



DAVID WOOLFALL; ALL OTHER PHOTOS ANGLO AMERICAN UNLESS OTHERWISE STATED



# THRIVING UNDER PRESSURE

In three years, Cynthia Carroll has turned the tide. Initially not seen as the obvious choice for the number one job, she now has results to back up her ambition – from delivering significant cost savings and operational performance to a much improved safety record and more women coming in to the organisation. Exclusively for *Optima*, **Kim Fletcher** asks the chief executive how she really measures success.

**It's early Monday morning and Cynthia Carroll's week is already in full swing. The Collahuasi copper mine (44 per cent owned) in Chile has returned to normal working, though some of its sub-contractors continue to strike; miners at associate De Beers, in South Africa, are threatening to walk out over pay; and, in Australia, a big argument is raging between the mining industry and government over the proposed imposition of a so-called resources 'supertax'.**

But in her top-floor office at Anglo American's headquarters in London, the company's chief executive is upbeat. She's recently back from talking to investors in Miami, at the Merrill Lynch Global Metals & Mining Conference in May 2010: "I couldn't believe the crowds of people who wanted to listen to our story, the kind of people who a couple of years ago just weren't interested in us."

Cynthia Carroll talks with the air of a woman who has the company structured and organised as she wants it. In the past year, Anglo American has resolved to concentrate on the seven commodities it believes to be most attractive – copper, iron ore, platinum, metallurgical coal, diamonds, nickel and thermal coal – and sell off other bits of the business.

Now the management teams for each commodity business sit in the commodity's core geographical area and take responsibility for operational performance, project delivery and reducing costs. As part of changes saving some \$120 million a year, Anglo American has stripped away divisional layers of management and pruned the

head office and other corporate offices, challenging it to share around the business the mining and other expert knowledge it has accumulated over the years.

Carroll explains the point of the reorganisation: "We need to get as close as we can to where the action is happening and where the decisions are taken. How do we become as efficient as we possibly can? What does the HQ look like? What is the most efficient way to organise ourselves, given that we have decided to divest some of these businesses?"

**"People talk to me. They tell me their concerns. In the past, it wasn't culturally acceptable to tap the manager on the shoulder and tell him what you think. When it was the CEO, it was completely unheard of."**

Alongside those changes, the company is energetically sweating assets and saving money on its supply chain. It set itself a target of \$2 billion uplift by 2011 and, ahead of expectations, achieved \$1.6 billion last year. Now, Carroll is confident it will make that \$2 billion extra from its core business alone, without taking into account any contribution from the businesses it intends to sell. She's justifiably pleased: "It's an absolutely phenomenal result. It's amazing if you just mobilise people – give them the framework, give them the training, tell them what they need to do and give them leeway to make the right decisions and apply the right judgement."

How does a miner find efficiencies on such a scale? Carroll leaps up and

paces to her desk to grab a shoulder bag, pulling out files about new shift patterns, better extraction techniques, single or dual global-supplier deals for tyres and lubricants, and for conveyor equipment – where around a hundred suppliers have been reduced to six...

Cynthia Carroll was not an obvious fit when she arrived from the Canadian aluminium business Alcan as chief executive three-and-a-half years ago, at the age of 50. Anglo American was very South African, very male and liked to look inside for its leaders. Here was an American, a woman and an outsider.

What did she find? "A company with outstanding capabilities and people, and a desire and a willingness to do great things – that was all on the positive side. Where it was clear that we had to improve was in safety. No matter how much some people talked about it, there wasn't consistency, there weren't universal standards and there wasn't a clear objective of safety being number one."

She talks passionately on this subject, evidently proud that fatalities last year were 29 per cent down on the year before – and a 55 per cent reduction on January 2007. Some in the industry still argue that mining is inherently dangerous and that safety is a peripheral issue; she believes it goes to the heart of the business: "To put care and respect on the table and say that is a fundamental value for us is a big shift from what it was a few years ago. That means care and respect for everyone in our organisation. We are going to make sure that people are being looked after."

Those who wondered what her words would mean in practice soon



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**01** Cynthia Carroll, June 2010, shortly after returning from the Merrill Lynch Global Metals & Mining Conference: "I couldn't believe the crowds who wanted to listen to our story."

**02** Making a point at Dawson Central coal mine in Australia, February 2007

**03** Reviewing mining plans during a visit to Mantos Blancos in Chile, April 2009



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found out in South Africa when, in the first few months of her being in charge, Carroll brought up 28,000 miners from the Rustenburg platinum mines' underground operations to instigate a safety training programme. In case anyone remained in any doubt about change, she involved the mining trade unions and the South African government in tripartite talks: "People asked: 'Are you sure you want to do this? You are going to be exposing Anglo American, you are going to be exposing the industry?' I said I was absolutely sure:



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it would put pressure on us internally to deliver, it would expose us and put pressure on the competition."

She laughs, making light of what must have been a tough battle: "Initially, I was quite unpopular in certain areas of the business. And we had some people – mine managers, supervisors – who put their hands up and said, 'I can't do this. I can't live by these standards.' We said, that's fine, thank you very much. We both need to go our own way."

And it's Carroll's way that has helped bring about a significantly improving

safety trend, not only within the Anglo American Group, but across the South African mining industry, where fatalities have declined by around 25 per cent. "I like to think that I opened people's eyes to the possibility that mindsets *can* be changed as far as safety is concerned. With Anglo American's annual fatality figure down more than half over the past three years, and with really big underground operations such as our platinum mines going for long periods fatality-free, people are starting to believe that zero harm *is* achievable."

Carroll believes the latest improvements in productivity are directly related to care of the workforce: "For me, safety affects what goes on in all aspects of the business in terms of people's mindsets, their approach, the degree of teamwork that they have, how they look after one another – that consistency of standards flows through to every other aspect of the business."

There were other changes of style. Cynthia trained as a geologist before going to business school. She knows her way around a mine: “I’m going to two coal mines next week and I’m going to a couple of concentrators on the platinum side.” Is that unusual for a CEO in the mining business? She laughs again. “It probably is.”

She states firmly that she feels very connected to the operational side. “I understand it very well and, because of my years of experience visiting other mines or operations, I know when things are going well and when they’re not. It’s the only way I can touch the people on the ground and they can tell me what’s going on. I also know the issues, I know where things could crop up and I know where things are going exceptionally well.

“People talk to me. They tell me what their concerns are. That’s a very difficult thing. As you get further up the line, it’s even harder because you are that much more removed from the guy mining the platinum on the ground in South Africa. In the past, it wasn’t culturally acceptable to be tapping the manager on the shoulder and telling him what you think – and when it was the CEO, it was completely unheard of.”

She may talk to anyone, but beneath the smile there’s a hint of the steel that has brought her to where she is: “Of the two mines I’m visiting in South Africa, one of them has had a very poor performance over the last six months and one of them has had a very impressive performance. So I want to go to one mine and congratulate them, and I want to go to the other and remind them where we need to be.”

Last year, *Forbes* magazine named Cynthia Carroll as the fourth most powerful woman in the world. It’s a power that sees her in discussions with presidents and prime ministers – and state governors and mayors. Some have been taken by surprise: “I had one individual who told me he wasn’t accustomed to my approach. ‘We don’t know how to deal with you, we are so used to putting boxing gloves on and fighting. You want to talk, you want to sit down and try and work out a solution together. This is so completely different.’

“That’s definitely something I’ve brought – transparency and openness, no hidden agendas. We’re not going to always agree, but as long as we understand the reasons and make an effort to engage, that’s what’s going to lead ultimately to success.

**“I like to think that I opened people’s eyes to the possibility that mindsets can be changed as far as safety is concerned.”**

“I’m really encouraging people in our organisation to connect, to engage, to understand what the issues are so that we know what could be in terms of policy and regulation. We work together to do the right thing for the countries and communities where we operate and, ultimately, for Anglo American.”

It should be said that this is not a description of the business that is recognised by its detractors. The activities of big mining companies

remain controversial. Many environmental groups have Anglo American in their sights. The American online magazine *Grist* is typical; it refers to the chief executive as ‘Cyanide Cynthia’ in its coverage of Pebble, Alaska, where the company is investigating a large copper, gold and molybdenum deposit. It’s the usual debate: jobs and tax revenues versus the threat to a pristine wilderness, particularly to local fish populations, if mining effluents escape.

She addresses the point without rancour: “No question about it, they can make a lot of noise and I think there’s going to be even more noise surrounding companies in the extractives industry. And if such a company gets things wrong in a big way and mistakes are made... then there are going to be that many more NGOs and environmental groups coming out against national resource development.

“We have to engage first and foremost with the representatives and potential future employee base and the people we are going to impact most directly. At Pebble, the local mayor has requested that we continue doing development work, so that we can all take a view when the facts are on the table.

“We won’t ever be in a position to satisfy everybody. There will always be a degree of scepticism and opposition to mining development. On the other hand, the people whom we really have to be listening to are those people in the regions where we are operating.

“You have to be working with the governments, from the president or prime minister all the way down through ministries, local governments, mayors and all the levels at which we

**01** Cynthia Carroll goes underground with employees at Thermal Coal’s Goedeheop colliery in South Africa, February 2007

**02** On the platform of one of the huge ore-carrying trucks at Los Bronces

**03** During a visit to Los Bronces copper mine in Chile in 2007



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## TIMELINE CYNTHIA CARROLL'S CAREER

**1956**

Born, New Jersey, US

**1978**

Graduates from Skidmore College, Saratoga Springs, New York, with a bachelor of science in geology

**1982**

Gains a masters of science degree in geology from the University of Kansas, before joining Amoco, now part of BP, as a petroleum geologist, working in gas and oil exploration across the US

**1989**

Completes an MBA at Harvard Business School. In the same year, she joins aluminium company Alcan Inc., based in Montreal, Canada

**1996**

Appointed managing director of Alcan's Aughinish Alumina division, based in County Limerick, Ireland

**2006**

Leaves Alcan as president and chief executive officer of the company's Primary Metal Group, which, by that time, had become Alcan's biggest and most profitable division

**2007**

Joins the board of Anglo American plc in January, becoming chief executive two months later. Appointed a non-executive director of BP in May

**2008**

Appointed a member of the Business Council for Britain

operate. Engage with them, get them to understand what we are about, what we stand for, what we are going to do, not only for Anglo American but for the employee base and the community, and how we can build on a sustainable basis for the long term.

“When I think about going into a particular location, I’m thinking not about 10 or 20 years out. I’m thinking about generations – and the impact and the legacy that we will leave in those places. That’s the way we all have to think about things if we are going to be welcome, if we are going to build a relationship that is one where we all feel that we are adding and benefiting from the presence of the mine and that people feel that they want us. That takes hard work.”

**A**s evidence in support of her proposition, she describes the work that Anglo American has been doing in South Africa: the Zimele enterprise development programme that will see the development of 25,000 new jobs in 1,500 new businesses; pioneering work on HIV/AIDS; awards for workplace programmes.

“You have to think whether you can actually improve the current situation, as opposed to having a negative impact on it,” muses Carroll. “On the Witbank coalfield, in South Africa, we’ve developed a \$44 million water recycling plant. Together with BHP Billiton, we are recycling mine water into drinking water – 80,000 people from the local community now have drinking water every day. That’s fantastic – and we are now planning to expand the facility.”

And in Brazil, the company is working with NGOs: “We will create a farm environment on a like-for-like



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**01** Listening to a local resident’s views on the proposed Pebble project – Alaska, 2008

**02** During a visit to Australia in September 2009, Cynthia Carroll delivers the keynote speech at the Brisbane Mining Club

**03** Peruvian President Alan Garcia and Cynthia Carroll meet in the Presidential Palace, Lima, June 2008

basis on acreage that we are impacting in the area we are likely to mine. It’s a very interesting and innovative thing that we are doing there.”

Is there a danger that she pursues public good at the expense of shareholders’ profit? “Well, there is a balance. We also have to have priorities. We have to know where the value is. We can’t do everything, but we can do a great deal. We’ve got to do the right things, day in, day out, year after year, decade after decade.”

And to what extent has she approached this job differently because she is a woman? “I’m not very preoccupied with being female. I am what I am. I’ve always worked in a male-dominated environment – starting with oil and gas, then moving into alumina; I ran an alumina refinery in Ireland. I think that was a big shock on the ground when it was first announced, but after a couple of weeks I don’t think anybody was thinking any more about it.



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“We need a lot more women. I think women do support a different mindset and maybe a different culture, particularly around safety. Caring for one another, prompting people to think differently, is one thing that women do particularly well.”

The number of women working in Anglo American has increased fast since she took over. In South Africa, women now occupy about 20 per cent of the management ranks, while many now work underground in jobs formerly reserved for men. In Australia, where managers were initially too embarrassed to discuss the absence of



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women with her, there are now women involved in all aspects of the business.

Carroll's been looking after global businesses for the past 12 years. With four children, aged between 10 and 16, she's grateful to have an accountant husband who works from home. "It's a matter of having someone who is enormously supportive and willing to do these sorts of things.

"I also have a lot of energy, and sleep well – if not enough! It helps."

In 2009, reflecting the impact of the global downturn on commodity demand and prices, Anglo American's operating profit halved to \$5 billion, with underlying earnings of \$2.6 billion. Crucially, however, it kept faith in its project pipeline – one of the strongest in the industry. In 2010, it is investing \$4.2 billion on its major growth projects, notably the Minas Rio iron ore and the Barro Alto nickel projects, both in Brazil, the Los Bronces copper expansion in Chile

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and the Kolomela iron ore project in South Africa. It is these projects that will be driving production growth over the next three years, beginning with Barro Alto early in 2011.

Having fended off Xstrata's approach to the company – "We'd done our homework and had a very complete fact base. We knew where they sat relative to us in the industry. It was very clear in terms of the offer on the table that it was a non-starter" – does the chief executive expect further consolidation? "I'm not sure that I do see that much. The small miners, the junior miners, will be picked up, along with some of the mid-sized players. But we've seen a

number of 'megadeals' fall through, and there are all sorts of challenges for companies, not least from an anti-trust point of view, in trying to reach even less formalised arrangements than a full-blown merger or takeover."

So where is she going to spend the \$1.3 billion Anglo American has just made from the sale of its zinc business?

"We'll see. That's the next step. It's about delivering on our commitments, bringing our significant near-term projects on stream, driving that performance and ensuring it's sustainable. Not just in 2010, but year after year. Then we'll think about organic growth and how the upside looks relative to other investments.

"I don't want people to be distracted by having money through the door and wanting to get on to something else. We always have to be aware of what is out there and what an investment – an excellent investment – looks like compared to growing organically."

How, exactly, will she measure success? The business has announced its ambition: to become the investment, the partner and the employer of choice in the mining industry – in short, to be the leading global mining company.

Is that realistic? "The biggest doesn't translate necessarily to being the most profitable. The aim of our investment strategy is to outperform the competition on a sustainable basis, and that is an achievable goal.

"I am fairly modest, but there's no question we are seen as *the* company on the move in the industry."

And with that, it's time for her to be on the move. She has a business to run.