

By Julie Bain



STEEL YOURSELF FOR THE WORST OF TIMES

Nonkululeko Nyembezi-Heita has enough spirit to tackle the tough times in South Africa's steel sector but the CEO wishes the country could find its mojo once again.

When Nonkululeko Nyembezi-Heita took up the reins at ArcelorMittal South Africa, it was heady days for the world steel industry and the unprecedented rise in demand meant that making profits was easy.

"In the first six months of 2008, we had a situation of a lifetime; it was the best of times. We could not produce enough steel... In South Africa credit was flowing, we were building for the world cup... it was a dream."

With its new CEO at the helm, ArcelorMittal had plans to increase its annual capacity to 10 million tons.

"Then came the downfall of Lehman Brothers and in the first 12 months I saw the best and the worst of times," says 52-year-old Nyembezi-Heita.

In a matter of weeks, ArcelorMittal went from planning its expansion to cutting costs. Nyembezi-Heita's honeymoon at the company was over. A key part of her role is keeping ArcelorMittal employees motivated as cost efficiencies become the order of the day and shares weaken.

"When I came to the company the share price was R130 (\$15). It rose to R265 (\$30). By first half 2009 it had fallen to R64 (\$7)."

At the time of writing, it was at R29.25 (\$3.36). The first years of the downturn

differ to the situation the company faces today.

"In late 2008 and 2009, we experienced a collapse but we had cash and a good balance sheet. It was easier to react to the situation. Since then we have had to hunker down as we were knocked by low demand and prices.

"With leadership comes a tremendous amount of responsibility... When I arrived we were growing the company. It was easy to motivate people but six months later it was harder to keep motivation up when we had to come to work every day and cut costs."

Outgoing Anglo American CEO, Cynthia Carroll, who has headed the mining giant for seven years, will step down from her role after the company underperformed its peers and the share price slumped.

Does Nyembezi-Heita, in her fifth year as head of ArcelorMittal, feel pressure from shareholders and the group? The company is the largest steel business in South Africa and a unit of ArcelorMittal, the world's biggest steelmaker.

"The pressure comes internally, it is not external. There is a difference between a strategic investor and traders. The strategic investors understand that there are cycles and what they are looking for is exceptional management in the cycle; the kind of things, I think, we are doing," says Nyembezi-Heita.

A striking and articulate woman, she grew up in the Clermont township outside Pinetown. Her mother was a nurse and her father, a lawyer, was active in the struggle.

Even when events at the company were trying, Nyembezi-Heita has kept her composure and remained realistic about the challenges; confident that she and her team have the skills to tackle them.

"We have taken stringent action to control costs and had real success in achieving operational efficiencies. When you have to manage in turbulent time your focus has to narrow and it is a question of whether you can execute your strategy and bring the dream with you."

That may be easier said than done.

"Being an optimist helps as does being a realist... you also have to believe in yourself. At one point we realized that our forecast budget projections were way out. You have to have the confidence to reverse your decisions. Issues of ego and keeping up appearances have to go out the window," says Nyembezi-Heita.

Speaking at the company's latest results presentation in November, she said ArcelorMittal planned to take its energy-intensive electric arc furnaces at its Vanderbijlpark plant offline. This will cut 500,000 tons of its steel capacity with group production capacity for 2013 put at around 7.3 million tons.

"The steel industry has been hurting everywhere, just to different degrees. China is showing single digit growth. Europe and SA are in outright contraction. In South Africa the construction industry is taking pain and the mining sector is not spending at all. It is hard to recover when two thirds of your sales are to the construction sector."

Nyembezi-Heita studied electrical engineering in the United Kingdom and the States. It does seem odd that someone—who had their first job with IBM in North Carolina and was later head of Vodacom's merger and acquisitions business—became head of a company that produces basic commodity steel. The steel industry, although major advancements have been made, is not well-known for being hi-tech.

"In some industries there is a time when it is perhaps good to bring in an outsider who can shine a light and ask questions

about things that others might not have. I know how to build a team and can compensate for areas where my knowledge may have been limited."

Given that Iscor, of which ArcelorMittal used to be part, was owned by the Afrikaans-dominated state, the suggestion that Nyembezi-Heita faced prejudice is valid. But as someone with little to prove, she sees prejudice as the hang up of the person with the affliction. She says, unsurprisingly, that race is more of an issue in South Africa than gender inequality in the work place, although "gender inequality is visible, it is a widespread societal issue".

"I have not felt being a woman or black has held me back in any way. The only thing woman can do is compete with their male peers. You have to set high standards."

Married, with a 17-year-old daughter and a 20-year old son, Nyembezi-Heita has little time for herself and says her visits to yoga class are declining.

Her family know they are number one, she says, but managing a packed schedule is not easy and sometimes you have to go the extra mile to prove your devotion. She once flew back from Cape Town, after a presentation, to attend her daughter's school prize giving and then took the last flight out of O.R. Tambo back to Cape Town to make a meeting with investors the next day.

Nyembezi-Heita makes a point of saying she keeps out of politics but when asked about her hopes for the country, she is clear that something has to change.

"We have to find our mojo again. It seems to have drained away. We have lost the mindset that we can do really great things."

Referring to a cover article in UK-based current affairs magazine *The Economist* in late 2012, she says, "The piece in *The Economist* [*Cry the Beloved Country*] was a wake up call and that should be seen as our low point. We have to pick up from there. South Africans can still shape their own lives and destiny and get out of this funk."

For Nyembezi-Heita, however, there will be no change of strategy in the immediate future as ArcelorMittal continues to cut costs until the economy, into which it sells 75% of its steel, starts to pick up. This though is easier said than done and if production has to continue to be cut, jobs could be lost. Higher logistic costs and wages, along with electricity tariffs that are likely to go through the roof will mean that for many South African manufacturers making a profit or decent margin will become increasingly difficult.

The company may have to pay more for iron ore, used in the steel-making process, based on the result of the legal battle with Anglo's Kumba Iron Ore, which might no longer supply it with discounted iron ore.

Nyembezi-Heita will have her work cut out at ArcelorMittal. I would think that many people who meet her may come away feeling that she has more to offer ArcelorMittal and much more to offer South African business. 