Work waltzed in the door for SRK as depressed commodity prices recovered in the opening years of the new millennium. The competition turned out to be not for contracts but for people — experienced, qualified staff. There weren’t enough, especially in the swath of developing nations where mining development was again proceeding at a breakneck pace. The company disliked establishing shop-window offices in new countries; storefront façades to attract clients who were then serviced by consultants parachuted in to complete the work. It preferred to work along with and ultimately depend on local talent.
from the lessons of South America — where real growth had come with the appointment of a Chilean-born, locally grown, experienced engineer such as Alejandro Palma — SRK recognised the need to build on local talent. Once Palma stepped in to lead the Chilean practice, there was a pronounced change. SRK began to penetrate the market and establish relationships that until then had eluded it. Palma brought with him an ability to understand and communicate that a foreigner, even an SRK veteran who spoke Spanish well, couldn’t hope to duplicate.

SRK Global applied the organisational and recruitment lessons it had learned in South America throughout the first decade of the new century as it began expanding into new markets with the influx of work. As a group, it wanted to establish the SRK brand in those markets staffed with local experts who embraced its corporate values and added to the international skill set. The structural changes of the 1990s had significantly reduced the problems of different offices tripping over one another and enervating debates over accounting and billing. The individual units could focus on developing their practice and SRK Global could think about how to support them. Everyone at SRK was scouting for new talent in a climate of competition for world-class specialists. Often that involved taking relatively new graduates or local consultants, giving them some Western experience and mentoring them to become world-class experts. If SRK got lucky, it found a local who had left, obtained Western experience and wanted to move back home.

Although he was born and educated in Turkey, Cevat Er did his master’s in geochemistry at the University of Arizona, where he also did post-graduate work in hydrogeology before consulting for about 12 years across the U.S. In 1993, a friend who was a principal reported to Denver. I rented the space, got our office furniture and hired staff. Andy Barrett provided a lot of support in administration. There were six or seven professors doubled as consultants, charging exorbitant rates despite not having the required expertise. Er believed there was room for a stand-alone SRK office, and by the spring of 2004, he had corporate support. Arpacıoğlu was also interested in doing more than just local Turkish work and he agreed to join the Turkey office. In 2006 it became an independent practice.

Within a couple of years we had 85 percent of the Turkish business in mining, “Er said. “All the foreign mining companies were giving us the permitting work, hydrological challenges. Eventually, Rio Tinto and I talked SRK into opening a Turkish project office in 2001.” Er says. “Within a couple of years we had 85 percent of the Turkish business in mining, “Er said. “All the foreign mining companies were giving us the permitting work, hydrological challenges. We grew too quickly in a very short period.”

Turkey

Turkey didn’t have good consulting services, which was a good reason for SRK to be there. University professors doubled as consultants, charging exorbitant rates despite not having the required expertise. “Within a couple of years we had 85 percent of the Turkish business in mining, “Er said. “All the foreign mining companies were giving us the permitting work, hydrological challenges. We grew too quickly in a very short period.”
For two years the office struggled with the fallout of its success. There was no problem landing contracts; the big challenge was finding indigenous support staff and getting the work done in the local languages, meeting local standards and also meeting international thresholds. Er decided it was more responsibility and more work than he had anticipated.

He left SRK in 2007 to become the environmental manager for a mine where SRK Turkey was doing the environmental impact assessment. Arpacıoğlu took over. “I resisted taking the job quite a bit,” he says. “I saw the problems. I didn’t want to take on that responsibility, but when duty calls, you can’t turn away from it. It was either take it or the office would be closed because everyone else was very young. We had the projects but didn’t have the staff.”

In the Turkey office, Arpacıoğlu said, the median age was roughly 26 (in other SRK offices, the median ages ranged between 34 and 43) — and finding experienced staff was an incredible problem. With the encouragement of Er, who was leaving at the time, he hired Ahmet Öztürk, who had been with the Ministry of Environment for nearly two decades. Born in Ankara and educated in Istanbul, Öztürk joined the government after completing his engineering degree. He had an intimate understanding of the country’s environmental legislation as it pertained to mining. He had led the development of the Turkish Environmental Impact Assessment Regulations. Öztürk also was a respected specialist who testified in court cases involving gold mines and cyanide risks.

During his years at the Ministry of Environment, Öztürk oversaw the environmental impact assessment process for many mining, energy and large pipeline projects. He was the main counterpart on the ministry side for large environmental studies and had dealt extensively with SRK. Along with several new young and bright professionals, Arpacıoğlu and Öztürk ushered in a whole new era that saw SRK Turkey prosper.

One of SRK Turkey’s key clients was the Ovacık gold mine, where modern gold mining in Turkey really began after the 1989 gold discovery by Eurogold Resources. (It was later developed by the Newmont Mining Corporation and then sold.) What began as an open-pit operation went underground, and its processing capacity was greatly expanded with trucked ore from satellite operations. SRK was involved throughout its metamorphosis.

“Consultancy in a developing country isn’t well understood,” Arpacıoğlu says. “Everybody is ready to spend money on physical items — they don’t mind paying top price for an iPhone or a computer, but when it comes to expert opinion, experience, expertise, then they balk. It has been a real challenge to get the value of expertise across to clients, to change that culture in the country. It is changing, though. Compared to 5 or 10 years ago, we are making excellent progress.”

Change takes time, especially when different cultures are involved. SRK had come to understand that, and as it moved into other parts of Asia, it applied the lessons it had learned. As in Turkey, the move into central Asia was spurred by the new century’s increase in commodity prices.
PROJECT: Chalco Initial Public Offering

CLIENT: Aluminum Corporation of China Limited

SCOPE: The client commissioned SRK to inspect the mines run by Chalco and to write an independent technical report on the operations for the benefit of potential investors. The operations were scattered across several Chinese provinces and mostly involved open-pit bauxite mines. The report was to be included in the IPO documents for the Hong Kong and New York Stock Exchanges. Because of the differing listing requirements for these two exchanges, two separate versions of the report were required.

OUTCOME: After SRK Australia produced the required technical reports, Chalco was listed on the Hong Kong and New York Stock Exchanges. On both exchanges, the listings were heavily oversubscribed and US$486 million was raised.

The Chalco IPO project demonstrated SRK’s technical knowledge and understanding of mining challenges in China, expertise that earned respect internationally as well as within China and Hong Kong.
He saw that SRK needed people to staff an office in China, and after an initial interview with Mike Warren and Kevin Holley, he was flown to Perth where the Australian board was meeting.

“We sat around the table for a whole morning,” Sun says. “They had many, many questions, but in the end they were satisfied and said they would like me to join SRK. I thought they had an office in Beijing and I would just go and work there. But there was nothing in Beijing.”

Sun joined SRK in October 2004; in February 2005, he became the managing director of SRK China, initially registered as a Wholly Owned Foreign Entity (WOFE) in Beijing. The corporate structure was later changed so shareholding was provided through a Hong Kong holding company, which allows Chinese nationals as well as foreigners to hold shares in SRK China.

“I had to start from scratch,” he says. “I found an office and began talking to the clients. At that point, I didn’t have any people, so I had to work closely with SRK Australia, in particular with Warren and Holley. It was very interesting and challenging.” Benefits arrived quickly.

“There were a lot of Chinese companies looking for Western capital and they were interested in listing on the Hong Kong Stock Exchange,” Warren says. “SRK began working with them.”

The China National Coal Group Corp hired SRK to advise on its listing on the Hong Kong Stock Exchange. As the second-largest state-owned coal-mining enterprise in China, the company owned 12 mines, 13 processing plants, 5 coking plants, 4 coal-equipment manufacturing plants and 2 mine-design institutes. Others followed.

“We did extended site visits in China we would look at these fairly diversified projects for companies we didn’t know much about,” Warren says. “The first project was an underground coal mine, and some people questioned my sanity. Yet when I went there I found this particular company was outstanding, using top practices. They were as good as the best underground mines in Australia. China also had an iron project that was world-class. But 50 kilometres down the road, another project operated by a different company was reminiscent of Australia a century or more ago. In China, it can be anywhere in the spectrum. You just never knew what you would end up seeing, which made life interesting.”

There was also a mutual education process required between SRK and its Chinese clients — as well as stock market education. Still, the venture soon took off.

The first person hired, in mid-March 2005, was Susan Feng, who came on board as the assistant to the managing director. She had graduated in 1988, majoring in foreign trade, and received an MBA from Nottingham University in 2001. In August 2005, Anson Xu, a PhD in geology from Nebraska University, was hired as a senior geologist; in 2006, he was promoted to principal geologist. Richard Kosacz (principal geologist), Yiefei Jia (principal geologist) and Peter Smith (principal environmental scientist) joined SRK China between 2007 and 2008 and were invited to the Practice Leaders Group in 2010. By the end of 2008, in spite of another global market downturn, there were 30 people with SRK China.

SRK registered a branch office in Nanchang in October 2008 and the office was opened in January 2009. Yong Huang, hired in Beijing in December 2007 as a principal mining engineer, was appointed general manager of the office in late 2008. SRK opened a third office, in December 2010, in Mongolia, to cope with the increased demand in the region. As in Russia, the expansion into China confirmed for SRK that in spite of the structural shudders of the 1990s, the company was firmly on the right track.
India

India was another key Asian market that SRK began to develop because of the growing role of the country in the 21st century. Australian Williams was instrumental in encouraging Subrato Ghosh in Kolkata (formerly Calcutta) to develop a relationship with SRK. Ghosh and Barrett began meeting in 2005 and 2006, and eventually agreed to start an office there.

India is a huge market with hundreds of mines — some 700 coal mines and 300 iron mines alone — all operating in a very closed economic environment like so much of Asia once had been. The challenge of focusing on a stock market or private investors meant government support insulated domestic producers from normal economic forces and the vagaries of global markets.

"It’s a completely different culture from the Western world," Ghosh says. "It’s opening up, but selling SRK philosophy or getting people to buy SRK philosophy is not easy. People don’t realise the difficulty of raising funds for opening new projects. So that’s our fundamental difference. The second thing is because these are all for domestic consumers they tend not to be concerned about quality control or timely delivery. In much the same way Chilean operators had to react to themselves to the global marketplace when they began to denationalise in the 1980s, India had to make changes. Companies that had been making hundreds of millions of tons of coal for generations now had to consider the challenges of proper planning and regulation. These moves across Asia towards freer market economics presented an opportunity for SRK but would require patience: ‘Changes are coming, but very, very slowly,’ Ghosh adds. ‘It’s opening, but there is a complete lack of discipline in the market. I believe it will take India two to three years before we will start to see consultancies such as SRK being accepted widely.’

He has grown the office to 15 people, primarily geologists, mining engineers and support staff. “In spite of this really challenging environment we have been able to secure very good projects. Not of the scale, but definitely of the quality and scope that many other SRK practices do, which we have implemented very successfully. Over the last six or seven years, we have several clients come back to us and say: ‘This is the type of work we want from our consultants.’”

Ghosh was proud of the Coal India Ltd. IPO in 2010. It involved a massive audit of hundreds of operating mines. The SRK team numbered 15 people working day and night for the final two months to complete the project.

PROJECT: Independent Reporting

OUTCOME: SRK’s independent review summarised and commented upon CIL’s exploration processes, notably the techniques used and the resulting quality and quantity of data collected, outlined the methods and techniques CIL used to estimate and report resources and reserves; and, in particular, examined the depth to which associated technical and economic studies were carried out, benchmarked CIL’s resource and reserve estimation procedures against international best practices; and reviewed CIL’s expansion plans and their potential environmental and social impacts.

Ria Taneja

In 2009, Ria Taneja was completing her master’s in environmental geology at Arizona State University.

Coast Jr

In 1984, Coast Jr. was completing his engineering degree at University of Maryland, Baltimore County office in 2009.

Bora

In 2001, Bora is completing his PhD in geochemistry at the University of Arizona; opens in 1993 after completing his master’s degree in geology at the University of Arizona.

SRK Turkey

SRK Turkey was the project office of SRK’s multi-disciplinary project office in Turkey.

SRK China

SRK China was opened in 2004 to provide multi-disciplinary services to clients in Asia and the 21st Century.

Josie Apanswala

Josie Apanswala was completing her master’s in environmental geology at Arizona State University.

Clients

In total, SRK completed a resource and reserve audit of 637 coal blocks, including 471 operating opencast and underground mines; prepared a JORC-compliant audited statement of CIL’s coal resources and reserves; and benchmarked JORC against other reporting standards, such as ISP and U.S. standards.

Corporate

In 2010, the government of India announced it was reducing its shareholding in Coal India Limited (CIL). In support of this and the related IPO exercise, CIL decided for the first time to report its resources and reserves in accord with international guidelines, specifically the JORC Code. SRK was given the contract that involved benchmarking CIL’s exploration protocols and resource estimation practices against international best practices and preparing a Joint Ore and Resources Committee (JORC) Code–compliant audited statement of CIL’s coal resources and reserves.

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Kazakhstan

A mining engineer named Tony Thornton began working on a mine expansion project in Kazakhstan for SRK UK in 2006. Although based in Tanzania at the time, he yearned for new horizons and found Kazakhstan to be a country that seemed to provide the right mixture of opportunity and challenge.

Nikolai Yenshin, a mining engineer, was born in eastern Kazakhstan and graduated from a technical university in Alma-Ata. In 2005, he moved to the far east of Russia; in 2006, he joined Barrick Gold in Moscow. Yenshin switched to SRK Moscow in 2007 and, the day after joining, went to work on a project on the Kamchatka peninsula where he first met Shamil Tyncherov, an interpreter.

Born in Kyrgyzstan, Shamil Tyncherov worked as a miner in Uzbekistan, Tajikistan, Turkmenistan and Uzbekistan. SRK Russia approached him in 2007.

“SRK needed something like 40 or 50 interpreters in and around Moscow. We even had difficulties bringing back some of our older interpreters,” Yenshin says.

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Joins SRK in October 2004

MINEX had worked well for SRK in Russia, and there was so much media and government interest that SRK promised in the heat of the moment to open an office in Astana in March 2010. “We couldn’t find an office initially, so we did all our meetings in cafés all around the city,” Tyncherov recalls.

For the first month, they worked out of Thornton’s apartment, using his dining table as their desk. They finally gained access to an office but had no furniture, so conducted the interviews for an office manager in an unfurnished office. When he hired the office manager, Dana Alpysbayeva, and told her to come to the apartment to start work, she was skeptical and wondered what she had into.

Thornton, Yenshin and Tyncherov officially opened the office in September, but Thornton had already left for Almaty to research the market and company formation. In July 2009, the office had grown to the point of being able to accommodate four people, and Thornton, Yenshin and Tyncherov officially opened the office in September. The office was very successful, and Thornton returned in early October to help establish the China practice.

MINEX had worked well for SRK in Russia, and it was only logical to hold a similar conference in Kazakhstan to assess the potential for establishing an office. The conference company, Advantia, agreed to split the cost with SRK UK and the conference was held in Astana in March 2010.

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Indonesia, Mongolia and Hong Kong

Pat Hanna, a coal geologist from the Brisbane office, and Peter Williams made several trips to the Indonesian region in search of potential personnel to take on a new office. Plenty of expatriates, Australians put up their hands, but Williams was convinced that a local leader was essential to provide credibility and stability.

With input from Gary MacSporran, a mining engineer from SRK Perth, they identified Budi Santoso, and following a protracted set-up period, started a new office in Jakarta in January 2009. SRK Global and SRK Australia provided support and oversight.

Indonesia was both a much easier and much more difficult place to operate in compared with China. The Chinese market was less price sensitive, the public infrastructure was better and there was a lot of work. Indonesia offered the same cornucopia of opportunity, but the business infrastructure was exceedingly poor, the market price sensitive and corruption a concern. Still, SRK was up to the challenge.

In spite of the global financial crisis, the Indonesia office quickly grew to 14 consultants and additional support staff. Kevin Holley moved to Jakarta in April 2009, and ultimately re-joined SRK in 2004. He had helped establish the China practice, was doing a lot of work in Indonesia and felt his heart was in Asia. But Holley had too many ties to Australia to fully commit to Indonesia and felt his heart was in Asia. But Holley and ultimately re-joined SRK in 2004. He had helped establish the China practice, was doing a lot of work in Indonesia and felt his heart was in Asia. But Holley had too many ties to Australia to fully commit to Jakarta, so he took a three-year sabbatical.

“The business challenges are significant — and there are huge issues around getting things done. You can spend half a day in traffic getting to a meeting 10 kilometres away,” he says. “But more than that, we’ve learned, as we have elsewhere, it is very difficult to find qualified, top-notch local people because the talent pool has not had time to develop. You also cannot underestimate the effect of cultural differences.” A “Representative Office” of the Hong Kong holding company was established in Ulaanbaatar in Mongolia in 2010. Initially, it was to provide logistic support for exploration projects secured by SRK China. As activities in Mongolia gained momentum, the office was re-established as a separate SRK company in April 2012. SRK Mongolia is managed by Petr Osvald, a geologist who relocated from SRK China, and Erdene-Ogdon Dalai, who has an MBA from the Maastricht School of Management and speaks Mongolian, Russian, English and Mandarin. SRK had once again beaten the odds and found someone from the area with hefty credentials that would pass muster and corruption a concern. Still, SRK was up to the challenge.

PROJECT: West Kalimantan Coal Resource and Reserve

CLIENT: PT Rida Jaya

SCOPE: The client commissioned SRK to manage the technical aspects of an exploration program structured to develop resource and reserve statements in terms of the international reporting guidelines of the Joint Ore Resources Convention (JORC) Code. The project was a greenfield site in a very remote region and included three concession areas covering about 14,000 hectares in total. The nugget, system and exploration target pool has not had time to develop. You also cannot underestimate the effect of cultural differences.” A “Representative Office” of the Hong Kong holding company was established in Ulaanbaatar in Mongolia in 2010. Initially, it was to provide logistic support for exploration projects secured by SRK China. As activities in Mongolia gained momentum, the office was re-established as a separate SRK company in April 2012. SRK Mongolia is managed by Petr Osvald, a geologist who relocated from SRK China, and Erdene-Ogdon Dalai, who has an MBA from the Maastricht School of Management and speaks Mongolian, Russian, English and Mandarin. SRK had once again beaten the odds and found someone from the area with hefty credentials that would pass muster and corruption a concern. Still, SRK was up to the challenge.

The project had to be fast-tracked to meet the client’s stock exchange listing requirements. To achieve reporting targets and effectively manage client risks and costs, the project was structured in phases to allow reporting of exploration targets and mining inventory ranges.

OUTCOME: SRK stated its opinion that further work would be unlikely to identify a coal resource that would satisfy the client’s objectives. As a consequence, the exploration program was stopped early so that the client could divert exploration funding into other, more promising exploration projects.
There has been growing interaction between the SRK offices. Many SRK people have attended the company seminars and workshops that are part of the corporate acculturation processes and are now in place in all offices. The management structure and the company protocols are the same. The health and safety standards are the same. The reporting standards are the same.

SRK has found both challenges and opportunities in developing its practices in nations with histories of state-controlled mining industries — be they in Russia, the former Soviet republics, Chile or China. While such countries’ internal standards often differed from international norms and methods of operation, those very same hurdles also held the promise of bountiful work for SRK — putting local firms in a position to meet global standards.

Those lessons reinforced SRK’s core values and created a structure that was supportive of the individual business units without a meddlesome or dominating head office.

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China was a good example.

Like the Russians, the Chinese did not see themselves as being short of knowledge or ability — in any way. Aside from national pride, they had done very well, thank you very much, without Western support for a long, long time. Nevertheless, Chinese consultants, like their Russian counterparts, were traditionally not considered bankable by Western stock exchanges because of their Communist past. As a result, one of the big drivers of SRK’s business in the country was supplying reliable data that could plug into global stock exchanges.

“An exchange will look at an SRK report and say that it has credibility because the benchmarks are international,” says Barrett. “A Chinese institute may be competent and have designed and built many more mines than SRK, but the only benchmarks they have are domestic. We then find a way to transfer our technical excellence to local professionals or find local professionals who have such expertise. They then make it work under our brand. Local people are essential; we need to nurture them and ensure they are recognised.

“Some countries we are lucky in, and we only have to get the rest of the world to recognise some local star we find. Regardless, in all our practices worldwide, we need to have leading experts who are indigenous. We need those experts in more countries than ever before. We need to work on getting far more of the non-Eurocentric, non-English-speaking specialists recognised.”

While encouraging local talent and content, Barrett emphasises that SRK Global’s challenge is to maintain quality control.

“As an example, South Africa has been working to develop local markets elsewhere on the continent,” Barrett says. “The Congo office now provides services in mining, geology, environment and water — those skills need support and oversight from an established SRK office to ensure we deliver work at a satisfactory level. We hope that over time such practices will develop the wherewithal to provide their own quality management and also become the international centres of excellence in one or another service.”

Internationally, SRK in the 21st century has been a phenomenal success. It learned much from its growing pains and transformation as it moved from its base in South Africa into North America, the U.K., South America and more recently Asia.

Those lessons reinforced SRK’s core values and created a structure that was supportive of the individual business units without a meddlesome or dominating head office.