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## Case Study

### Golden Opportunity

**When a Canadian multinational laid off hundreds of gold miners in South Africa, it went many extra miles to help them get back on their feet**

By Wayne Dunn

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# Golden o p p o r t u n i t y

*When a Canadian multinational laid off hundreds of gold miners in South Africa, it went many extra miles to help them get back on their feet*

What happens when a multinational company suddenly changes the social responsibility “rules” for a long-established industry? How can a company make massive workforce layoffs compatible with an aggressive social responsibility agenda?

What are the challenges when a firm goes far beyond its core competencies in order to deliver on its social responsibility commitments?

In late 2000, I set off in a pickup truck to help find an unemployed gold miner living in the rugged highlands of Lesotho, a small independent nation surrounded by South Africa. I had been hired to assist a corporate social responsibility initiative designed to help 2,500 miners laid off from South Africa’s South Deep gold mine, one of the world’s largest. Under the ambitious project, miners were to be retrained for new jobs or taught how to start their own small businesses. The problem was that they had already gone home to isolated villages and towns scattered across a 2,500-mile-long swath of rural southern Africa. Now we had to find them,

and that was proving quite a challenge.

With me in the truck was Thato Lethebele, himself a laid-off gold miner hired to help locate his colleagues. Since miners often lived in places so remote that they appear on no map, Lethebele carried a global positioning device so he could record the location of miners’ homes for the outreach workers who would make follow-up visits.

After driving for hours along the Roof of Africa Highway, with sheer cliffs on one side and sheer drops on the other, we ran out of paved road and began following trails, some of which looked like they hadn’t seen a motor vehicle in a long time.

We began stopping everyone we came across – men on horseback, boys herding cattle, women walking along the trail – and asking if they knew where the miner lived. After two long hours of bouncing and banging along remote mountain trails, we came to the miner’s village. The trail turned into a near-vertical path for the last quarter mile, so we had to get out and walk.

We finally arrived at the village composed of about 10 huts, but the miner, it turned out, wasn’t home.

But his wife was, and we explained to her that we represented Placer Dome and that we were there to inform them about a job retraining project for Placer

by WAYNE DUNN

Dome's former employees.

### Going Beyond Industry Practice

Placer Dome, a Canada-based global mining firm, has more than 13,000 employees in seven countries. Its 17 mines produce more than 3.5 million ounces of gold and 400 million pounds of copper annually. In 1999, the company purchased 50 percent of the South Deep Mine from Western Areas Limited, an old South African mining firm, becoming the first post-apartheid foreign investor in South Africa's huge gold mining industry.

The mine required massive restructuring in order to make it profitable and to bring it in line with Placer Dome's safety standards. Nearly a third of the mine's workforce was let go. Layoffs were a depressingly familiar feature of the South African mining industry in the 1990s, when more than 100,000 workers lost their jobs. Employment cuts were so common that the National Union of Mineworkers created the nonprofit Mineworkers Development Agency (MDA) to aid out-of-

operate." Few employees take advantage of training at the mine site, as it requires that they stay there, rather than return to their villages. Furthermore, training at the mine site would do little to prepare workers for the economic reality of their remote, impoverished villages.

Placer Dome thus embarked on an expensive program to train them for new jobs or help them start their own small businesses. Given that the ex-miners lived in communities scattered across five countries – South Africa, Lesotho, Mozambique, Swaziland, and Botswana – this was a mammoth undertaking.

Jay Taylor, Placer Dome's CEO at the time, recognized that the world was changing and resource-extraction businesses like his would find themselves under increasing pressure to deliver social value and environmental stewardship along with financial returns. And a company's reputation, he knew, would become increasingly dependent on its ability to do so.

"Our commitment to community development represents an added cost,

Placer Dome not only had a head start on meeting this requirement, but gained credibility because it had done so before being ordered to.

### Key Management Players

In 2000, Placer Dome assigned internal responsibility for what became known as the Care Project to Phillip Von Wielligh, South Deep's human resources chief. He was supported by project coordinator Willem le Roux, and together they managed a group of up to 30 full-time workers, nearly all of them ex-miners. Von Wielligh reported directly to the mine manager. Keith Ferguson, vice president of sustainability at Placer Dome's head office in Vancouver, became an internal cheerleader, providing financing and corporate endorsement. Placer Dome's South African management set a goal of getting at least 70 percent of the laid-off workers or their families into new jobs or their own businesses.

Placer Dome hired my consultancy, Wayne Dunn & Associates, to provide strategic support to the Care Project. My firm was hired not to provide day-to-day management, but rather to help design the project, develop appropriate international partnerships for it, and support the people carrying it out. We negotiated the cost-sharing partnership with the Canadian International Development Agency (CIDA), and managed the relationship with the World Bank. I visited the project three to four times per year to help management review progress and plan strategy.

### Hunting for Good Partners

While the project team was long on enthusiasm, it was short on experience in managing a complex, multicountry development project.

Team members realized they needed help locating widely scattered beneficiaries. The team also needed partners to provide the training programs. So

**"When the mine laid off 2,500 workers, we expected it would be similar to other retrenchments, but the Care Project has changed the South African mining industry."**

work miners and their families.

Industry practice in South Africa at the time was to give laid-off employees two weeks of severance pay per year of service, plus access to various job training opportunities at the mine site. But Placer Dome felt this didn't measure up to its corporate sustainability policy, which commits the company to add "economic, social, and environmental value to the communities where we

but is an essential investment in our future, and should help us to achieve greater profitability," Taylor said.

His intuition proved correct. In 2002, Phumzile Mlambo-Ngcuka, South Africa's minister of minerals and energy, established a "social scorecard" mandating that mining companies produce social value for workers and the communities where they come from. With its new income-regeneration program,

# The Bottom Line

## BENEFITS TO PLACER DOME

Meet new government social standards before they're imposed.

Credit for "changing the social face of South African mining."

Improved relations with miners' union.

Won prestigious World Bank Development Innovation Award.

## BENEFITS TO MINERS

Job training led to new employment.

Entrepreneurial skills training allows many to open their own small businesses.

AIDS home-based care programs help infected miners and their families.

## COSTS TO PLACER DOME

\$3.6 million in cash.

Management time.

they approached two organizations with common interests and the infrastructure to cover the vast region where the miners lived. The Employment Bureau of Africa (TEBA), a recruiting agency for the mining industry with offices throughout southern Africa, and the MDA, which had several training and development facilities in the region, agreed to help the Care Project.

The Care Project contracted with TEBA and MDA for the use of their facilities, daily supervision of the outreach workers who worked from TEBA's offices, and the provision of specific training programs. If TEBA or MDA could not provide the training, they could source it to other local providers. In addition to paying them for their services, the Care Project paid to upgrade some TEBA and MDA training centers and office facilities. The efforts of TEBA and MDA were directed by Von Wielligh, who also maintained quality control.

The project team developed what it thought was a straightforward plan. About 25 laid-off miners would be armed with global positioning devices and dispatched to scour the bush country for their ex-colleagues' homes. Once located, former workers would be registered for the Care Project and the GPS coordinates of their homes recorded. Then on subsequent visits, the team representatives would help the workers and their families decide whether they wanted to be trained for new jobs or

tutored in setting up their own businesses. Workers could nominate wives or other family members to receive the training – the first time women ever had direct access to severance benefits.

The team felt that lengthy studies and consultations would only delay the process of aiding the miners and their families. To save time, the initial budget for the project was set at \$2.5 million so that the CEO of Placer Dome's South Africa division could approve it without going to the company's full board.

The plan sounded simple, but putting it into effect was anything but.

### Distrust and Frustration

With no experience running such a complex endeavor, Placer Dome made some early mistakes. For one thing, it failed to get the National Union of Mineworkers on its side. Enraged at the sweeping layoffs, the union had challenged them in court but lost. The union had little reason to trust Placer Dome, and much credibility to lose if it backed the Care Project and it failed. When the project started, the union was still telling workers the layoffs would be overturned and they would get their jobs back. On several occasions, I watched as project team members endured long, angry lectures from former miners who believed Placer Dome was unfairly taking their jobs.

The project's biggest initial hurdle was finding ex-workers in some of the

most inaccessible places on the planet.

To locate and register one family, for example, took us more than five frustrating, harrowing hours. And we planned to do this 2,500 times.

Then there were the ex-miners themselves. Many were in denial about their job status and fully expected to go back to work; some had not even told their families about the layoffs. Moreover, many workers were functionally illiterate or ill with AIDS, making employment training for them problematic.

### Adapting the Strategy to Reality

The original plan was for the 25 Care Project outreach workers to be supervised by one person. But this was impossible, so Von Wielligh appointed five regional managers, one in each country. Von Wielligh, le Roux, and the regional managers met face-to-face every month to report progress, set targets, share lessons learned, and develop overall strategy. Regional managers in turn held monthly meetings with fieldworkers who operated out of TEBA offices in their jurisdiction.

We solved the logistical nightmare of transporting outreach workers by supplying fieldworkers with motorcycles. They also were provided with cell phones, improving their ability to communicate with project managers.

As the team gradually located the ex-miners and informed them about the two different programs – the job retrain-

## CASE STUDY



### The Network of Partners Gets to Work

Those who chose new jobs were trained, and the project team used its extensive network of business contacts to help find openings for them. The project paid to give some miners on-the-job training with new employers, saving the employer money and increasing the employability of Care Project trainees.

Those who wanted to become entrepreneurs entered a program that familiarized them with microbusiness operations and helped them explore the market for their proposed business. TEBA, MDA, or their local subcontractors provided the training.

With the vast geographic spread of the project, the support had to be customized based on local requirements and capacity. If, for example, a miner wanted to become a chicken farmer, the project paid for him to receive generic small-business training along with specialized courses on the technical aspects of raising poultry. Whenever possible, trainees were introduced to local experts who could help them develop their businesses over time. The project connected a group of miners-turned-chicken farmers in Mozambique, for instance, with local suppliers of hatchlings and chicken feed.

After the Care Project was launched, I helped bring in a governmental partner, CIDA, which realized that working with Placer Dome could further its own poverty-alleviation agenda and influence the direction of the Care Project as well. CIDA provided \$1.4 million, and also lent development expertise and credibility to the project.

One condition of CIDA's participation was that South Deep develop an HIV/AIDS program. Placer Dome, in order to fulfill the requirements of CIDA funding, worked closely with TEBA to champion a new initiative to

Care Project fieldworker Thato Lethebele takes the GPS reading for the home of former mine worker Ditonako Thakali in Mokhotlong, a village in the highlands of Lesotho. TEBA regional manager Thabiso Thaaso and Thakali's wife observe the process. The village was reached after an arduous journey along the Roof of Africa Highway and through a maze of trails stretching back into the remote mountain ranges.

ing program and the small-business training program – that they could enroll in, we realized that the ex-miners were struggling to make an informed choice between the two. Many of them weren't aware of the range of options for making a living. They could become chicken farmers, bricklayers, welders, bakers, vegetable farmers, or furniture makers. They also could open convenience stores, garages, or solar panel installation shops.

To showcase these alternatives and help them choose a career path, Care Project management along with TEBA and MDA came up with the idea of creating a career fair. Named Open Days, these events became invaluable in opening the eyes of ex-miners to an array of alternative careers opportunities. One career fair was held in each province, and the project arranged and paid for transportation to bring workers and their spouses in from the villages. Trainers and suppliers set up information booths, and the fairs quickly took on the feel of a celebration as old co-workers reunited.

Despite the successful awareness

raising of the career fair, many ex-miners were still hesitant about choosing between the job training or the small-business training. While excited about the possibility of striking out on their own with a small business, most ex-miners lacked all but the most rudimentary financial skills required to run it. I suggested creating a program to teach them and their spouses basic financial skills. MDA was hired and paid to develop and provide a financial life skills course. Classes included how to operate a calculator, assess microenterprise opportunities, and weigh the advantages and disadvantages of self-employment. At Von Wielligh's insistence, trainers and counselors were professionally certified and, where possible, hired locally.

These one-week financial life skills sessions, in conjunction with Open Days and group counseling sessions, helped workers and their families make two critical choices: who would take the training, the miner or another family member, and whether they wanted to train for new jobs or run their own businesses.

## Key Players and Roles

<b>Laid-off mine worker and family</b>	<ul style="list-style-type: none"> <li>• Participated in program or selected family member to participate in training</li> </ul>
<b>Placer Dome South Deep Mine</b>	<ul style="list-style-type: none"> <li>• Conceived and launched the project</li> <li>• Provided \$3.6 million in cash financing</li> <li>• Provided management/corporate support</li> <li>• Project management</li> </ul>
<b>Care Project team</b>	<ul style="list-style-type: none"> <li>• Day-to-day management</li> <li>• Responsibility for quality control</li> <li>• Managed outreach/fieldworkers</li> <li>• Contracted with and paid for TEBA and MDA's participation</li> <li>• Managed all southern Africa relationships</li> </ul>
<b>The Employment Bureau of Africa (TEBA)</b>	<ul style="list-style-type: none"> <li>• Member of project steering committee</li> <li>• Assisted with organizing Open Days</li> <li>• Office space for fieldworkers</li> <li>• Provided training facilities</li> <li>• Identified/contracted training providers</li> <li>• Developed and managed AIDS home-based care program</li> </ul>
<b>Mineworkers Development Agency (MDA)</b>	<ul style="list-style-type: none"> <li>• Member of project steering committee</li> <li>• Assisted with organizing Open Days</li> <li>• Provided training facilities</li> <li>• Identified/contracted training providers</li> </ul>
<b>Canadian International Development Agency (CIDA)</b>	<ul style="list-style-type: none"> <li>• Provided \$1.4 million in project financing</li> <li>• Provided development expertise</li> <li>• Lent credibility to the project</li> </ul>
<b>World Bank</b>	<ul style="list-style-type: none"> <li>• Awarded Development Innovation Award and \$100,000 award to Placer Dome/TEBA home-based care project</li> <li>• Gave global profile to the project</li> </ul>
<b>Wayne Dunn &amp; Associates (WDA)</b>	<ul style="list-style-type: none"> <li>• Assisted with project design</li> <li>• Negotiated partnership with CIDA</li> <li>• Managed World Bank competition entry</li> <li>• Provided ongoing strategic consulting, and facilitated stakeholder communications</li> </ul>

provide training and support to family members caring for dying workers. The AIDS home-based care program was designed and led by TEBA. Von Wielligh participated in the concept development and helped the project to gain broad industry acceptance through informal advocacy among his peers in other companies. Placer Dome paid for my consultancy's efforts to gain more legitimacy and funding for the initiative by entering it in the World Bank Development Marketplace competition. Today, all South African gold mining companies participate in the

program and fully cover its costs, about \$500,000 per year.

### Success Stories

Slowly, the Care Project team's perseverance began to pay off. Skepticism dissipated as some laid-off workers began getting new jobs, and others started setting up small businesses.

In Lesotho, a young woman opened an electronics repair shop, and a school to teach others her skills. Several examiners in Mozambique decided to grow vegetables for the market in Maputo, the capital.

After taking the financial skills course, another worker went back to his village, an hour away from the nearest retail outlet, and saw an opportunity. He opened a small general store in his house, making a living for himself and sparing local women and children a long walk to purchase supplies. He has since parlayed his shop into several other local businesses, and serves as an entrepreneurial role model for others.

Not everyone was successful; some tried hard and didn't make it. But many did succeed, making a difference for their families and setting an

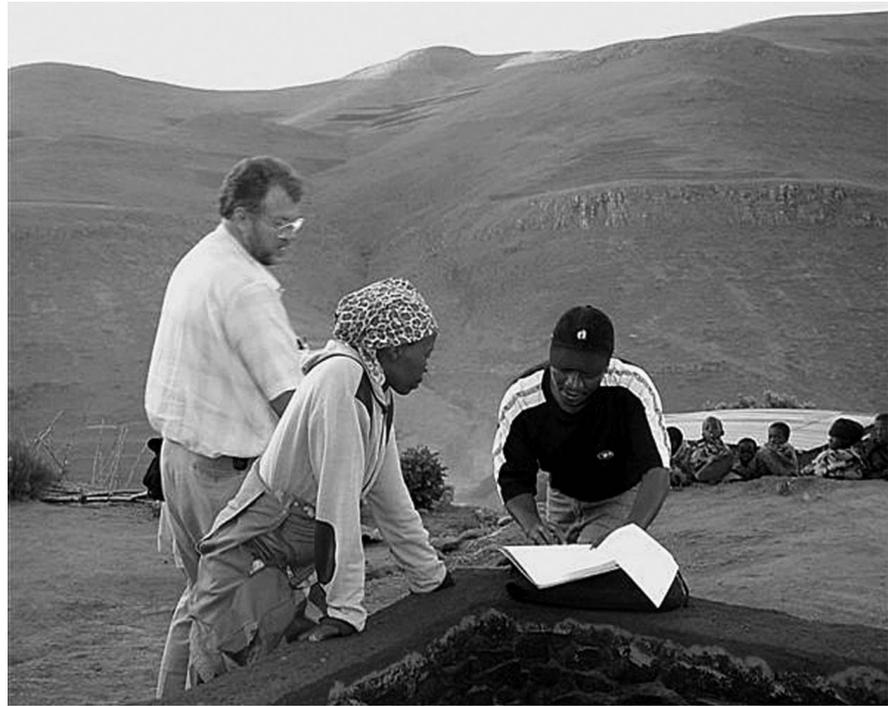
example for their neighbors.

### Bottom Line

The Care Project ended in December 2003 after virtually all the laid-off miners had been contacted. Outreach workers had made 3,251 home visits and registered 2,232 participants. Although this was less than the 70 percent participation rate we had initially sought, we considered the project successful. Of those who registered, 56 percent were still making at least \$100 per month in October 2003 – well above the subsistence-level wages common in the rural areas where they lived. We project that the average beneficiary will earn about \$1,000 per year, comparing favorably to the per worker program cost of \$1,667. Placer Dome had contributed \$3.6 million in cash, as well as management time and corporate resources.

The AIDS home-based care project has supported nearly 2,200 families and trained over 400 village care supporters in its first two years. In 2002, the home-based care project won the World Bank's Development Innovation Award – the first time a private-sector social responsibility project had done so. The Care Project won the 2004 Nexen Award for Excellence in Corporate Social and Ethical Responsibility, given annually to the top Canadian corporate social and ethical project.

The results of the Care Project have been a welcome surprise for the South African government. "When [the mine] laid off 2,500 workers in 1999, we expected it would be similar to other retrenchments, where the workers and their families received little support other than some on-mine training for the worker," said Kgosietsile Mogaki, social plan director for the South African Ministry of Minerals and Energy. "However, we have witnessed the Care Project making life-changing impacts, helping workers and their families to



Care Project coordinator Willem le Roux observes the collection of registration information from the wife of a former mine worker.

develop alternative incomes. Today [the government sees] the Care Project as an example that we encourage other mines to follow. The Care Project has changed the social face of the South African mining industry."

For Placer Dome, the Care Project produced a strong relationship with unions and the South African government, plus a global reputation as a leader in corporate social responsibility. For me, the project demonstrated how the private sector can work proactively with development partners such as CIDA to accomplish what neither of them could do individually.

Development agencies and private firms have common interests. Development organizations have a mandate to alleviate poverty and inequality in the developing world. International business, especially in industries such as mining, is under increasing pres-

sure to demonstrate that it can create social value along with shareholder value. In much of the world, social value is synonymous with easing poverty and increasing equality.

CIDA and other development agencies have extensive experience designing and implementing development projects, but their funding is limited and, with the increase in private investment in recent years, their relative influence in developing economies is shrinking. Multinational businesses like Placer Dome have well-developed logistics and project execution skills; often they have infrastructure and managers in isolated areas (where mines are located) as well. As the Care Project demonstrates, there are significant synergies that can be achieved when these two sectors collaborate effectively. □

**WAYNE DUNN** holds an M.Sc. in management from the Stanford Graduate School of Business and is the founding partner of Wayne Dunn & Associates Ltd., a Canadian consulting firm that helps private and public sector clients worldwide address sustainability and social development issues. Dunn has worked on more than 40 social licensing projects in 26 countries on six continents. He can be reached at [wayne@waynedunn.com](mailto:wayne@waynedunn.com).