the Essence*).

With the rapid changing environment in which we operate today, leaders of organisations have to change the way in which they function so that their organisations can innovate, be creative, learn, respond quickly, be proactive and exercise control over their own destiny.

The management of change is often seen as a painful process, but this is only so when people resist the process.

It has been said by *Tom Peters* that the "only constant thing today is change." <sup>2</sup> (*Tom Peters, A Passion for Excellence*) The management of change is a painful, most challenging and multi-faceted process and must enable the organisation to move into the future.

#### ***INCREMENTAL vs FUNDAMENTAL CHANGE:***

An incremental change strategy is a re-active process which only reacts to daily operational routines and is not future orientated. A fundamental change strategy requires a clear vision of the future and desired end-state of the organisation. A conscious decision has to be made to move to a learning mode with a clear commitment by the leaders in the organisation to a personal investment in developing and building commitment to an inspirational vision, and to examining and using their own time and behaviour in ways that are congruent with this vision.

This requires that leaders adopt a holistic view of the organisation and rather see it as a "whole picture" than a disjointed mass of functional departments.

***CURRENT REALITY:***

The first step in designing a process of fundamental change is an adequate diagnosis of the current reality.

The current reality is generally to move an organisation from its result-orientated mode to a learning mode. The description of the current reality together with the desired state will identify a gap. An action strategy will then be implemented to close the gap.

The current reality in the mining industry is a typical hierarchical, functional organisation. It is firmly entrenched "in authority relationships, rigid and time consuming decision making structures and the "do's " and the "do nots" included in job descriptions are designed not to compliment the person but for the person to fit into". <sup>3</sup> (*Guy Charlton, Leadership - The Human Race*). Control of the organisation and its activities is considered essential for success. In achieving this, various forms of power in the hierarchy are used. The mining industry with its relative high risk with regard to safety issues adopted an autocratic, disciplinarian style of management which still exists today. Deming summarises the impact of this thinking on the quality of an organisation's human resources : "The prevailing system of management has destroyed our people. People are born with intrinsic motivation, self esteem, dignity, curiosity to learn, joy in learning." <sup>4</sup> (*Deming, E, Leadership and Learning Brochure - describing the Peter Senge book - The Fifth discipline - Leadership and Learning Conferene, C.S.I.R. Pretoria*). It is thus essential that we do not "destroy our people" but rather " create organisations allowing for the expression of human potential and the accelerating of learning." <sup>2</sup>

In the past Buffels has been relatively successful in financial terms with the hierarchial organisational structure but the same cannot be said of its human development. The predominant thinking of the employees has been that of their next pay cheque and not necessarily that of the future of the company. What we have to do is not base our current decisions on past successes but rather determine where we want to be in the future and design our organisation to achieve that.

***DEVELOPING OUR VISION:***

In developing our vision we decided that the only effective result for our organisaion was to achieve a reduced unit cost. So the vision that was developed was simply "to achieve a targeted cost per kilogram of R20 000."

What do you say about an organisation that historically was producing at R31 755, and is now producing at R29 185, and developed a vision of achieving R20 000 per kilogram? This represents respectively, a 37% and 31,5% reduction in unit costs. One could argue that it would be physically impossible to achieve. Yet the fact that we had a current reality of over R29 000/kg and a vision of R20 000/kg gave the organisation the necessary tension to drive us to achieve just that - the supposed impossibility.

The challenge facing every leader today is to create a vision of the future that calls on every employee to commit themselves to action to achieve that vision. The role of the leader is then to create the environment in which people are able to contribute to the attainment of that vision.

The vision has also the ability to motivate people in the actual change process. The responsibility on the leader of the organisation is then to develop leaders who can enable ordinary employees do extraordinary things in striving to achieve that vision.

On Buffels, the vision had the effect of promoting job security, the creation of an attractive future, the alignment of energy within the organisation towards a common goal, rather than a fragmented approach. The role of the leader is by focusing on the "emotional and spiritual resources of the organisation and its values and operations, engenders commitment rather than compliance." <sup>2</sup>

The vision has as an added benefit of promoting the growth and the development of the people in the organisation. This adds value to these peoples lives and further enhances the ability to attain the vision. On Buffels, the organisational structure change granted the facility to empower the business units to make a greater contribution to the attainment of the vision.

#### ***CREATING A LEARNING ORGANISATION:***

It is said that to change people's behaviour one has to change their attitudes and that in turn can only be changed by changing the way they think. The total change process is facilitated by the top leaders of the organisation's understanding of creating a learning mode, attaching value to it, and personally committing themselves to it.

"Learning and change processes are part of each other. Change is a learning process and learning is a change process ultimately underpinning these processes are changes in the way individuals think and act." <sup>1</sup>

The first condition required in the learning process is to "unfreeze" oneself from currently held beliefs, knowledge or attitudes. Then to absorb new or alternative attitudes and behaviour and then finally to "refreeze" oneself in the new state. The "refreezing" is essential to ensure re-inforcement of the newly acquired behaviour.

The learning organisation thus has to overcome the gap defined by its current reality and the future desired state (vision). To achieve this strategies have to be determined and action plans implemented. While this is in process, leaders have to develop strategies for the unfreezing and refreezing of behaviour. This requires conscious effort.

An effective change strategy must take into account not only the organisations culture but the work practices and systems. One of the most essential elements of organisation restructuring is to correctly place the people in the organisation. This was achieved by not only doing it integratively, but authority and power were passed down from senior management to the Mine Overseer level. This had the effect of placing trust, ownership, respect and accountability at a level where it was required and was in effect a vote of confidence. The norms and values of the organisation must encourage innovation and creativity, the current system must be challenged so that established patterns can be revised into new and improved methods.

If change cannot be directed at changing the current work practices and systems, new thinking and learning will not materialise. One of the most effective means of creating a learning organisation is to change the organisational structure.

"Having a new name and role, a new paradigm, your behaviour and your attitudes shift dramatically. In fact, the fastest way to change a person's paradigm is to change their name or their role." (*Stephen R Covey, Principle - Centered Leadership.*)<sup>5</sup>

In applying principle-centered leadership you adopt new perceptions of people and people live up to the expectations of them. People want to contribute to the accomplishment of worthwhile objectives. They want purposes and principles that lift them, enable them, inspire them, empower them and encourage them to their best selves. Principle-centered leadership "leads to a quantum leap in personal and organisational effectiveness." <sup>5</sup>

### ***TOTAL INTEGRATIVE ORGANISATION***

The re-structuring of the organisation at Buffels had as its objective the creation of a totally integrative organisation.

The upper hierarchy of management was flattened by removing two formal levels in the production department. These two levels were replaced with a single departmental head as Business Managers. The Business Managers thus became responsible for both their functional responsibility as well as the production responsibility.

The organisation was horizontally integrated by the dual role of the Business Manager (both functional and production). The separate functional departments began working as one team reporting to the Business Manager.

All service departments were re-located to the respective shafts where they fell under the Business Manager.

Due to the size of the mine, measurable units of production were established at the Mine Overseer's level. In total, 11 business units were established. These 11 units were allocated to Business Managers on a shaft basis.

***DEVELOPING STRATEGIES TO ATTAIN THE VISION:***

In an effort to attain the vision of R20 000/kg, strategies were developed which had as their objective to affect a reduction from R29 000/kg to R24 000/kg with only a marginal increase in costs:-

- ◆ Contractors were employed solely on one shaft with the objective of producing an extra 100kg of gold.
- ◆ The mine labour from this shaft was distributed to the other shafts and their gold production targets increased by 100 kg.
- ◆ Employees that had been retrenched were recalled and placed on sweeping/vamping on all shafts with the objective of producing an extra 50kg of gold.

- ◆ A further 50kg gold was to be achieved purely through improved production.

This improved gold production with the marginal increase in costs would bring us to the R24 000/kg target. It was believed that the further reduction to our vision of R20 000/kg will be achieved by the structural changes implemented i.e.:

- ◆ Flattening of the management structure.
- ◆ Creation of the Business Units.
- ◆ Shrinkage of the service departments.
- ◆ Empowering the employees.

#### ***CHANGING ATTITUDES OF PEOPLE:***

It was soon realised that in spite of the structural changes of the upper hierarchy of management, very little had changed in the methods, systems and processes on the lower levels at the work face.

In order to facilitate the process and to create increased ownership by employees in the Business Units, a Management Consultant was employed to assist.

The consultant, after a survey of attitudes of employees on the mine, recommended the use of Industrial Theatre.

Industrial Theatres are a very powerful, emotion-filled communication medium, where actors (Buffels' employees) portray the required behaviour together with the use of a narrator.

The concepts which were focused on in the Industrial Theatre included:-

- ◆ Negative perceptions of self, people and work situations.
- ◆ Conditioning of both black and white employees which "colours" everything else.
- ◆ "The Law of Opulence" - doing good will attract good things to you - doing bad will attract bad things (i.e. the quality of your giving will determine the quality of receiving).
- ◆ Promotion of teamwork.
- ◆ Changing attitudes of employees.
- ◆ Alignment with the vision of Buffels.
- ◆ Profit Sharing and production incentive schemes.
- ◆ Victim mode: How to move out of it.
- ◆ Taking responsibility for self and moving out of the victim mode.
- ◆ Expressing change and success as simple and practical.
- ◆ Success comes from aligning one's goal with Buffels.
- ◆ Developing a total service orientation.

***TOTAL WORKPLACE IMPROVEMENT PROGRAMME:***

Buffels' strategy to further reduce our Rand cost per kilogram was to effect a productivity increase on the working face.

Another consultant was approached to act as a change facilitator and provide a holistic, integrated, multi-factor model of organisation and total workplace improvement programme.

This involved three phases:-

Phase I - Mobilisation : Orientation and Diagnosis

This is the mobilisation of management and supervision towards a common philosophy and vision of the future - the preferred state (the challenge met). This is achieved through an interactive process of providing new and challenging ideas and at the same time getting everybody to rethink the traditional way of doing things. The process starts at the top and cascades down to team leader level, as well as to a sample of the workforce. Obviously, the complexity of input and interactive thinking is reduced further down the hierarchy.

The end result of this process is a gap analysis between the present state and a future preferred state. The gap analysis will be based on the consultant's diagnostic instruments.

In the analysis 8 factors were investigated, sub-divided into 116 elements or keys, which impact on cost effectiveness, production speed, safety and quality. The 8 factors are:

- ◆ Organisation and workplace strategy and philosophy.
- ◆ Leadership and management.
- ◆ Structure and work practices.
- ◆ Supervision and communication.
- ◆ Workplace management
- ◆ People flow management.

- ◆ Relations management.
- ◆ Reward management.

It was experienced that this gap analysis is very important in the mobilisation of the whole management and supervisory group, for it leads to creative tension and the motivation of the entire organisation. This motivation is directed at closing the gap and continuously improving the organisation. The gap analysis holds the key to break through powerful resistance groups, e.g. the mine overseer group.

*Phase II - Planning : Prioritisation, philosophy development and action planning:*

During this phase, a number of senior management (top 3 levels) workshops were held. The following results were achieved:-

- ◆ The major improvement factors were identified,
- ◆ prioritised, and
- ◆ a master action plan developed for Buffelsfontein, as well as more detailed action plans for the business units.

The improvement factors, priorities and action plans were then discussed and refined with the next levels of supervision, in multi-level meetings.

Considerable time was spent during this phase on the development of a one-page organisation and workplace philosophy document. The purpose of this document was to provide a guiding framework for the implementation and follow-through of the improvement programme.

Phase III - Implementation : Communication, planned implementation and continuous improvement:

The philosophy document was communicated throughout the organisation and action plans implemented according to the defined priorities.

Implementation is closely monitored, reviewed and measured in order to ensure that goals and cost objectives are achieved, and that continuous organisation improvement - through empowered and enabled supervisors - becomes a way of life.

Phase III is the responsibility of the management of Buffelsfontein. Buffelsfontein can expect the following benefits:

- ◆ An integrated and focused total organisation and workplace improvement programme will be developed, which will be seen as a logical combination of the 40% challenge work done to date.
- ◆ Ownership of the improvement programme will be achieved down to supervisory level.
- ◆ Costs will be reduced.
- ◆ Productivity will continuously improve (in many cases, across the world and in South Africa, 100% improvement over a three year period has been achieved.)
- ◆ Safety and quality will improve.
- ◆ Progress will be measured.

***THE ROLE OF LEADERSHIP:***

The role of leadership in an organisation which is undergoing change is one of the biggest contributors to the success or failure of the change management process.

The leadership role has to move from that of a transactional leader to one of a transformational leader.

The transactional leader is one who focuses "on role of task requirements for their subordinates so that they are confident in exerting necessary efforts." <sup>8</sup> (*Leadership and Performance Beyond Expectations, Bernard M Bass*). The transactional approach has, however, many failings including:

- ◆ Lack of management skills
- ◆ Time pressures
- ◆ Poor appraisal methods
- ◆ Failure to give negative feedback
- ◆ Failure to deliver rewards
- ◆ Reprimands do not contribute to positive motivation
- ◆ Quality normally suffers at the expense of quantity

Leadership from a transformational perspective sees everyone as a potential leader with the focus being to enable others to act through fostering collaboration and strengthening people. The leader has to become a catalyst for growth in each of his followers. By empowering others, the leader shares power with other people, who in turn, "feel more strongly attached to the leader and more committed to effectively carrying out their duties and responsibilities." <sup>3</sup>

In attempting to establish the competencies required for leaders to excel, research has shown the following "human handling skills" <sup>3</sup> or strategies are necessary:

- ◆ The management of attention through vision
- ◆ The management of meaning through communication
- ◆ Trust
- ◆ The management of self
- ◆ Empowerment
- ◆ Socio-political sensitivity

Effective leadership has to display all these elements. By capturing the people's attention through an inspiring vision of the future, and then communicating this throughout the organisation to ensure motivation of all together with trust to commit people to action are essential. These strategies are dependent on the leader's ability to accept responsibility for personal action and change.

The fifth element, that of empowerment, is a fundamental role of the leader and is a natural consequence of the first four strategies. The sixth element is one which has only recently been identified and is only applicable in the South African socio-political context.

The organisation structure changes at Buffels had the effect of facilitating all the other strategies adopted. The vision of pursuing the R20 000/kg target and the communication that went with this, including the Industrial Theatre, were essential to the change process. In addition the organisational changes conveyed trust and confidence in employees to grow and align themselves with the Company's vision.

Commitment from everyone to achieve the vision as well as the empowerment enforced by the changes resulted in strategies being realised. The organisation also adopted a socio-political sensitivity to employees and trade unions which assisted in the empowering process and the alignment of the organisation with the vision.

*CONCLUSION:*

In conclusion I would like to extend my gratitude to the Consulting Engineer (W.Tvl), Gengold, Mr J G Cockburn, for his total support and assistance given to Buffels. Also to the Managing Director, Gengold, Mr G Maude, the Deputy Managing Director, Gengold, Mr T G Dale, and the Senior Consulting Engineer, Mr J E Olivier, for their support and encouragement.

Buffels has only been in this change process for a relatively short period in which the full impact of the change management still has to be realised, The concept of the Industrial Theatre and the Total Workplace Improvement Programme are in the process of being implemented and results will only be realised 6 months hence. We are also developing, albeit slowly, into a learning organisation where attitudes and behaviour have to be changed. Having been firmly entrenched in the previous structure for so long makes it all the more difficult to "unfreeze" the previous behaviour and re-inforce and "refreeze" the newly required behaviour.

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