

Anglo American Platinum South Africa: Strategic renewal in a declining industry

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Abstract

Learning outcomes

The learning outcomes are as follows: to demonstrate the phenomenon of strategic inertia in organizations and the impact this has on the type of renewal process that is undertaken; to differentiate between environmental and organizational adaptation strategies and synergies; to apply practical steps of renewal by outlining the influential forces and distinct stages of the process; and to create a practical framework that organizations can use as a guideline for sensing and reacting to changes in the business environment.

Case overview/synopsis

The case study examines the strategic renewal processes of Anglo American Platinum (Amplats) for the period 2012–2019. Amplats is the world's largest producer of platinum group metals (PGMs). Despite the adversarial business environment of the South African PGM mining industry, six years into its new strategy, the organization had emerged debt-free and was poised to be sustainable. This posed a unique dilemma in strategic decision-making, namely, how to maintain a strategic renewal process. Chris Griffith, CEO of Amplats, was about to retire, but realized that the organization had yet to fulfil its potential. The ambition of the organization was to redefine the industry benchmark for performance across multiple pillars of value for different stakeholders, and to become the most valued mining company by 2023. Set in 2019, the case invites students to look back at the symptoms of strategic inertia at the time of Griffith's appointment as CEO, and to define the nature and stages of the renewal that the organization underwent. This will provide insights that will enable an examination of the application of a framework for continual strategic renewal.

Complexity academic level

Postgraduate business students

Introduction

On Wednesday, 6 February 2019, Anglo American Platinum South Africa CEO Chris Griffith was walking out onto the main stage at the 2019 Mining Indaba ¹ in Cape Town, South Africa. He was about to present on the enormous strategic task ahead of making Anglo American Platinum (Amplats) the most valued mining company in the eyes of all stakeholders by 2023.² The organization was incorporated and headquartered in Johannesburg, South Africa, and was a subsidiary of the third largest mining house in the world, Anglo American plc, which held 80% ownership in the company. Amplats was publicly listed on the Johannesburg Stock Exchange and had a market capitalization of R225.1 billion³ in February 2019. Its resources of vast mineral bodies of platinum group metals (PGMs) had been one of the key sources of

their competitive advantage, making it the world's largest⁴ platinum supplier.

After seven years at the helm, Griffith had decided that it was time for him to step down as CEO, and he reflected on the notable progress in strategic renewal that the company had made since he took over as CEO on 1 September 2012. His time in office had seen the platinum industry plagued by a suppressed platinum price, job cuts and prolonged violent strikes. There were also periods of divestment of loss-making mines, and restructuring of the company's entire portfolio. In his seven-year tenure as CEO, he had helped shift Amplats from a loss-making entity, with dated deep-level mining methods⁵ and labor-intensive tasks, to a profitable mining business making use of the latest shallow mechanized operation methods.

The repositioning journey was completed at the end of 2018. Griffith's comments in the 2018 integrated reports credited the renewal success to disciplined strategic execution by the executive team, which had made Amplats the best-performing company on the JSE in 2018 on a total shareholder return basis.⁶

However, in early 2019 the Minerals Council of South Africa warned that over the past decade the sector had slipped into a crisis. This crisis was caused by a PGM-flooded market, a function of structural changes in global supply-and-demand fundamentals, and the pressure to pay out dividends to investors to retain their confidence in the industry and their investments.⁷ Griffith's ambition for Amplats was to become the most valuable mining company for all its stakeholders, yet this had to happen in a challenging operating context, where electricity supply was not guaranteed and employee unrest had become commonplace. Sensing clear changes in the markets and facing stakeholder challenges Griffith knew that Amplats would need to adapt if it was to maintain its dominance.

Value creation for the organization also extended well beyond financial profitability, cost effectiveness and production; Amplats was ethically responsible for reducing its impact on the environment and ensuring the safety, health and well-being of its people, while supporting socio-political development in the complex South African society. Given this multi-faceted need for value creation, the changes in the market and the challenging stakeholder landscape, Griffith had to decide how to sustain strategic renewal by asking:

How should Amplats respond to changing market conditions and different stakeholder challenges in their strategic renewal?

Leading a platinum mine

Griffith, who was born and raised in South Africa, started his mining career at Goldfields⁸ in 1990 after graduating with an engineering degree from the University of Pretoria. A year later he moved to Johannesburg Consolidated Investment Co. Ltd⁹, which had Anglo American plc as the majority shareholder (52%), as the company enabled him to further his studies. After completion of his honors degree, Griffith worked for Amplats, quickly making his way up the ranks. By the age of 36, he became the youngest general manager in the Anglo American group, which he attributed to education, good mentorship and a healthy family support structure.

Before taking over as Amplats CEO in September 2012, Griffith had managed Kumba Iron Ore, another Anglo American plc subsidiary, for four years. While the company represented a different commodity, similar business traits such as cycles of good and bad market prices and challenging labor relations were prevalent. During an interview with a leadership consultancy,

Griffith stated that the biggest difference between the platinum and iron sector was that the latter had been against a backdrop of positive movement such as growth, financial results and market sentiment.¹⁰ On joining Amplats, Griffith believed that the company's key priority should be contracting and downsizing to steer it back into an ideal space for growth and profitability.

To navigate the challenges in his new role, Griffith maintained the leadership principle of delivering on his promises to create trust with stakeholders.¹¹ This required forming a team that would create the collective ability to deliver. Griffith believed in the importance of astute leadership to achieve his goals. One of the drivers of Griffith's success was leading teams through seven leadership principles: understanding the hard facts; open, honest, bold identification and confrontation of individuals' negative perceptions; exploration of possible positives and opportunities; creating a vision or bigger picture that individuals could relate to; plotting solutions, directions and actions; creating relevant structures to get the job done; and ensuring frequent follow-through using the correct key indicators of decided actions and acting on deviations.¹² These leadership behaviors, although simple on the surface, required confidence to execute, especially in times of uncertainty.

From the outset, Griffith expected the leadership team to be "passionate, courageous and tenacious in the way they go about their work and to be caring and values-driven in the manner in which they do this."¹³

Outside the workspace, Griffith described himself as a keen bird-watcher, and his love for nature resonated with mining as both demand passion and dedication.¹⁴ Despite an unfortunate run-in with a one-ton buffalo while on safari in Tanzania in December 2016 that saw him confined to a wheelchair for a few months, Griffith still enjoyed nature. He said:¹⁵

"There's a new breed of mining leaders today that care about safety of people, their health and the environment, ensuring they leave a better world for future generations."

Griffith remained amazed at how metals provided solutions to many of the world's problems, such as climate change, health and energy sources. He believed that the contribution these metals could still make were limitless. It was against this imperative for holistic value creation that Griffith remembered the origins, growth and decline in the history of the organization.

Strategic position and growth

Amplats had become an entity in 1997 following the merger of three companies, each dating its exploration and exploitation of platinum-bearing metals to the first half of the 20th century.¹⁶ From its inception, Amplats' strategic objective had been to be the global leader in the exploration, extraction, refining and selling of PGMs.

The platinum group metals included mostly platinum, palladium, ruthenium and rhodium, but also smaller quantities of iridium and osmium. While recorded discoveries of PGMs date as far back as 1804 in Colombia, Russia and Canada, it was not until 1925 that PGMs were discovered in South Africa. South Africa by 2019 supplied at least three quarters of the world's primary platinum output. At the beginning of 2019, Amplats was still ranked the leading global supplier of PGMs, accounting for 40% of the world's supply. The company had produced 2.42 million ounces of platinum and 1.51 million ounces of palladium in 2018, and both outputs had been consistent over the past seven years (Exhibit 1).

Often called “gold’s poor cousin”, platinum was well known for its use as a base product for jewelry, but since the 1970s, it has also been used in catalytic converters. More recently, a steady increase in demand for electric vehicles, as well as a global shift from fossil fuels to cleaner sources of energy, meant that PGM producers would need to create a new demand for their products. Hydrogen fuel cells containing platinum had potential for not only powering vehicles, homes and offices, but also for application in space travel.

It was through regular mergers and joint ventures that the company continued to grow (Exhibit 2). Through this inorganic as well as organic growth, the strategic position of the company peaked in 2011 with 12 own-managed mines, eight joint ventures, three smelting complexes and two refineries – one for base metals and the other for precious metals. The company had also committed to form joint ventures in 2000 in order to create opportunities for historically disadvantaged South Africans (HDSA), who had previously been excluded from economic participation during the apartheid¹⁷ era.

Slippery slope into decline

The South African mining sector provided the base for the industrialization of the economy at the turn of the 20th century. By 1980, the sector was contributing 21% of the country’s gross domestic product (GDP), which gradually dropped to 7% in 2017.¹⁸ Despite this drop, the industry was still an important player, employing just under half a million people, with the PGM sector having the largest workforce at 41%, followed by gold (21%) and coal (20%).¹⁹ Gold had been the largest employer until 2006, but the depletion of ore reserves and grades gave rise to the dominance of its not-so-poor cousin, platinum.

During the apartheid era, sanctions against South African trade with the rest of the world had resulted in capital remaining within the domestic market.²⁰ Since the economy was dominated by mining at the time, several mining houses naturally extended their ownership into financial services in the 1970s.²¹ After independence in 1994, the post-apartheid South African government restructured the financial services for giant mining houses to unbundle their controlling hold on the economy, ushering new domestic and international shareholders into the mining industry.

The local mining industry, and PGMs specifically, continued in post-apartheid times to succumb to the pressures of delivering increased shareholder value in the form of large cash pay-outs in the upcycle periods of high demand.²² This was further complicated by capital expenditure on operations expansions, as well as mergers or acquisitions to meet high demands. This increased appetite for risk-taking in expansion ventures, propelled during the super-cycles when demand was high, created mining houses that were financially fragile holding entities with excess capacity during slumps in demand.²³

Prior to the 2008–2009 global financial crisis, platinum demand had been increasing by approximately 5% per annum for three decades, until demand flattened in 2008.²⁴ By 2012, Amplats found themselves in an unstable state, having to buffer themselves against the onslaught of environmental change. Being used to the cyclic nature of commodity prices in the mining industry, several organizations attributed the flattened demand to the crisis and therefore anticipated a subsequent upcycle, however there were much deeper structural changes in the market affecting performance. First, an increase in recycling of the metals meant a higher amount of PGMs were being kept in circulation, which reduced the demand for primary supplied PGMs.²⁵ Second, platinum itself was gradually being replaced by the much cheaper

palladium in the production of catalytic converters. Third, autocatalyst developers and manufacturers started to reduce the rhodium content they used. This dropped the demand and price from a peak of \$10,000/oz in 2008 to an average of \$625/oz eight years later, which represents a 94% drop that never recovered.²⁶

From the turn of the century until 2012, the PGM basket price²⁷ displayed a cumulative average growth rate of 8%, but the cash operating costs increased at a higher annual growth rate of 15% to 18%.²⁸ Contributors to high costs included deep level mining, coupled with a 44% reduction in head grade²⁹ from 5.7 to 3.2 grams/ton.³⁰ Another cost driver was unreliable electricity supply, due to the under-performing state-owned electricity supplier in South Africa. Due to these factors in the decade following the global crisis, electricity prices increased by 356% in the mining industry. Product supplies also became increasingly unreliable, sometimes forcing operations such as smelters to ramp down production or switch off entirely.

The socio-economic concerns of the sector were further compounded by several labor disputes during wage negotiations, which led to prolonged and often violent strikes (Exhibit 3). Earlier in 2012, Impala Platinum, the second largest platinum mine in the world, saw mine blasters striking due to inconsistent retention allowances.³¹ The resultant illegal gatherings were characterized by heightened work militancy, intimidation, violence and coercion, spreading the dissatisfaction to other workers and mining groups. The incumbent union, the National Union of Mineworkers (NUM), was rejected due to its inability to get better work conditions for its members. Fearing a loss of further members, NUM used violence to silence the irate workers who were migrating to the newly formed Association of Mining and Construction Union (AMCU). Clashes over the next two months became part of the encounters between fellow workers, unions, mining police, communities, contractors and state police, which resulted in the loss of 10 lives.

One of the most prominent work stoppages came in August 2012, when a 10-day strike at another PGM producer took a turn for the worst and 34 mineworkers were shot dead by the South African Police Service, in what has come to be known as the Marikana Massacre.³² This tragic outcome resulted from 78 mineworkers participating in an illegal strike, who were responding to the burdens caused by deep socio-economic inequalities, poor public service delivery, and unresolved grievances due to ineffective labor movements.

Moreover, several political entities post-apartheid had been lobbying for the nationalization of the South African mining industry, but in 2012 the country's ruling party resolved not to follow this path. The mining houses welcomed this decision, as the nationalization of mines was seen as an unsustainable option that would reduce investor confidence.³³ However, the government did pass a vote proposal for a new resource rent tax, aimed at ensuring that the government benefited from profits generated in the sector. Amplats was concerned that such changes would further erode investor confidence, and negative investor sentiment continued into the last quarter of 2012.

Creating a burning platform for change

When Griffith took over the role of CEO of Amplats in September 2012, he found that the company's growth strategy was dated and would not meet the expected demand for platinum, despite suppressed metal prices (Exhibit 1). The change in leadership at both Amplats and Anglo American plc, where Mark Cutifani took over from Cynthia Carroll in 2013, sparked the need for a new strategy to enable the organization to reduce debt and restore its balance

sheet. The executive head for safety, health, and environment, Graham Jones³⁴, observed:

“We knew change was coming because like a storm, we could hear thunder behind a range of hills and the wind was blowing towards us. We didn’t know if it was a light shower, heavy shower, hailstorm or a tropical cyclone, but we knew it was coming.”³⁵

The effects of the labor unrest and socio-economic challenges were still vividly present. A general manager of a refinery, Faith Mabaso³⁶, remembered:

“The outcome of that was that the relationship with employees really went very sour... There were a lot of socio-economic issues that we had as a result of that. And so there was a need to have a strategy that says: ‘How do we resolve the relationships [with unions and employees]?’”³⁷

The executive head of processing, Gavin Hayes³⁸, recalled the cultural challenges of mistrust they were facing at that time, and how Griffith responded:

“It’s always an ongoing, changing landscape. But provided your identified people understand where you are going to, and you seem to be living the values, living the leadership dimensions that you’ve put out, the people give you the benefit of the doubt and to a large extent Chris’s [Griffith’s] leadership in that has been exemplary.”³⁹

It was important for Amplats to reach a stable state in its strategic renewal. To achieve this, the leadership team needed to become analyzers, striving to understand the changes in the environment to stay abreast of changing trends. The team started the renewal process with an extensive review of the company’s assets to determine whether predictability and levels of variation in the performance were acceptable.

The senior strategy executive, Matt Romano⁴⁰, remembered how previously they had lived under the illusion that each year would be like the one before, until they started questioning the reasons for their underperformance:

“This business was underperforming. And there was a question that was asked: ‘So why?’ So, the team was set up. And they spent the whole of the year to answer just that question: ‘What is actually going on?’ ... And it was that piece of work that was the foundation as to how to fix it. Much of what we did from 2013 through to today is around sense checking this the whole time.”⁴¹

Next, the middle managers of all operations were invited to brainstorming sessions to give comments on the state of the organization and list what requirements were needed to put the organization back on a sound financial footing. The outcome came to be known as the Platinum Review, producing detailed performance fact packages for each asset.

Griffith and the executive team also deliberated over the information by running iterations on possible outcomes of the different scenarios the organization could undertake. Key in the process was the identification of the valuable, rare, inimitable and organized assets to capture value resources (VRIO framework⁴²) to ensure the company maintained its competitive advantage. They had to ask themselves questions about their ability to exploit their assets, which of their resources were rare, how difficult it was for competitors to copy their capabilities, and whether their operations supported the optimization of their resources. These

resources included the vast mineral-ore bodies owned by Amplats, and the mechanized, less labor-intensive open-pit mines with higher productivity per employee. The strategic location of the company's smelting complexes enabled the concentration of metals into smaller volumes, thereby cutting transportation costs. As far back as 2003, Amplats had started investing in increasing capacities and efficiencies for the smelters and refineries, resulting in world-class, first-pass recovery rates of PGM-bearing material.

The result of the strategy sessions was a focus on repositioning the company portfolio; marketing of the entire product profile, not just platinum; and increasing the productivity of each asset. The underlying intent was to shift from a volume-driven to a value-driven strategy.

Engagements with stakeholders began with getting approval from the Anglo-American Platinum Limited board and Anglo American plc. With their backing, Amplats made the first announcement in January 2013 that it was mothballing four and selling one loss-making mine shaft, which would result in 14,000 job losses due to role duplication or redundancy. The backlash to this announcement was severe, with union leaders threatening to call a strike to shut down operations. They accused Amplats of being selfish and depriving the nation of the benefits of its own resources.⁴³ Government felt betrayed because, two years earlier, Amplats had its license renewed after presenting its 50-year plan, in which no restructuring had been mentioned.⁴⁴ The move was viewed as arrogant, especially when unemployment levels in the country had reached 25%.⁴⁵ A visibly irritated Minister of Mineral Resources commented:

“Anglo is an errant child that has to be disciplined.”⁴⁶

Months of engagement continued with government and union leaders after the announcement, culminating in the organization restructuring by consolidating loss-making mines and halting capital expenditure on other operations. This approach resulted in the severance of approximately 7,000 employees who had occupied redundant or duplicate roles. The company lost some skilled, experienced personnel, and while those left behind were relieved, this action developed a level of distrust in the organization.

Despite restructuring, the organization slipped further into debt (Exhibit 4), closing 2013 at –R11,5 billion⁴⁷.

“You cannot save yourselves into a profit, this is not a good strategy to always follow,” noted Mark Harold⁴⁸, a senior manager in the organization.

Even though the team was progressing along the path of strategic renewal, the first half of 2014 kicked off with a five-month strike, the longest in the platinum industry's history, when 70,000 workers downed tools for five months, which cost the industry more than R24 billion⁴⁹ in revenues. This led to a significant impact on the workforce through increases in debt and deterioration of health due to a lack of nutrition and access to medical facilities. Shortly after the strike ended, Griffith announced in July 2014 the repositioning of the portfolio that entailed divesting old mines based on the view that with finite management time and capital, it was better for the organization to focus on operating assets to which it could afford to allocate capital and that would deliver the required returns.

The repositioning process took four years to complete, with the first set of mines⁵⁰ being sold to Sibanye Gold for R4,5 billion⁵¹ in 2015. In a joint press statement, the two entities emphasized the mutual benefits of the transaction.⁵² Amplats had sought a buyer with

operational expertise in mining and access to capital funding to extract value from the assets, while for Sibanye Gold, this opportunity presented a feasible entry into a new commodity using fully developed assets that still had locked-in value. When the last asset was sold in 2018, Amplats cleared its outstanding debt and emerged cash positive at the end of 2018. By the end of the process, Amplats had reduced its portfolio from 12 to four mines, 13 to four concentrators, and 12 to two joint ventures, but kept all the smelters and refineries.

The executives believed that their adaptability gave them the capability to renew their approach. Hayes⁵³ commented:

“So, let's put it this way, we saw the writing on the wall, we were able to read it. I think the competitor saw the writing on the wall and went into a bit of denial and expected that potentially the price would come back and save them. And I think it was that early adopter early reaction by ourselves to say this isn't going to get better soon.”⁵⁴

Throughout the entire journey, the company conducted half-yearly face-to-face updates, aimed at informing the different levels of management on progress in strategy execution. This allowed for opportunities of clarity, comment and insights for both management and employees. Insights from these engagements birthed a healing process called Organisational Cultural Transformation, which was rolled out in 2017. The intent was to shift from a culture of hurt and mistrust (*tshenyego*)⁵⁵ to one of hope and future-orientation (*tshiamo*).⁵⁶

A focus on people became a significant pillar of strategic renewal. Mabaso⁵⁷ said:

“We had to manage people's uncertainties, people's emotions. We launched the organizational culture transformation journey to create more and more engagement platforms. The obstacles were human.”⁵⁸

Hayes⁵⁹ considered the importance of leadership in strategic renewal:

“The leadership dimension is as important. In fact, it's more important than simply the mechanistic process of creating a strategy. Large numbers of people can create strategy and define a renewal process. It is leadership that is crucial.”⁶⁰

It was being decisive, according to Mabaso,⁶¹ that gave them the capacity to succeed:

“The leadership of Platinum took some seriously tough decisions where there was criticism from all quarters. And, and they stuck it out. They believed in the decisions that we were making. And they pushed through a lot of resistance, a lot of noise, a lot of almost backlash. And the results are now being celebrated by everyone, even the very same people who nay-said and absolutely lambasted the leadership.”⁶²

The second leg of the strategy focused on increasing each asset's productivity. Anglo American plc had created a business function in 2009 with a focus on asset optimization through the realization of untapped opportunities in existing business assets, a deviation from the traditional approach of using capital expenditure to fix problems. After the 2012 platinum, copper and iron reviews, a framework was needed that would guide the different business units on how to create structured approaches to work, thus the asset optimization function was repurposed and named Business Improvement. Its new mandate was to roll out a framework called Operating Model⁶³, which enabled the consistent definition, organization and delivery of work that would

create safe, stable, predictable and capable operations.⁶⁴

Asset-based decisions were central to the strategic renewal, as a general manager, Buyani Selepe⁶⁵, commented:

“Unless a company has good optionality with respect to its asset base, you’re always going to be limited with respect to the strategy to deploy internal capabilities.”⁶⁶

The third leg of the strategy focused on the marketing and market development for all products. The organization had a total of 16 marketable products. New demand creation initiatives, through amongst others the Platinum Guild International, World Platinum Investment Council, AP Ventures and Hydrogen Council, focused on PGM demand growth.

Changing to a burning ambition

When the organizational repositioning was completed in 2018, Amplats recorded a cash-positive year-end, generating positive EBITDA of R14.5 billion⁶⁷, free cash flows of R5.6 billion⁶⁸, and ROCE⁶⁹ of 24%⁷⁰ and the official era of the so-called Burning Platform came to an end. Amplats had reached a neutral state in strategic renewal, having attained a proactive and agile approach to change. However, to avoid the earlier pitfalls of strategic inertia⁷¹, Griffith and his executive team knew they had to constantly keep the organization in a state of urgency, aiming towards a clearly defined goal.

Griffith knew that the sector would need to find new markets for its PGMs to make up for the decline in the automobile industry.⁷² The industry had been the largest consumer of PGMs, making use of metals in the production of catalytic converters to clean exhaust fumes. Furthermore, increased production of electric vehicles threatened to further lessen the demand for PGMs. Even though electric vehicles made up only 2% of the global car market in 2018, a significant increase was expected from the 1.1 million sold in 2017 to 30 million by 2030.⁷³ Indeed, Bloomberg forecasted that the number of electric cars would exceed internal combustion vehicles in the next two decades.⁷⁴ Griffith was concerned that the PGM market was on the brink of more structural changes, which could negatively impact future demand. It was prudent for primary⁷⁵ PGM producers to invest in demand creation, which was exactly what Amplats’ renewed 2019 strategy was crafted to continue doing.

Together with Anglo American plc, a new strategy called Burning Ambition was created and launched in the first quarter of 2019. With an ambitious goal in mind, the executives thought about how to make it happen. The head of technology, Lucas Newman⁷⁶, said:

“So, in order to achieve it, we're going to need to take, I believe, more risk than we have in the business previously. And we're going to need to be more cost effective and more efficient. And new technology is going to play a big part in achieving the Burning Ambition.”⁷⁷

The first focus area was an expansion of the market to create demand for all the products along the value chain. Amplats’ wholly-owned subsidiary, Anglo Platinum Marketing Limited (APML), and the South African Public Investment Corporation⁷⁸ made equal commitments of \$200 million towards this goal. The second focus area was to drive operational efficiency by extracting full potential from assets, and by getting operational performance to international benchmarks and beyond with the rigid monitoring of plans. The third component focused on

investing back into the business, driving quick pay-back projects anchored in innovation and technology to ensure the sustainability of the organization.

Redefining the industry benchmark

As Griffith walked back to his seat from the podium, he thought about the organization's new challenges, albeit that the company was in a better position than in September 2012. Without a doubt, the industry challenges would be numerous, including the wage negotiations set for mid-2019, the persistent unreliable electricity supply, increased community unrest around the operations caused by the locals' lack of economic involvement in mining activities, high unemployment and the ongoing lack of service delivery.

However, with a successfully repositioned portfolio, Griffith and his executive team set the next goal of becoming the most valued mining company in the eyes of all stakeholders by 2023. Mabaso⁷⁹ said:

“So, it's not just about doing well, it's about doing the very best you are capable of and doing better than your competitors and everyone else in the world.”⁸⁰

Looking back at the preceding seven years of his tenure and the restructuring of the business, the repositioning of its portfolio of assets and the resilience they had gained, Griffith contended:

“It's a much more valuable company, a much safer company, and all round a much cooler company to work for.”⁸¹

Amplats was able to report in 2019 that in addition to cost efficiency, sustainable financial returns and the sustainable delivery of valuable products, they had met their safety and health target of zero fatalities. They had also invested as much as R619 million in the social development of the community and had reduced their impact on the environment. Their value creation thus extended beyond financial returns (see Exhibit 5).

Given the success of the organization's strategic renewal processes during his time as CEO, and having introduced the concept of Burning Ambition, Griffith now deliberated on the next steps of strategic renewal. He wondered whether the current course of action was sufficient to navigate the socio-economic challenges and emerge as the most valued mining company by unlocking the next wave of value from the business.

“The story is not yet played out,” he concluded.⁸²

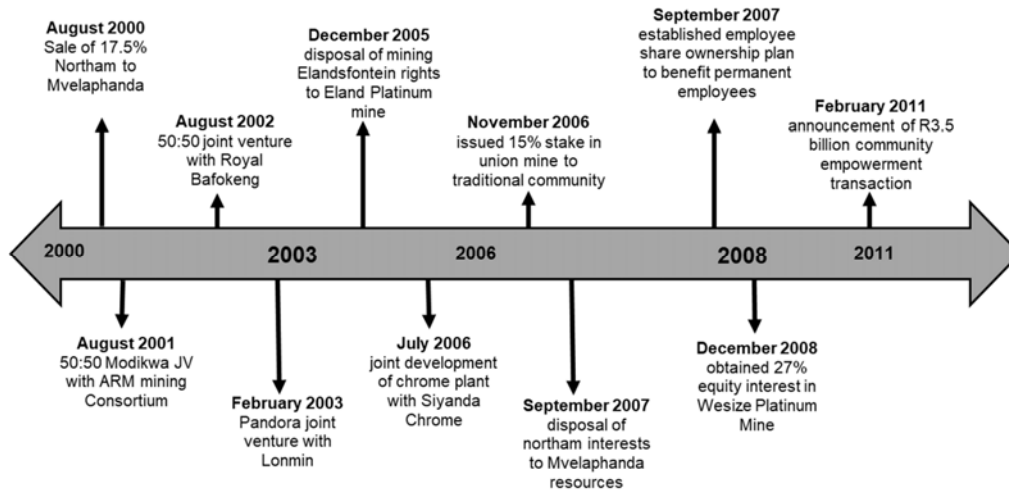
The incoming CEO would have to think about how Amplats should respond to changing market conditions and different stakeholder challenges. First, the executive team would need to consider and understand the internal and external factors, and the unique capabilities that define their strategic direction. Next, they would need to think about how to approach continual strategic renewal, and whether Amplats should commit to maintaining the status quo, bring about small and cost-effective change, or drive big disruptive change in their strategic renewal process. Finally, they would need to think about how to build symbiotic relationships with different stakeholders.

Exhibit 1: Summary of Amplats' key financial performance figures from 2012 to 2018

Financial performance		2018	2017	2016	2015	2014	2013	2012
Net sales revenue	R million	74 582	65 670	61 960	59 815	55 612	52 404	42 838
Cost of sales	R million	63 286	56 578	56 096	54 584	53 320	22 586	19 764
EBITDA	R million	14 503	11 985	9 096	-1 601	5 394	46 208	41 984
EBIT	R million	10 335	7 892	4 429	-6 882	409	19 916	19 354
Headline earnings	R million	7 588	3 886	1 867	-126	492	1 451	-1 468
Cash generated from operations	R million	17 345	15 942	13 595	10 942	7 876	17 053	16 364
Capital expenditure	R million	4 711	3 664	3 398	3 747	5 754	6 346	7 201
ROCE	%	24	18	8,9	5,8	1,3	3,1	-12,1
Total metal sold		2018	2017	2016	2015	2014	2013	2012
Platinum	000/oz	2 424	2 505	2 335	2 459	* 1 890	2 380	2 378
Palladium	000/oz	1 513	1 572	1 464	1 595	1 225	1 380	1 396
Rhodium	000/oz	317	290	317	305	229	295	311
Average market price		2018	2017	2016	2015	2014	2013	2012
Platinum	USD/oz	871	947	993	1 051	1 385	1 485	1 532
Palladium	USD/oz	1 029	876	614	691	803	725	640
Rhodium	USD/oz	2 204	1 094	695	932	1 173	1 067	1 264
PGM basket price	USD/oz	2 219	1 966	1 735	1 905	2 413	2 326	2 406
Number of employees	total	24 789	28 692	28 250	45 520	49 295	49 816	56 379
Productivity	Pt Ox/employee	**108	**94	34,7	33,2	23,3	30	29,3
Fatalities		2	6	7	2	3	6	7
* low output due to 5 month strike								
** calculated using total PGM ounces (previously based on Platinum ounces)								

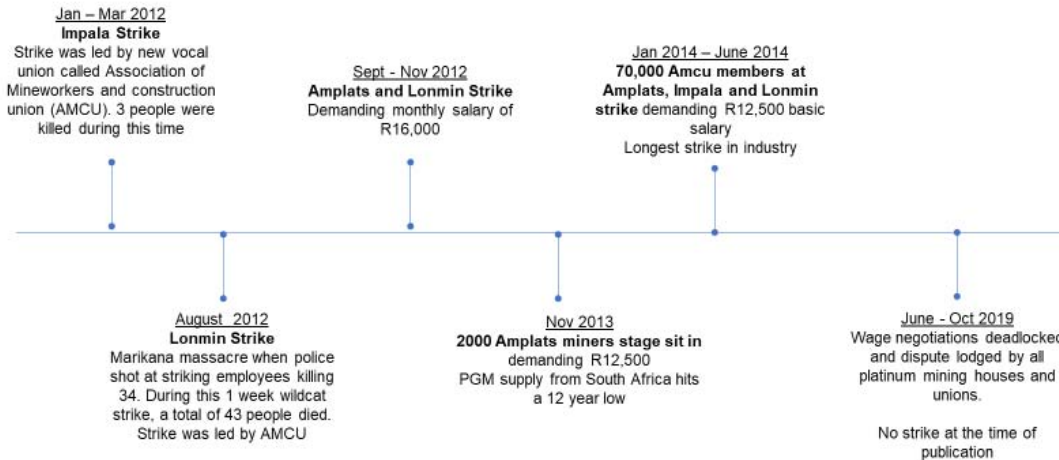
Source: Author's own compilations of key performance indicators from Anglo American Platinum Annual reports

Exhibit 2: Amplats’ major transactions from 2000 to 2011



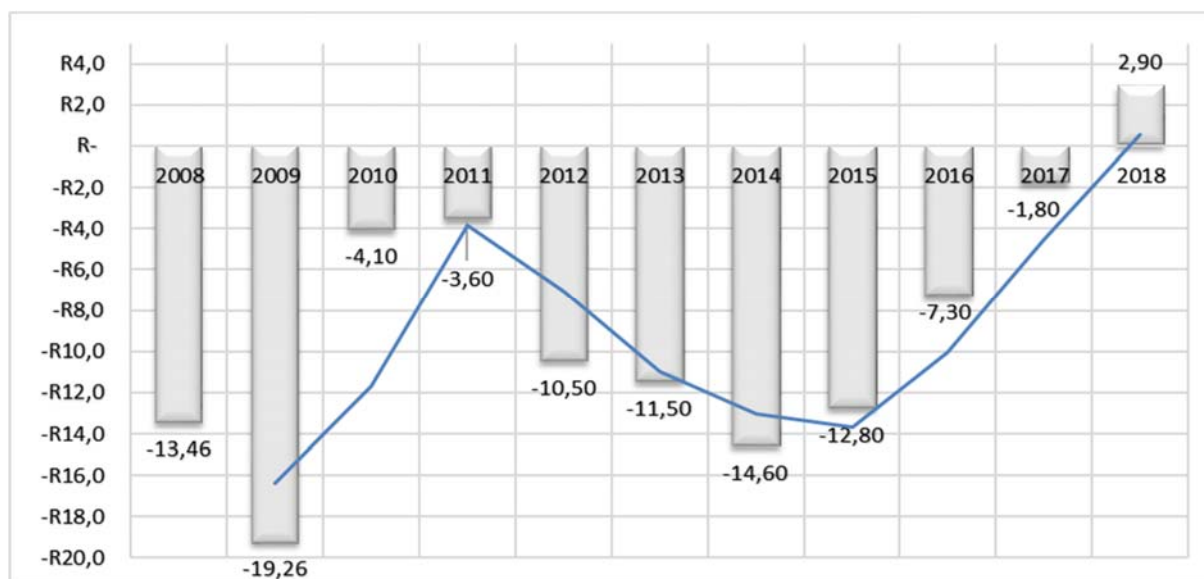
Source: Authors’ own. Timeline of Amplats growth activities from 2000 to 2011. Adapted from Anglo American Platinum Limited, Integrated Report 2015, pages 10 and 11

Exhibit 3: Timeline of major labor disputes that occurred during wage negotiations in the platinum industry



Source: Authors’ own⁸³

Exhibit 4: Amplats net debt and cash 10-year profile (billions in Rand)



Source: Authors' own compilation of data from Anglo American Platinum Annual reports 2008 to 2019 (Note: Recapitalization in 2009)

Exhibit 5: Amplats value creation 2019⁸⁴

Pillar of value	KPI	Unit	2019 target	2019 actual	Achievement
SAFETY AND HEALTH	TRCFR	/million hours	3.45*	2.50	Fully achieved
	Fatalities	Number	0	0	Fully achieved
	HIV management (90:90)	%	90:90	97:91	Fully achieved
ENVIRONMENTAL	Zero level 4 and 5 incidents	Number	0	0	Fully achieved
	Energy intensity	GJ/tonnes milled	0.81	0.80	Fully achieved
	Total energy used	million gigajoules	20.5	20.1	Fully achieved
	Water intensity	m ³ /tonnes milled	1.17	1.00	Fully achieved
	Total water withdrawals	Megalitres	29.6	25.1	Fully achieved
	Compliance to SO ₂ emission permits	%	100	100	Fully achieved
SOCIO-POLITICAL	Anglo social way	Score average 3.2	3.2	4.1	Fully achieved
PRODUCTION	PGM M&C production	koz	4,200 – 4,500	4,441	Fully achieved
	Refined PGM production	koz	4,600 – 4,900	4,650	Fully achieved
	Productivity PGM ounce per employee	PGM oz	106.0	110.5	Fully achieved
	Unit costs	R/Pt oz	21,000 – 22,000	22,294	Not achieved
FINANCIAL RETURNS	EBITDA	R billion	31.6	30.0	Partially achieved
	Operating free cash flow	R billion	25.3	25.1	Partially achieved
	Return on capital employed (ROCE)	%	19.2	58.0	Fully achieved
	Capital expenditure (capex)	R billion	5.7 – 6.3	6.0	Fully achieved
	Cash flow return	%	18.1	49.8	Fully achieved

▼ Fully achieved
 ▼ Partially achieved
 ▼ Not achieved
 * Revised – including Mototolo complex

Notes

1. An Indaba means conference in South African languages.
2. Anglo American Platinum internal communication, distributed March 20, 2019.
3. Approximately \$16,9 billion at the exchange rate of \$1 = R13,33 in February 2019.
4. Sibanye-Stillwater became the global leader in May 2019, after the acquisition of Lonmin, the 3rd largest supplier in South Africa.
5. Deep-level refers to old mining methods of sinking shafts to get to the ore.
6. Matulka, R. (2014, September 15). *Timeline: History of the electric car*. <http://www.energy.gov/articles/history-electric-car>.
7. Minerals Council South Africa. (2019). *Mining Indaba 2019: National platinum strategy for South Africa*, 1–2.
8. Goldfields is a gold mining company based in South Africa.
9. Johannesburg Consolidated Investment Co Ltd was a large investment corporation owned by Anglo American plc. In 1994, it ceased to exist as it was split into segments and apportioned to different owners.
10. Groenewald, L. (2013, April 11). *A conversation with Chris Griffith – CEO Anglo American Platinum*. <http://www.leadershipplatform.com/chris-griffith-ceo-amplats/>.
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12. Groenewald, L. (2013, April 11). *A conversation with Chris Griffith – CEO Anglo American Platinum*. <http://www.leadershipplatform.com/chris-griffith-ceo-amplats/>.
13. Groenewald, L. (2013, April 11). *A conversation with Chris Griffith – CEO Anglo American Platinum*. <http://www.leadershipplatform.com/chris-griffith-ceo-amplats/>.
14. Avery, M. (2019, September 27). A view from the C-Suite. *Audio podcast*, 15:57. <https://iono.fm/e/750601>.
15. Avery, M. (2019, September 27). A view from the C-Suite. *Audio podcast*, 15:57. <https://iono.fm/e/750601>.
16. Anglo American Platinum Limited. (2015, February). *Integrated Report*, 10–11. https://www.angloamericanplatinum.com/~/_/media/Files/A/Anglo-American-Group/Platinum/report-archive/2015/2015-integrated-report-final-v2.PDF.
17. Apartheid was a political and social system in South Africa during the era of white minority rule. It enforced racial discrimination against all South Africans not of European descent.
18. Mineral Council South Africa. (2019, September 9). *Facts and figures 2018*. <http://www.mineralscouncil.org.za/industry-news/publications/facts-and-figures>.
19. Statistics SA. (2017, April 3). *Mining: A brief history*. <http://www.statssa.gov.za/?p=9720>.
20. Karwowski, E., Fine, B., & Ashman, S. (2018). Introduction to the special section 'Financialization in South Africa'. *Competition and Change*, 22(4), 383–387.

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- <https://doi.org/10.1177/1024529418791762>.
21. Karwowski, E., Fine, B., & Ashman, S. (2018). Introduction to the special section 'Financialization in South Africa'. *Competition and Change*, 22(4), 383–387. <https://doi.org/10.1177/1024529418791762>.
 22. Karwowski, E., Fine, B., & Ashman, S. (2018). Introduction to the special section 'Financialization in South Africa'. *Competition and Change*, 22(4), 383–387. <https://doi.org/10.1177/1024529418791762>.
 23. Bowman, A. (2018). Financialization and the extractive industries: The case of South African platinum mining. *Competition and Change*, 22(4), 388–412. <https://doi.org/10.1177/1024529418785611>.
 24. Anglo American Platinum Limited. (2013). *Annual Report 2013*, 12. <https://www.angloamericanplatinum.com/~media/Files/A/Anglo-American-Platinum/documents/aap-ar-2013-lores.pdf?page=10>.
 25. The recycled amount increased from 0.5 million ounces in 2000 to two million in 2018, keeping the platinum price so suppressed that it never recovered to pre-global economic crisis values.
 26. Anglo American Platinum Limited. (2013). *Annual Report 2013*, 12. <https://www.angloamericanplatinum.com/~media/Files/A/Anglo-American-Platinum/documents/aap-ar-2013-lores.pdf?page=10>.
 27. Basket price refers to the market average of all PGM prices.
 28. Surujhlah, S., Manyuchi, K. T., & Smith, G. (2014). Mining company strategy evolution : An overview and example of application in the platinum industry. *The 6th International Platinum Conference, 'Platinum–Metal for the Future'*. The Southern African Institute of Mining and Metallurgy, 169–180. <https://pdfs.semanticscholar.org/ceac/8bd0a3fe3ccf2f0dada27b7a634c37f77943.pdf>.
 29. Head grade: quantity of valuable mineral or metal contained in each ton of ore mined.
 30. Anglo American Platinum Limited. (2013). *Annual Report 2013*, 4. <https://www.angloamericanplatinum.com/~media/Files/A/Anglo-American-Platinum/documents/aap-ar-2013-lores.pdf?page=10>.
 31. Chinguno, C. (2013, April 1). *Marikana and the post-apartheid workplace order*. www.wits.ac.za/swop
 32. Marikana Massacre – 34 people were killed in a 10-day wildcat strike at Lonmin, the 2nd largest PGM producer at the time.
 33. Anglo American Platinum Limited. (2013). *Annual Report 2013*, 32. <https://www.angloamericanplatinum.com/~media/Files/A/Anglo-American-Platinum/documents/aap-ar-2013-lores.pdf?page=10>.
 34. The name has been disguised.
 35. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on October 23, 2019.
 36. The name has been disguised.
 37. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 26, 2019.

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38. The name has been disguised.
 39. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 13, 2019.
 40. The name has been disguised.
 41. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 13, 2019.
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 43. Mpofu, M. (2013, January 16). Plat Cats. *Cape Times*. <https://www.pressreader.com/south-africa/cape-times/20130115/281681137234827>.
 44. Molele, C. (2013, January 18). Amplats mines 'belong to the nation'. *Mail & Guardian*. <https://mg.co.za/article/2013-01-18-00-amplats-mines-belong-to-the-nation/>
 45. Statistics SA. (2017, April 3). *Mining: A brief history*. <http://www.statssa.gov.za/?p=9720>.
 46. McKay, D. (2019, September 13). The highs and lows of Susan Shabangu. *MiningMx*. <http://www.miningmx.com/news/markets/20361-the-highs-and-lows-of-susan-shabangu/>.
 47. Approximately \$1.92 billion at the exchange rate of \$1 = R9,65 at the end of 2013.
 48. The name has been disguised.
 49. Approximately \$2,21 billion at the exchange rate of \$1 = R10,85 in 2014.
 50. Based in Rustenburg, Northwest Province, South Africa.
 51. Approximately \$368,9 million at the exchange rate of \$1 = R12,20 in 2015.
 52. Anglo American. (2016, November 1). *Anglo American Platinum completes sale of Rustenburg operations to Sibanye*. <https://www.angloamericanplatinum.com/media/press-releases/2016/01-11-2016>.
 53. The name has been disguised.
 54. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 13, 2019.
 55. *Tshenyego* is a word meaning 'hurt' in Tswana, one of the 11 official South African languages.
 56. *Tshiamo* is a word meaning 'new' or 'hopeful' in Tswana, one of the 11 official South African languages.
 57. The name has been disguised.
 58. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 13, 2019.
 59. The name has been disguised.
 60. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on October 25 2019.
 61. The name has been disguised.
 62. Interview with executive manager at Anglo American Platinum head office, Johannesburg,

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- on September 26, 2019.
63. Operating Model is an internal framework comprising integrated routines and ways of work.
 64. Anglo American Platinum internal interview communication (2019).
 65. The name has been disguised.
 66. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 16, 2019.
 67. Approximately \$1,485 billion at the exchange rate of \$1 = R14,33 at the end of 2018.
 68. Approximately \$388,8 million at the exchange rate of \$1 = R14,33 at the end of 2018.
 69. Return on capital employed.
 70. Anglo American Platinum Limited. (2018, February). *Unlocking our full potential 2018. Integrated Report (February)*, 23, 61. <http://www.angloamericanplatinum.com/~media/Files/A/Anglo-American-Group/Platinum/report-archive/2019/annual-financial-statements-2018.pdf>
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 74. Bloomberg.com. (2018). *In the switch to electric vehicles expect a few giants to crash*. <https://www.bloomberg.com/news/articles/2018-12-18/in-the-switch-to-electric-vehicles-expect-a-few-giants-to-crash>
<https://www.bloomberg.com/news/articles/2018-12-18/in-the-switch-to-electric-vehicles-expect-a-few-giants-to-crash>.
 75. Primary PGM producers refers to the extraction of metals from below the ground to be processed on the surface.
 76. The name has been disguised.
 77. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 13, 2019.
 78. A government-owned asset management firm for public sector entities.
 79. The name has been disguised.
 80. Interview with executive manager at Anglo American Platinum head office, Johannesburg, on September 26, 2019.
 81. SABC News. (2020). *Chris Griffith steps down as Anglo American Platinum CEO*. Retrieved from: <https://www.youtube.com/watch?v=BltlatYI71Q>.
 82. SABC News. (2020). *Chris Griffith steps down as Anglo American Platinum CEO*.

Retrieved from: <https://www.youtube.com/watch?v=BltlatYI71Q>.

83. Infographic (2014): South Africa's platinum belt strike timeline. <https://www.miningreview.com/top-stories/infographic-south-africas-platinum-belt-strike-timeline/>
84. Anglo American Platinum Limited. (2019). *Integrated Report 2019*. Retrieved from: <https://www.angloamericanplatinum.com/investors/annual-reporting>.