

**The Scorecard for the
Broad-Based Socio-Economic
Empowerment Charter
for the South African Mining Industry:
A Performance Measuring Instrument**

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POTCHEFSTROOM CAMPUS

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ABSTRACT

The South African economy is largely supported by the mining industry. Even though a large number of people are employed in the mining industry, a large portion of the South African population was excluded from participating and benefiting from the proceeds of mining due to historical racial discrimination.

It is a Government imperative to transform South Africa, including the mining industry, and to achieve this, legislation was enacted and implemented, with various Charters and Codes to provide guidance to the relevant industries.

However, it was essential to establish the context of black economic empowerment in South Africa to understand the reasons behind the legislation implemented. Once this was understood, the Mining Charter was investigated to determine its objectives and targets and the application of the Scorecard was determined. This was achieved by conducting literature studies to determine black economic empowerment in the South African context and the applicable legislation.

Regarding the mining industry, the Mining Charter was adopted and this imposes objectives and targets agreed upon between Government and the industry as well as other role players. It also introduced the Scorecard to be used to determine whether mining companies are achieving these objectives and targets.

The Scorecard is used as a measuring instrument and this study aims to determine whether the Scorecard would be an effective measuring instrument for compliance with the provisions of the Mining Charter.

As the Scorecard is used as a performance measuring instrument, the principles, theories and models of performance had to be investigated to determine whether the Scorecard complies with the theory. Therefore the literature study was extended to cover performance management, measurement theories and models, and tools and techniques were researched.

By conducting a number of interviews, it was determined how the Department of Minerals and Energy and some mining companies utilise the Scorecard to determine whether it is possible to use it as a performance measuring instrument. Recommendations are made based on the comparison of the Scorecard with

performance management, measurement theories and findings resulting from the empirical research conducted.

OPSOMMING

Die Suid-Afrikaanse ekonomie word grootliks ondersteun deur die mynindustrie. Alhoewel die mynindustrie werk verskaf aan 'n groot aantal mense, was 'n groot gedeelte van die Suid-Afrikaanse gemeenskap weens historiese rassediskriminasie, uitgesluit van die deelname aan die mynindustrie en die voordele wat daaruit voortgespruit het.

Dit is 'n doelwit van die Regering om Suid-Afrika te transformeer - wat die mynindustrie insluit. Om hierdie doelwit te bereik is wetgewing afgekondig en geïmplementeer wat 'n aantal Handveste en Kodes insluit om leiding te verskaf aan die betrokke industrieë.

Dit is egter essensieel om die konteks van swart ekonomiese bemagtiging in Suid Afrika te bepaal sodat die redes vir die betrokke wetgewing begryp kan word. Die Mynhandves is ondersoek om die doelwitte, teikens en die toepassing van die Telkaart te bepaal nadat die konteks van swart ekonomiese bemagtiging in perspektief geplaas is. 'n Literatuurstudie is onderneem om swart ekonomiese bemagtiging in die Suid-Afrikaanse konteks en die toepaslike wetgewing te versoen.

Wat die mynindustrie betref is die Mynhandves aanvaar wat verskeie doelwitte en teikens voorskryf waarop die Regering en die industrie asook ander rolspelers in ooreenstemming is. Die Mynhandves sluit ook die Telkaart in wat gebruik gaan word om te bepaal of mynmaatskappye die doelwitte en teikens bereik.

Die Telkaart gaan gebruik word as 'n meetinstrument en hierdie studie het ten doel om te bepaal of die Telkaart in die doel as 'n meetinstrument kan slaag vir die nakoming van die vereistes van die Mynhandves.

Aangesien die Telkaart gebruik gaan word as 'n prestasie meetinstrument was die beginsels, teorieë en modelle vir die meet van prestasie ondersoek, om te bepaal of die Telkaart voldoen aan die teorie. Om dit te bepaal is die literatuurstudie uitgebrei om prestasiebestuur en prestasiemeting-teorieë, beginsels en tegnieke na te vors.

Die benadering van die Department van Minerale en Energie asook sommige mynmaatskappye is ondersoek om vas te stel hoe hulle die toeken van 'n telling op die Telkaart benader. Die studie het ook gepoog om deur middel van onderhoude te bepaal of dit moontlik is om die Telkaart as 'n prestasie-meetinstrument te kan gebruik. Aanbevelings is gebaseer op die vergelyking van die Telkaart met die teorie, asook bevindinge van die empiriese navorsing wat onderneem is.

DECLARATION

I declare that: "The Scorecard for the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry: A Performance Measuring Instrument" is my own work, that all sources used or quoted have been indicated and acknowledged by means of complete references, and this mini-dissertation was not previously submitted by me or any other person for degree purposes at this or any other university.

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Date

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CHAPTER 1

INTRODUCTION

1. ORIENTATION AND PROBLEM STATEMENT

South Africa's mineral industry, largely supported by gold, diamond, coal and platinum production, has made an important contribution to the national economy. It has provided the impetus for the development of an extensive and efficient physical infrastructure and has contributed greatly to the establishment of the country's secondary industries (Department of Minerals and Energy, 2004:1). Commercially viable mineral deposits have been discovered and mined in South Africa for more than 150 years. In 2003, mining contributed R78,5 billion or 7,1 % to the Gross Domestic Product (Department of Minerals and Energy, 2004:9). Sales of primary mineral products accounted for 29.8% of South Africa's total export revenue during 2003. However, the inclusion of various processed mineral products such as ferroalloys, aluminium, carbon and stainless steel, would raise the contribution of the minerals sector to above 35% (Department of Minerals and Energy, 2004:9-13). The mining industry is also a major provider of employment and many towns and communities are dependent on mining for their existence. In 2003 an average of 433 970 people were employed in the formal mining industry (Department of Minerals and Energy, 2004:15).

More than ten years since the establishment of a democratic Government in South Africa, the South African Government is still faced with the challenge to ensure that meaningful transformation occurs within the mining industry. The apartheid government system excluded a significant portion of South Africans from entering the mining industry and to partake in the sharing of wealth created as a result thereof. Since the early 1990s, various tentative steps have been taken by Government to achieve greater diffusion of economic power within the black community (ANON, 2004:2). Even though some transactions with Black Economic Empowerment (BEE) companies have been realised, the mining industry is still predominately under the control of white owned companies and dominated by males (Department of Minerals and Energy, 2004:3).

In terms of Section 25 of the Constitution of the Republic of South Africa Act 108 of 1996, Government has an obligation to reform the mining industry, to bring about equitable access to South Africa's natural resources and to redress the results of

past racial discrimination. As a result, the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA) was promulgated and implemented on 1 May 2004. This brought about a total new mineral and petroleum dispensation in South Africa. Before the MPRDA came into effect, the majority of mineral rights was in private ownership and predominantly concentrated in the hands of large mining houses. The result of this in the post-apartheid South Africa, was that access into the mining industry by new entrants was almost impossible, as these mining houses tied up all the lucrative and exploitable reserves. The MPRDA makes provision for equitable access to, and sustainable development of the nations' mineral resources.

Government has also passed other legislation to address BEE. The Broad-Based Black Economic Empowerment Act 53 of 2003, for example, was passed to establish a legislative framework for the promotion of BEE. It aims to empower the Minister to issue codes of good practice and to publish transformation charters.

According to the draft Broad-Based Black Economic Empowerment Codes of Good Practice (2004:4) and the Broad-Based Black Economic Empowerment Act 53 of 2003 the Government's BEE Strategy aims to address inequalities resulting from the systematic exclusion of the majority of South Africans from meaningful participation in the economy. The underdevelopment of black South Africans was characterised by a progressive destruction of productive assets, deliberate blocking of access to skills and jobs, and minimising self-employment and entrepreneurship. This resulted in the suppression of wealth and skills development of black communities. However, Government's strategy for Broad-Based BEE looks beyond the redress of past inequalities and aims to utilise BEE as a tool to broaden the countries' economic base and to accelerate growth, job creation and to alleviate poverty.

In a presentation by Mr. J. Ndumo, Director: Black Economic Empowerment Partnerships, at the Department of Trade and Industry (2005), he indicated that the Broad-Based Black Economic Empowerment Act 53 of 2003 provides an enabling framework for BEE.

Transformation and BEE in the mining industry is high on the political agenda and a priority of the Government of the day. Several black-owned firms are now beginning to play an important role in the mining industry. Mining has become a focus of the Reconstruction and Development Programme in terms of entrepreneurial development, BEE and stimulating employment and growth (Department of Minerals

and Energy, 2004:3). In terms of Item 7 of Schedule II (Transitional Arrangements) of the MPRDA, mining companies which holds old order mining rights must convert these rights to new order mining rights within a five year period, which ends on 30 April 2009. Item 7(2)(k) of Schedule II (Transitional Arrangements) of the MPRDA determines that an undertaking must be provided on how existing mining operations will achieve the empowerment and social objects of the MPRDA, over a period of time. All new mining operations must comply before they can apply for mining rights. Mr. J. Rocha, Deputy Director-General, Mineral Regulation and Administration in the Department of Minerals and Energy (DME), indicated in a presentation at a conference held in Johannesburg on 29 August 2005, that in evaluating such an undertaking, the DME will focus on how methods to substantially and meaningfully expand opportunities for Historically Disadvantaged South Africans (HDSAs) to enter the minerals industry, will be achieved in actuality. Such an undertaking should not merely be a statement of intent or commitment.

A major objective of the MPRDA is to substantially and meaningfully expand opportunities for HDSAs, including women to enter into the minerals industry. It also determines that a Broad-Based Socio-Economic Empowerment Charter, hereinafter referred to as the Mining Charter, must be developed, after consultation with the mining industry. The purpose of the Mining Charter is to effect entry of HDSAs into the mining industry and to allow them to benefit from mining. The Mining Charter, as determined in Section 100(2)(a) of the MPRDA, was published on 13 August 2004. It provides a framework for progressing the empowerment of HDSAs in the mining industry. The Mining Charter consists of eight pillars which focus on human resource development, employment equity, migrant labour, mine community and rural development, housing and living conditions, procurement, ownership and joint ventures and beneficiation.

Dale *et al.* (2005:App1) confirms that the Mining Charter was published in General Notice 1639/2004 GG 26661 of 13 August 2004 and presumably, even though not stated to be so, in terms of Section 100(2) of the MPRDA.

The mining industry is faced with the challenge of implementing the provisions of the Mining Charter, as determined in Section 100(2)(a) of the MPRDA. In order to successfully implement the Mining Charter and to give effect to the main objectives of the MPRDA, the Scorecard for the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Scorecard) was introduced. Mining

companies have to ensure that they are in a position to convert their old order mining rights to continue with mining activities or risk losing their license to operate. Upon conversion, annual reporting on the extent of compliance is required. The measurement of compliance will be on the basis of the scoring achieved in terms of the Scorecard (SA, 2004:16).

The Scorecard gives effect to the provisions in the Mining Charter and is intended to reflect the spirit thereof. The Minister of Minerals and Energy must take into account the entire Scorecard on adjudicating applications (SA, 2004:3). The Mining Charter introduces the Scorecard in paragraph 4.11, which refers to a Scorecard approach to be adopted to 'facilitate' license conversions. The word 'facilitate' is reinforced in the introduction to the Scorecard where it is stated that the Scorecard is "designed to facilitate" the application of the Mining Charter to the conversion of "old order rights" into new rights. This confirms that the Scorecard is not a document which stands to be interpreted on its own or which sets out a peremptory framework, set of targets or timetable (Dale *et al*, 2005:App-7).

According to Mr. B. Swanepoel, in a presentation at a conference held in Johannesburg on 24 March 2004, the purpose of the Scorecard is to demonstrate compliance with the Mining Charter and is a requirement for the conversion of mining licenses. The scope of the Scorecard encapsulates the local mining industry and includes nine areas of scoring, some specific only to the mining industry. The Scorecard uses a binary approach with time-framed targets and it implies equal weights for all the Scorecard items. It also measures progress against specific Mining Charter and/or company targets.

As a performance measuring instrument the Scorecard is designed to facilitate the application of the Mining Charter, for the conversion of all the old order rights into new rights within a five-year period, but recognises the full ten-year period (SA, 2004:3).

According to Botes (1994:187), it is just as important to determine what should be measured as how it should be measured, to establish meaningful measurement. Control can only take place when results are compared; in other words comparative unity must be found against which results can be measured.

In practice, many performance appraisal systems fail because they do not satisfy one or more of the following requirements: relevance, sensitivity, reliability and practicality. This failure is frequently accompanied by legal challenges to the system based on its adverse impact. The rating method used also depends on the purpose for which the appraisal is intended (Cascio, 1995:302).

According to Landy and Farr (1983:91) many forms of performance measurement involve a judgment that one person makes about the efforts or output of another. Rating is the single most common form of performance measurement found in applied settings.

The question then arises: To what extent will the Scorecard be able to measure compliance to the Mining Charter and should it be extended to include quantifiable indicators and a rating scale, to measure the extent of compliance?

2. RESEARCH QUESTIONS

To operationalise the fundamental question that arises from the problem statement, the following research questions can be asked, namely:

- a) What is 'Broad Based Socio-Economic Empowerment' in the South African context?
- b) What are the contents, aims and targets of the Mining Charter and the Scorecard?
- c) Which variable has an impact on the scoring a mining company against the scorecard?
- d) What are the principles, theories and techniques of performance management?
- e) To what extent can the Scorecard serve as a performance measuring instrument for the measurement of compliance with the Mining Charter?

3. RESEARCH OBJECTIVES

To operationalise the research questions, the objectives of the study are:

- a) To establish the context of Broad Based Socio-Economic Empowerment in South Africa.

- b) To evaluate the contents, aims and targets of the Mining Charter and the Scorecard.
- c) To determine the variables that has to be considered during the scoring of a mining company against the ten items of the Scorecard.
- d) To analyse the principles, theories and techniques of performance management.
- e) To determine whether the Scorecard, in its current format, can serve as a performance measuring instrument for the measurement of compliance with the provisions of the Mining Charter.

4. LEADING THEORETICAL STATEMENTS

The following preliminary theoretical statements, that underpins this research, can be made:

- a) The Mining Charter itself, in paragraph 4.11 thereof, provides that the processing of licence conversions will be facilitated by a Scorecard approach. The word “facilitate” does not suggest peremptory application but, rather, a way to make it easier or to assist the progress of conversion. The introductory paragraphs of the Scorecard specifically provide that the progress by stakeholders in achieving the aims of the Mining Charter can be measured either by of specific targets set in the Mining Charter, or the targets set by companies (Dale *et al*, 2005:App-6).
- b) The Scorecard is designed to facilitate the application of the Mining Charter for the conversion of old order rights into new rights within a five-year conversion period, but recognizing the full 10-year period (SA, 2004:3).
- c) In adjudicating the Scorecard the Minister of Minerals and Energy will need to take into account the entire scorecard in decision making (SA, 2004:3).
- d) Rating forms either allow or discourage certain processing capabilities by the individual rater. If we request limited information on a few number or performance areas with yes/no response alternatives, we should expect limited value from the information. On the other hand, if we are able to elicit information of a sophisticated nature from a broad sampling of performance areas, that information should prove more generally useful. It is clear that a rating scale format must be an integral part of any model that purports to explain performance evaluation (Landy & Farr, 1983: 101-102).

5. RESEARCH METHODOLOGY

5.1 Literature review

A literature study was conducted in which primary and secondary literature were used to determine which performance management tools are required to measure various variables. The variables consist of matters impacting on the measurement of progress with regard to the levels of ownership, employment equity, human resource development, procurement and beneficiation (SA, 2004:15-16). A literature study was conducted to gather information on legislation, the Mining Charter, the Scorecard and performance management tools. Books, reports, legislation, departmental guidelines, government reports, legal and other periodicals, press releases and other relevant documents were consulted. Internet searches for relevant material was undertaken. A preliminary analysis indicated that sufficient material and literature are available to do research on this topic.

The following databases have been consulted to ascertain the availability of study material for the purposes of this research:

- Catalogue of theses and dissertations of South African Universities
- Catalogue of books: Sasol Secunda Library
- Catalogue of books: Secunda Library
- Catalogue of books: Ferdinand Postma Library
- Nexus
- Internet

5.2 Empirical research

Struwig and Stead (2003:98-99) indicate that primary data collection for qualitative research can be obtained by means of interviews. They identify three types of interviews, namely standardised, semi-standardised and unstandardised interviews. Semi-standardised interviews will be held with Government Officials in the DME who will be selected based on their involvement in the implementation and application of the Mining Charter. The specific role-players are the Regional Manager, Mpumalanga Region, the Director, Social Plan Programme and the Chief Director, Mineral Regulation and Administration. The Regional Manager is responsible for the initial evaluation and scoring of Mining Charter compliance and the Director Social

Plan Programme is responsible for the provision of guidelines on how performance against the Mining Charter should be measured. The Chief Director makes the recommendation to the Minister. This sample is selected based on the involvement of the relevant government officials in the decision making chain, within the application for conversion process. These officials play a critical role in determining whether a mining company complies by scoring them against the Scorecard. Interviews with these role players are aimed at obtaining insight into Government's approach to the application of the Scorecard and compliance to the Mining Charter. Semi-structured interviews will be conducted with role players within Sasol Mining. The sample size is based on the relevant role players' involvement in the nine items to be scored in terms of the Scorecard. These interviews are aimed at obtaining information regarding strategies and processes developed to measure performance and compliance to the Mining Charter in terms of the Scorecard. The specific role players are the General Manager, Sasol Mining, the Manager Human Resources and the Manager Procurement and Supply Management. The results of the interviews will be utilised to determine whether Sasol Mining is in a position to score itself in terms of the Scorecard, without a measuring instrument to quantify its progress and allocate scores to it. On the basis of the research objectives all relevant information will be analysed and evaluated.

6. STRUCTURE OF THE RESEARCH

In Chapter 1 an exposition of the substantiation, the research problem and the relevant research were presented.

In Chapter 2 the historical particulars of broad based socio-economic empowerment will be discussed as well as the relevant role players and applicable legislation.

In Chapter 3 an in-depth look will be taken at the Mining Charter, its aims and targets and the Scorecard.

In Chapter 4 the principles, theories and models of measuring performance will be investigated. Findings will be provided whether the Scorecard will be able to measure compliance.

In Chapter 5 the findings will be provided on the information gathered from the Department of Minerals and Energy and Sasol Mining on how scoring is conducted in terms of the Scorecard.

In Chapter 6 a summary of the findings will be provided as well as the details on the compliance measuring instrument required to measure compliance.

7. CONCLUSION

In this chapter the imbalances in the participation in the mining industry, due to the historical systematic exclusion of black people, were discussed. In terms of various legislation passed, including the Constitution of South Africa, the Government is attempting to redress the results of past racial discrimination.

Transformation in the mining industry is of significant importance and with the implementation of the MPRDA, the DME aims to substantially and meaningfully expand opportunities for HDSA's to enter into the minerals industry. The Mining Charter, consisting of eight pillars, was published in terms of the MPRDA. To measure whether the Mining Charter has been successfully implemented, the Scorecard was introduced and it is used by the Minister in adjudicating applications for the conversion of old order mining rights.

However, to determine whether the Scorecard would achieve the purpose for which it was developed, a number of research questions could be asked. Amongst others, the question is asked if the Scorecard will be able to serve as a performance measuring instrument. The research objectives were posed and one of the objectives is to determine whether the Scorecard, in its current format, will serve as a performance measuring instrument.

After the leading theoretical statements were made, the research methodology was discussed. The research will be conducted by means of a literature review and empirical research.

In the next chapter BEE in the South African context will be discussed.

CHAPTER 2
BROAD BASED SOCIO-ECONOMIC EMPOWERMENT:
THE SOUTH AFRICAN CONTEXT

1. INTRODUCTION

The legacy of apartheid resulted in a significant imbalance in the distribution of land, wealth and assets in South Africa, including the mining industry. In this chapter the necessity for BEE will be placed in context. The view of the Government with regard to BEE plays an important role and the measures implemented to achieve BEE will be looked at. The majority of the mining industry is still controlled by white owned companies and steps are required to address the slow pace of transformation. To achieve sustainable BEE in the mining industry, it requires the involvement of a number of Government Departments, mining companies and other role players. The statutory and regulatory framework drives the process. Legislation that has a significant role to play in achieving BEE will be dealt with.

2. HISTORICAL PARTICULARS OF BROAD BASED SOCIO-ECONOMIC EMPOWERMENT

The structured exclusion of black people from economic power began in the late 1800s with the first dispossession of land and continued throughout the 20th century with the first Mines and Works Act of 1911, the Land Act of 1913, and the raft of apartheid laws enacted after 1948 (Department of Trade and Industry, 2003:6).

The systematic disempowerment mechanisms used under apartheid and other forms of racism before it, led to an economic imbalance that excludes the majority of South Africa's citizens from the economic mainstream (ANON, 2004:2).

Apartheid confined the majority of African people to homeland areas: racially segregated areas were introduced and enforced by the Group Areas Act and drastically curtailed the property ownership rights of blacks. A job reservation policy was reinforced by a vastly inferior education system for black learners and this had a devastating effect on skills, particularly technical and science skills. The economic, political and social marginalisation of black persons led to significant structural distortion in the South African economy. These distortions eventually resulted in a crisis in the economy, which started during the early 1970s, when growth rates

deteriorated sharply. South Africa's first democratic government was elected in 1994 with a clear mandate to redress the inequalities of the past in every sphere: political, social and economic. The mandate is now embodied in the Constitution. The legislation that has been enacted, as well as policies and programmes introduced since 1994, have sought to fulfil this mandate. Much has been accomplished in each sphere and South Africa is truly under way. While much has been achieved, the extent to which the majority of black people participate meaningfully in the economy, remains far too limited and it is necessary to introduce a coherent and focused strategy for BEE (Department of Trade and Industry, 2003:6-7).

The Republic of Namibia, neighbour to South Africa, and prior to its independence, had the same apartheid-style laws as South Africa and is faced with the same challenges. In a speech, the Prime Minister of the Republic of Namibia, Theo-Ben Gurirab on 28 July 2004, contended that freedom and independence brought black majority rule in Southern Africa, by former freedom fighters and ex-prisoners of yesteryear. He mentions that the change actually benefited the previously advantaged more than the previously oppressed, poor, needy, weak and disenfranchised majority and that there is no problem with BEE. Prime Minister Theo-Ben Gurirab mentions that BEE is in practical terms the flip side of black majority rule. It is a development strategy to complete the unfinished business of decolonisation and eradication of the past social deficit in order to level the national playing field in their pursuit of eradicating poverty and implementing socio-economic transformation programmes. He mentioned that South Africans have taken the lead in this and today are consolidating national consensus around BEE objectives and programmes. Namibia led the way in liberation and South Africa followed. South Africa is on the right track with BEE and Namibia should not lag too far behind.

The Deputy Minister of Minerals and Energy, Mrs. L Xingwana, spelled out the Government's view in an address to the Afrikaanse Handelsinstituut on 18 August 2004. In commencing with her address, she indicated that it would be appropriate to provide the reason behind transformation. It is crucial to understand the magnitude of what took place in our past in order to understand why we need to act together as a nation to bring about economic transformation. Mrs. Xingwana reiterated that apartheid systematically and purposefully restricted the majority of South Africans from meaningful participation in the economy. This confined the creation of wealth to a racial minority and imposed underdevelopment on black communities. The result is an economic structure today, which in essence still excludes the majority of South

Africans. The South African Constitution emphasises the needs to effect redress in the interest of equity, and that is what the BEE policy and strategy set out to do.

According to the Deputy Minister in her speech, systematic disempowerment not only resulted in a landless black majority with restricted access to skills development, but also deliberately prohibited black people from generating self-employment and entrepreneurship. Blacks were deprived of valuable business opportunities in the following ways:

- The majority was confined to homelands that lacked a dynamic business infrastructure and environment.
- Racially segregated areas enforced through the Group Areas Act not only uprooted millions from their places of residence, but also led to large capital losses and virtually destroyed the fabric of small enterprises.
- The curtailment of property ownership rights of blacks made it impossible for them to acquire assets that could serve as collateral for loan financing.

In addition, a job reservation policy was reinforced by a vastly inferior education system for black learners and this had a devastating effect on technical and science skills. In light of this, government defines BEE as an integrated coherent socio-economic process that directly contributes to the economic transformation of South Africa. It has to bring about significant increase in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.

Mrs. Xingwana (2004) indicated that the policy objectives are as follows:

- A substantial increase in the number of black people who have ownership and control of existing and new enterprises.
- A significant increase in the number of new black enterprises, black-empowered enterprises and black-engendered enterprises.
- A significant increase in the number of blacks in executive and senior management positions of these enterprises.
- An increasing proportion of the ownership and management of economic activities vested in community and broad based enterprises.

She continues to state that the BEE strategy is underpinned by the following key principles:

- BEE has to be broad based.
- BEE is an inclusive process.
- BEE must be associated with, and ensure the highest standards of governance and as part of South Africa's growth strategy.

Empowerment has been identified by the government as an integrated and coherent socio-economic process, that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities (Woolley, 2005:12).

According to the Strategy for BEE (Department of Trade and Industry, 2003:4) South Africa requires an economy that meets the needs of all its economic citizens, its people and their enterprises, in a substantial manner. Government's objective is to achieve this vision of an adaptive economy characterised by growth, employment and equity by 2014. Apartheid systematically and purposefully restricted the majority of South Africans from meaningful participation in the economy. The assets of millions of people were directly and indirectly destroyed and access to skills and to self-employment was racially restricted. The accumulation process under apartheid confined the creation of wealth to a racial minority and imposed underdevelopment on black communities. The result is an economic structure that today, in essence, still excludes the vast majority of South Africans. It is crucial to understand the magnitude of what took place in South Africa's past in order to understand why everyone needs to act together, as a nation to bring about economic transformation in the interest of all (Department of Trade and Industry 2003:4).

The South African economy is performing well, given its apartheid and colonial legacy and the current global downturn. South Africa has enjoyed 10 years of consistent growth and much has been achieved since 1994. Unfortunately, the extent to which the growth has been shared equitably amongst all South Africans is not yet adequate for the requirements of a stable, integrated and prosperous society. Accordingly, additional collective action needs to be taken in order to achieve the objectives. Further growth can only be accelerated and sustained if all South Africans are meaningfully integrated into the economy. Economic transformation needs to be advanced (Department of Trade and Industry, 2003:6).

Mbigi and Maree (1995:22) indicate that it is important for disadvantaged groups in South African organisations to overcome a sense of being victims, assert themselves, and rise to the challenge of development and reconstruction and take ownership. They have to let go of their past. They have to forgive, not necessarily forget. We cannot change our past, but learn lessons from it. We can only change our future. The disadvantaged groups have to develop a will to triumph in spite of past and current obstacles. The definition of progress is the ability to turn a minus into a plus, a disadvantage into an advantage.

In an address by the Deputy President, Mrs. Phumzile Mlambo-Ngcuka at the launch of the Minerals and Mining Development Board held at the Sammy Marks Conference Centre on 28 June 2005, she indicated that white males still dominate most, if not all, industries. The mining industry has set employment targets to be reached by April 2009. There is slow movement and progress in this part of transformation in the industry and the Minerals and Mining Development Board must ensure that the targets are reached.

The Deputy Minister of the Department of Trade and Industry, Mrs. D.M. Thabethe, in an address to the embassies in South Africa, confirmed that a plethora of BEE initiatives have been implemented since the early 1990's which brought with them varying degrees of success. Despite some failures, we have seen a black middle class emerging, which is a necessity for the success of government's overall goal of achieving transformation within the economy. This black middle class have been credited for being the key drive of growth in some sectors of the economy, such as the increase in car sales, property sales and the consumer boom.

According to Deputy Minister Thabethe some of these successes came about as a result of the increase in economic participation by black people, either through participation in some of the BEE equity deals, the successful implementation of affirmative action, or some through the increased number of business opportunities brought about by preferential procurement policies of government departments and other entities within the economy.

BEE is not a fast track down the same road as Zimbabwe. It is a long-term strategy, designed to avoid precisely what happened in Zimbabwe. In addition, it is a strategy to ensure the long-term growth of the South African economy, in a situation that is both politically stable and conducive to growth. In the end, it is the commitment to the

spirit of BEE and participation of all South Africans that will make BEE a resounding success for all (Metcalf, 2004).

At the end of the day, the companies are meeting, or are on track to meet, government's requirements, and the process is running along relatively smoothly. The Mining Charter's success lies in its relative impartiality, which is a result of lengthy and intensive discussions between all parties (Lester, 2005:2).

2.1 Role-players in developing measures to achieve BEE

Fleiser and Gumede (2003:4) mention that various steps aimed at accelerating and co-ordinating the BEE process have been taken recently. They indicated that the BEE Commission released its report, the Mining Charter and Scorecard were finalised, and the South African President emphasised the importance of BEE in his state of the nation address. The Minister of Finance, in his 2003 budget speech, proposed the setting aside of funds to support BEE and the Department of Trade and Industry issued a BEE policy document setting out government's BEE strategy and promulgated the BEE Act.

2.2.1 Department of Trade and Industry

The Department of Trade and Industry has the responsibility to establish a legislative framework for the promotion of BEE. Therefore, to empower the Minister to issue codes of good practice and to publish transformation charters, to establish the BEE Advisory Council and matters connected therewith, the BEE Act 53 of 2003, was passed by Parliament (53/2003:2).

ANON (2004:2) indicated that BEE emerged as a central objective of the Reconstruction and Development Plan, the country's original blueprint for transformation. In 2001, the BEE Commission released its report, which contained as some of its most important recommendations the adoption of an integrated national BEE strategy. After the release of this initial plan, the finalisation of the Mining Charter late in 2002, was the first significant indication that co-ordination and commitment to specific BEE objectives might be achievable across the broad spectrum of South Africa's industrial landscape. Thus spurred-on, government, through the Department of Trade and Industry released three important documents:

- The Strategy for Broad-Based Black Economic Empowerment in March 2003;
- The Code of Good Practice, which is an explanation of the approach to be adopted by government in the measurement of BEE compliance in December 2004; and
- The Broad-Based Black Economic Empowerment Act 25 of 2003 was passed into law on 6 January 2004.

Achieving authentic BEE will require a re-assessment of traditional business models and corporate cultures. A real commitment to BEE is now an economic imperative (ANON, 2004:2).

2.2.2 Mining Industry

The Department of Minerals and Energy (DME), as the custodian of the nation's mineral and petroleum resources, is responsible to ensure that the objects of the MPRDA are achieved. These objects, as defined in Section 2 of the MPRDA, include the transformation of the mining industry.

Fleiser and Gumede (2003:12) summarise the major role players in the Mining Charter as government, organised labour, mining companies and other stakeholders.

On 11 October 2003 representatives of the DME, the Chamber of Mines of South Africa, the South African Mining Development Association and the National Union of Mineworkers signed a document recognising that what was then referred to as the proposed charter, correctly reflected the outcome of the process of consultation initiated by the Minister (Dale *et al.* 2005:App-1).

To ensure that no uncertainty exists of Government's requirements in achieving transformation, three important documents were released.

- The Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry (Mining Charter) in October 2003. This document was finalised after an intensive negotiation process between the DME, mining industry and unions.
- The Mineral and Petroleum Resources Development Act 28 of 2002 was accented to on 3 October 2002 and implemented on 1 May 2004.

- The Clarification on the Application of the Mining Charter and the MPRDA in July 2004.

3. THE STATUTORY AND REGULATORY FRAMEWORK

To understand the approach to BEE and the manner in which Government intends to ensure that transformation takes place, it is necessary to discuss the legislation enacted to achieve BEE. In this section, the statutory and regulatory framework with regard to BEE in general is discussed and thereafter the BEE legislation applicable to the mining industry will be discussed.

3.1 The Constitution of the Republic of South Africa Act 108 of 1996

In terms of Section 25 of the Constitution (1996) the state must enact legislation and other measures to achieve land, water and related reform, in order to redress the results of past racial discrimination. In terms of this section, property is not limited to land, and public interest includes the nation's commitment to land reform, and reform to bring about equitable access to all South Africa's resources.

3.2 The Broad-Based Black Economic Empowerment Act 53 of 2003

The Broad-Based Black Economic Empowerment Act 53 of 2003 (BEE Act) has established a legislative framework for the promotion of BEE, to empower the Minister to issue codes of good practice and to publish transformation charters as well as to establish the BEE Advisory Council and to provide for matters connected therewith (53/2003:2).

In Section 2 of the BEE Act (53/2003:4-5), the objectives of the BEE Act are to facilitate broad-based BEE by:

- Promoting economic transformation in order to enable meaningful participation of black people in the economy.
- Achieving sustainable change in the racial composition of ownership and management structures, and in the skilled occupations of existing and new enterprises.

- Increasing the extent to which communities, workers, co-operatives and other collective enterprises own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training.
- Increasing the extent to which black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training.
- Promoting investment programmes that lead to broad-based meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity.
- Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills.
- Promoting access to finance for BEE.

During December 2004 the Department of Trade and Industry published the draft Codes of Good Practice on Broad-Based Black Economic Empowerment (Codes of Good Practice). The purpose of the Codes of Good Practice is to assist and advise both the public and private sectors in their implementation of the objectives of the BEE Act. The Codes of Good Practice provides principles and guidelines that would facilitate and accelerate the implementation of broad-based BEE in a meaningful and sustainable manner (Department of Trade and Industry, 2004:4).

Lester (2005:3) indicates that sectors that have developed charters before the Codes of Good Practice now find themselves under considerable pressure to reconsider those charters and to seek to achieve as great a degree of harmonisation with the Codes of Good Practice as possible.

Mr. K. Lester, an attorney at the firm Cliffe Dekker, on 19 April 2005, indicated in a presentation on the Codes of Good Practice, that it has the force of law. Transformation charters must be substantially harmonised to the Codes of Good Practice and the Government's wider powers in terms of the BEE Act are enforceable across all sectors.

The aforementioned created practical difficulties and in an effort to resolve it, the mining industry, the DME and the Department of Trade and Industry reached agreement in principle that the Mining Charter would take precedence over the Codes of Good Practice when companies apply for the conversion of its mining

rights. It is quoted that the fact that the Mining Charter had been created before the BEE Act and that it was promulgated in terms of the MPRDA, gave it special status (Smith, 2005).

3.3 The Mineral and Petroleum Resources Development Act 28 of 2002

In terms of the preamble of the MPRDA (28/2002:2), the state's commitment to reform to bring about equitable access to South Africa's mineral and petroleum resources is reaffirmed. It also considers the state's obligation under the Constitution to take legislative and other measures to redress the results of past racial discrimination. It recognises the need to promote local and rural development and the social upliftment of communities affected by mining and affirming the state's obligation to promote economic and social development.

In terms of Section 2 of the MPRDA (28/2002:18), the objects of the MPRDA is (amongst others) to:

- Promote equitable access to the nation's mineral and petroleum resources to all the people of South Africa.
- Substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources.
- Promote economic growth and mineral and petroleum resources development.
- Promote employment and advance the social and economic welfare of all South Africans.
- Ensure that holders of mining and production rights contribute towards the socio-economic development of the areas in which they are operating.

In Section 100 of the MPRDA (28/2002:84) it is determined that the Minister must develop a code of good practice for the minerals industry. To ensure the attainment of the objectives of the MPRDA of redressing historical, social and economic inequalities, the Minister must develop a broad-based socio-economic empowerment charter. This charter will set the framework, targets and timetable for effecting the entry of HDSA's into the mining industry and allow such HDSA's to benefit from the exploitation of mining and mineral resources.

The Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry was published in General Notice 1639/2004 GG 26661 of 13 August 2005. Presumably, although not stated to be so, it was published in terms of Section 100 of the MPRDA (Dale *et al.* 2005: App1).

Dale *et al.* (2005: App1-App2) confirms that some elements of the Mining Charter also found their way into the provisions of the MPRDA Regulations, prescribing the contents of the Social and Labour Plan that must be filed together with an old order mining right for conversion.

Part II of the Regulations promulgated under the MPRDA provides detail on the contents of a Social and Labour Plan. A number of the requirements overlap with that included in the Mining Charter.

A Clarification Document was issued by the DME on 14 July 2004, seeking to clarify misconceptions that might have arisen as a result of the interpretation and application of the MPRDA and the Mining Charter in regard to unused rights and pending applications (Dale *et al.* 2005: App8). The Clarification on the application of the Broad-Based Socio-Economic Empowerment Charter and the MPRDA provides specific BEE participation requirements for unused old order rights, and for pending applications for prospecting rights which applied to the one year transitional period (Department of Minerals and Energy, 2004:3). The transitional period, as determined in Item 8 of Schedule II, Transitional Arrangements of the MPRDA came to an end on 30 April 2005, a year after the implementation of the MPRDA.

3.4 Other

In a presentation by Mr. N. Pretorius, Group Legal Counsel and General Manager: Corporate Services, Durban Roodepoort Deep (2005), he confirmed that other legislation enacted to assist in BEE and socio-economic empowerment is:

- The Employment Equity Act 55 of 1998.
- The Competition Act 89 of 1998, as amended.
- The Skills Development Act 97 of 1998.
- The Preferential Procurement Framework Act 5 of 2000.

4. CONCLUSION

In this chapter the necessity to reverse the systematic disempowerment of the majority of blacks and to systematically and purposefully include the majority of South Africans to meaningfully participate in the economy, economic transformation needs to be accelerated, was discussed. In terms of the Constitution, the Government has an obligation to implement legislative and other measures to redress the results of past racial discrimination. Even though some progress has been made, transformation is far too limited and it is necessary to introduce a coherent and focused strategy for BEE. Therefore, by involving a number of role players, a statutory and regulatory framework for BEE was set by Government, to ensure that no uncertainty exists of the requirements in achieving transformation. Even though various legislation have been promulgated to address BEE in general, with regard to the mining industry, the implementation of the MPRDA, the Mining Charter and Scorecard set clear guidelines and targets to which the mining industry must conform. By applying the provisions of the MPRDA, Mining Charter and Scorecard, the Government will be able to accelerate and measure transformation and BEE participation in the mining industry.

In the next chapter an in-depth look will be taken at the Mining Charter and Scorecard and its aims and targets.

CHAPTER 3

THE BROAD BASED SOCIO-ECONOMIC EMPOWERMENT CHARTER FOR THE SOUTH AFRICAN MINING INDUSTRY: AN OVERVIEW

1. INTRODUCTION

The discussion in chapter 2 made it clear that social and economic transformation is an imperative and that certain measures were implemented by Government, to address and accelerate transformation. With reference to the mining industry, specific legislation and other measures were implemented to achieve BEE. In this chapter an in-depth look will be taken at the Mining Charter, its aims and targets and the Scorecard.

Firstly, an overview of the Mining Charter and its various pillars will be provided and, secondly the clarification of the application of the mining charter document, issued by the DME, will be discussed. Thirdly, the provisions of the Scorecard will be discussed.

2. THE MINING CHARTER: AN OVERVIEW

By granting custodianship of the mineral and petroleum resources to the State and empowering it to grant rights, the MPRDA places the State in a position to promote equitable access to the nation's mineral and petroleum resources to all the people of South Africa, as envisaged by the objectives contained in the MPRDA (Badenhorst *et al.*, 2004:13-5).

Bredell (2004) mentions that the MPRDA, in section 100, requires the Minister to develop, within 6 months from the date on which the MPRDA takes effect, a BEE Charter that will set the framework, targets and time-table for effecting the entry of HDSA's into the mining industry and to allow such South Africans to benefit from the exploitation of mining and mineral resources.

According to Woolley (2005:95) the first step in developing a Scorecard is to establish whether a charter governs the industry or not. If the company falls under a specific industry charter, then that charter and its specific transformation dimensions and targets should be used.

In terms of the Mining Charter it is acknowledged that Section 100(2)(a) of the MPRDA states that to ensure that Government attains its objectives of redressing historical social and economic inequalities, the Minister must develop a Mining Charter.

With the release of the Mining Charter it resulted in a significant departure from past approach of ownership and control. The Mining Charter's stated obligation is to transfer 15% of the mining industry's assets into HDSA's hands within 5 years, with a commitment to increase this to 26% by 2014. This level of participation will ensure a critical mass of black involvement that should be enough to ensure the self-perpetuation of BEE in South Africa's mining industry (Woolley, 2005:23).

The provisions of the Mining Charter will be discussed below.

2.1 Vision

The actions and commitments contained within the Mining Charter are in the pursuit of a shared vision of a globally competitive mining industry that draws on the human and financial resources of all South Africa's people and offers real benefits to all South Africans. The goal of the Mining Charter is to create an industry that will proudly reflect the promise of a non-racial South Africa (SA, 2004:6).

In an address to prospective investors at the Africa Downunder mining conference in Perth, the Deputy Minister of Minerals and Energy, Lulu Xingwana, explained that while the objective of BEE was to enhance economic growth and accelerate the alleviation of poverty, for her it was critically important that both BEE and women's empowerment in the South African mining industry were not just about a group of black South African's securing portfolio investment in existing companies and sitting back and waiting for dividends (2005:1). On the contrary, the Mining Charter was an attempt at widening and deepening BEE, to spread it beyond boardrooms to the men and women who sweated days away at the rock-face, digging the riches of the country. She confirmed that it is government's desire to ensure that a favourable socio-economic policy brought about by the Mining Charter benefited more, and not fewer, people.

2.2 Preamble

According to Dale *et al* (2005:App-9), to understand the Mining Charter it is important to note that it recognises certain points of departure, which provide a general guideline on how the Mining Charter and the Scorecard should be implemented, which were recorded in the preamble:

- That it is not the policy of the Government to nationalise the mining industry.
- The key objectives will be realised only when the mining industry succeeds in the international market place where it must seek a large part of its investment and where it overwhelmingly sells its products and when the socio-economic challenges facing the industry are addressed in a significant and meaningful way.
- The transfer of ownership in the industry must take place in a transparent manner and for fair market value.

In terms of the Mining Charter (2004:6-7) the signatories have developed the Mining Charter to provide a framework for progressing the empowerment of HDSAs in the mining and minerals industry and thus it recognises the following:

- The formal mining industries' stated intention to adopt a proactive strategy of change to foster and encourage BEE and transformation at the tiers of ownership, management, skills development, employment equity, procurement and rural development.
- The imperative to redressing historical and social inequalities.
- The stated policy objective in the MPRDA to expand opportunities for HDSAs to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources.
- The scarcity of skills is one of the barriers to entry into the mining industry by HDSA's.
- The slow progress made with employment equity in the mining industry.

2.3 Objectives

The objectives of the Mining Charter are the following, namely to:

- Promote equitable access to the nation's mineral resources to all the people of South Africa;
- Substantially and meaningfully expand the opportunities for HDSA's, including women, to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources;
- Utilising the existing skills base for the empowerment of HDSA's;

- Expand the skills base of HDSA's in order to serve the community;
- Promote employment and advance the social and economic welfare of mining communities and the major labour sending areas; and
- Promote beneficiation of South Africa's mineral commodities.

These objectives were partly gleaned from the provisions of Section 2 of the MPRDA (Dale *et al*, 2005:App-9).

Mr. J Rocha, Chief Director in the Department of Minerals and Energy (DME), indicated in a presentation at a conference held in Johannesburg on 24 June 2003, that the Mining Charter is a social and economic strategy, aiming to redress past racial discrimination and to transform the mining industry through HDSA:

- Ownership, participation and benefit;
- Participation or control of management of operations (operational involvement);
- Skills development;
- Involvement or participation in procurement;
- Ownership or participation in beneficiation; and
- Socio-economic development of communities including labour sending areas.

2.4 The eight pillars of the Mining Charter

Mr. J Rocha, Deputy Director-General in the DME, indicated in a presentation at a conference held in Johannesburg on 29 August 2005, that the Mining Charter must address:

- Ownership, participation in or benefit from mining and prospecting;
- Participation in or control of management of such operations;
- Skills development of HDSA's;
- Involvement or participation in procurement chains of operations;
- Ownership of or participation in beneficiation;
- Socio-economic development of hosting and labour sending communities; and
- Socio-economic development of all HDSA's from the proceeds of activities of the operations.

In terms of the Mining Charter (2004:10) all stakeholders undertook to create and enable the environment for the empowerment of HDSA's by subscribing to the following, which are also referred to as the eight pillars of the Mining Charter:

2.4.1 Human Resource Development

The Mining Charter (2004:10-11) indicates that a skills gap is present due to the fact that the South African labour market does not produce enough skills required by the mining industry. Stakeholders must work together in addressing this skills gap in the following manner:

- In formulating a comprehensive skills development strategy, which includes a skills audit, through bodies such as the Mine Qualifications Authority (MQA).
- Interfacing with education authorities and providing scholarships to promote mining related educational advancement.
- Ensuring, by the provision of scholarships, that the number of learnerships will raise from the current level of 1200, to not less than 5000 by March 2005.
- Through the MQA, provide skills training opportunities to miners during employment in order to improve their income earning capacity after mine closure.

Government undertakes that:

- In its bilateral relations with other countries, to secure training opportunities for HDSA's companies staff, as well as exchange opportunities with mining companies outside South Africa; and
- To provide training courses in mining entrepreneur's skills through the MQA and in collaboration with academic institutions, the DME associated institutions, non-governmental organisations, and the Gender Commission.

Dale *et al* (2005:App-12) indicate that mining companies undertook:

- To offer every employee the opportunity to become functionally literate and numerate by the year 2005. This will be done in consultation with labour. It is important to note that the commitment is to offer the opportunity by 2005 and not to ensure that employees actually have to become functionally literate and numerate.
- To implement career paths to provide opportunities for HDSA employees to progress in their chosen careers. The Scorecard amplified this undertaking by providing for development of both career paths and skills development plans.
- To develop systems through which empowerment groups can be mentored as a means of capacity building. It would be arrogant of mining companies to suggest to empowerment groups that they need to be mentored. Sufficient compliance

systems needs to be developed through which empowerment groups could access such mentoring, if required.

2.4.2 Employment Equity

In terms of clause 4.2 of the Mining Charter (2004:11-12) companies subscribe to the following:

- Establish targets for employment equity, particularly in the junior and senior management categories and companies agree to spell out their plans for employment equity at management level. It aspires to achieve 40% HDSA participation in management within 5 years.
- Mining Companies will focus their overseas placement and/or training programmes on HDSA's.
- Identify a talent pool and fast-tracking it, which should include operational exposure.
- Ensuring high levels of inclusion and advancement of women. It aspires to achieve 10% of women participation in the mining industry within 5 years.
- Setting and publishing targets and achievements.

The aforementioned statements and targets are relatively wide and to understand the context thereof it needs to be discussed in more detail. The relevant areas are briefly explored below.

(i) Employment equity at management level

During an interview with Mrs Ledingwane, Chief Director Mineral Regulation and Administration in the DME, on 20 December 2005, indicated that a good practice, by reaching predetermined targets and numbers, does not necessarily mean good performance. The DME is more concerned with good performance rather than demonstrating good practice, especially at management level.

The Mining Charter contains an undertaking by mining companies to establish targets for HDSA participation in the management of companies. Management in itself is not defined but reference is made to junior and senior management, which echoes the description of various levels in the Patterson job evaluation structure. The five-year target for HDSA participation in management is 40%. It is not

necessary to achieve the 40% target before an old order right is submitted for conversion. The mining company must show that it has a plan to achieve the target and that it is implementing the plan (Dale *et al*, 2005:App-13).

(ii) Overseas placement and/or training programmes

Mining companies and South African subsidiaries of multinational companies undertook, where possible, to focus on HDSA's in their overseas placement and/or training programmes (Dale *et al*, 2005:App-13).

(iii) Talent pool and fast- tracking

Mining companies undertook to identify a talent pool and to fast track those included in the talent pool. The Mining Charter provides that fast tracking should include high quality operational exposure. This undertaking is a general undertaking and not aimed at HDSA employees only (Dale *et al*, 2005:App-13).

(iv) Inclusion and advancement of women

Mrs D Ntombela, Chief Director Mineral Regulation and Administration in the DME, mentioned during an interview on 3 November 2005, that the inclusion of women in the core business of mining companies is high on the agenda of the DME. Mining companies will be critically evaluated in this regard.

According to Dale *et al* (2005:App-13), with regard to the inclusion and advancement of women, the Mining Charter records an undertaking to ensure higher levels of participation and advancement of women in the mining industry. It seems as if the Scorecard ignores the Mining Charter's reference to the mining industry and requires each mining company to provide a plan to achieve 10% women in mining, within 5 years.

(v) Setting and publishing targets and achievements

Dale *et al* (2005:App-13) indicate that the Mining Charter records an undertaking by mining companies to publish their employment equity plans and achievements. The drafters of the Mining Charter did not indicate how this publication should take place. In paragraph 4.14 of the Mining Charter, mining companies will allow for independent

audit and report on progress to meet the Mining Charter commitments. Section 28(2)(c) of the MPRDA and Regulation 45 of the MPRDA Regulations also provide for reporting on the Mining Charter and Social and Labour Plan issues. These various reporting requirements are not co-ordinated and it is not clear whether they are accumulative or whether they are the same requirement provided for different documents. The Scorecard seems to consider the company's history and is cast in the past tense. The Scorecard asks whether the company has published its employment equity plan and reported on its annual progress in meeting the plan. It would seem that the reference to the employment equity plan refers to the plan to be developed and implemented under the Employment Equity Act 55 of 1998.

2.4.3 Migrant Labour

In terms of the Mining Charter (2004:12) the stakeholders undertake to ensure non-discrimination against foreign migrant labour. Dale *et al* (2005:App-14) confirms that the Mining Charter and Scorecard refers to foreign migrant labour but that the industry agreements referred to have not been identified.

2.4.4 Mine Community and Rural Development

Stakeholders, in partnership with all the spheres of government undertake to co-operate in the formulation of integrated development plans for communities where mining takes place and for major labour-sending areas, with special emphasis on development of infrastructure (SA, 2004:12).

Woolley (2005:80) indicates that the whole company should be involved in corporate social investment (CSI). Good-quality CSI is not about writing a cheque, it is about ensuring that the stakeholders in the environment of the business are developed. He also mentions that strategic investment in the business environment is good practice as CSI initiatives build capacity of future clients, such as scholarships in the area of your business and specific skills.

The Mining Charter focuses on co-operation between all spheres of Government and the mining industry in the formulation of development plans for communities where mining takes place, and for major labour sending areas. Local authorities are required to draft integrated development plans and that engagement with the local authority should be aimed at the formulation of its integrated development plan. For

the purposes of the Scorecard, a mining company will have to show that it has made an effort to engage the local mining community and major labour sending communities. The Scorecard also requires mining companies to indicate the consultation with local authorities, major labour sending areas, indicate money expenditures and show a plan (Dale *et al*, 2005:App-14).

In terms of Regulation 46 promulgated under the MPRDA, an applicant must also provide detailed information on the impact the mine would have in the local and sending communities. Details are required of the infrastructure and poverty eradication projects that the mine would support in line with the integrated development plan of the area in which the mine operates (SA, 2004:24).

2.4.5 Housing and Living Conditions

In terms of the Mining Charter (2004:12), stakeholders, in consultation with the Mine Health and Safety Council, the Department of Housing and organised labour, undertake to:

- Establish measure for the improvement of the standard of housing including the upgrading of hostels, conversion of hostels to family units and the promotion of homeownership; and
- Establish measures for improving nutrition.

Dale *et al* (2005:App-14-15) are of the opinion that mining companies did not give any specific undertaking in the Mining Charter in this regard. However, in terms of the Scorecard, mining companies which provide housing must establish measures for improving the standard of living conditions, including the upgrading of hostels, conversion of hostels to family units and promote ownership options for mine employees. The Scorecard requires companies to indicate what they have done in this regard and to indicate progress. The Scorecard has the same provision for nutrition.

2.4.6 Procurement

Woolley (2005:76-77) indicates that enterprise development needs to take place to encourage companies to invest in supplier development initiatives. This will enable the supply chain to successfully deliver efficiently and cost effectively to the end-user.

Many types of strategic alliances are possible, depending on whether a company is seeking to enable its market or technical competence.

The Mining Charter records that procurement can be broken down into three categories (levels) namely, capital goods, services and consumables. It is the objective of the Mining Charter to increase procurement from HDSAs in each of these categories (Dale *et al*, 2005:App-15).

The Mining Charter (2004:13) determines that stakeholders undertake to give HDSA's preferred supplier status, where possible, on all three levels of procurement. To this end stakeholders undertake to:

- Identify current levels of procurement from HDSA companies.
- Commit to a progression of procurement from HDSA companies over a 3 to 5-year time frame, reflecting genuine value added by the HDSA provider.
- Encourage existing suppliers to form partnerships with HDSA companies, where no HDSA company tenders to supply goods or services exists.
- Stakeholders commit to help develop HDSA procurement capacity and access the Department of Trade and Industry's assistance programme, to achieve this.

Companies should collaborate and form partnerships as most medium sized businesses are not going to have a large impact on their own, and there are many initiatives up and running that are crying out for the resources of companies (Woolley, 2005:80).

A number of the requirements of the Mining Charter have been included in Regulation 46 which determines that the economic development plan to be included in the Social and Labour Plan must also include the procurement progression plan and its implementation for HDSA companies in terms of capital goods, services, and consumables (SA, 2004:24).

2.4.7 Ownership and Joint Ventures

Mr. J. Rocha mentioned that mines are obliged in terms of the Mining Charter to achieve greater black representation at operational and management level by 2009. He also noted that the majority of mines were still white owned and in most

companies management was still at approximately 73%. Transformation would be slow, but during the processing of applications, the DME would ensure that the representation of blacks are increased (ANON, 2005).

The issue of BEE ownership in a business is the dimension most often equated to empowerment because of the way empowerment was viewed in the late 1990's. Equality was equated with equity, while it has basis, it cannot be the only aspect of transformation (Woolley, 2005:52).

In an interview with Mrs D Ntombela of the DME, on 3 November 2005, she indicated that most companies make the mistake to view ownership as transformation, and it is important to note that ownership is merely one of the pillars of the Mining Charter. No pillar of the Mining Charter is more important than the other. Transformation can only be achieved if all the pillars, including ownership, have been addressed.

In terms of clause 4.7 of the Mining Charter (2004:13-14) Government and industry recognise that one of the means of effecting the entry of HDSA's into the mining industry and of allowing HDSA's to benefit from the exploitation of mining and mineral resources, is by encouraging greater ownership of mining industry assets by HDSA's. Ownership and participation by HDSA's can be divided into active or passive involvement which will be briefly discussed below.

Active involvement

- a) HDSA controlled companies (50% plus 1 vote), which included management control.
- b) Strategic joint ventures or partnerships (25% plus 1 vote). These would include a Management Agreement that provides for joint management and control and which would also provide for dispute resolution.
- c) Collective investment, through Employee Share Ownership Schemes (ESOPs) and mining dedicated unit trust. The majority ownership of these would need to be HDSA based. Such empowerment vehicles would allow HDSA participants to vote collectively.

Passive involvement

According to Dale *et al* (2005:App-16) passive involvement is said to include greater than 0% and up to 100% ownership with no involvement in management. Particular reference is made in this regard to broad-based ownership like ESOP's. Despite the definitions of active and passive ownership, there is no further reference to these concepts in the Mining Charter or the Scorecard.

The Mining Charter (2004:14) determines that in order to measure progress, the following indicators are important:

- The currency of measure of transformation and ownership could, *inter alia*, be market share as measured attributable units of South African production controlled by HDSA's.
- That there would be capacity for offsets which could entail credits/offsets to allow flexibility.
- The continuing consequences of all previous deals would be included in calculating such credits/offsets in terms of market share as measured attributable units of production.
- Government will consider special incentives to encourage HDSA companies to hold on to newly acquired equity for a reasonable period.

Ownership targets

The Mining Charter (2004:14-15) provides for 26% HDSA ownership of the mining industry assets in ten years, by each mining company. Where a company has achieved HDSA participation in excess of any set target in a particular operation, such excess may be utilised to offset any shortfall in its other operations. Dale *et al* (2005:App-16) mentions that the Scorecard adds a further target of 15% HDSA ownership within five years. It is also recorded that all stakeholders accept that transactions will take place in a transparent manner and for fair market value.

2.4.8 Beneficiation

The wording of the Mining Charter leaves little doubt that the concept "beneficiation" as used in the Mining Charter refers to activities beyond mining and processing. This includes production of final consumer products (Dale *et al*, 2005:App-16).

Mining companies will be able to offset the value of the level of beneficiation achieved against its HDSA ownership commitments, and mining companies agreed to identify their current levels of beneficiation and to indicate to what extent they can grow the baseline level of beneficiation (Department of Minerals and Energy, 2004:15).

Dale *et al* (2005-App-17) indicate that the Scorecard provides that a company must establish its baseline level of beneficiation and then how any growth beyond this level will qualify as an offset. The Scorecard explains that it is the intention to determine the actual beneficiation activities of the mining company and to convert that into some unit of measurement and offset that from the ownership or equity targets.

2.5. Licensing

Even though the paragraph dealing with licensing is not one of the main areas or pillars through which the Mining Charter aims to achieve BEE, it has a significant impact on mining companies converting their old order mining rights into new mining rights.

Badenhorst *et al* (2004:25-12) indicate that the holder of an old order mining right must provide an undertaking that the holder will give effect to the objectives of substantially and meaningfully expanding opportunities for HDSA's to enter into the mineral industry and to benefit from the exploitation of the nation's mineral resources. It also aims to promote employment and advance the social and economic welfare of all South Africans. In a footnote it is mentioned that the Mining Charter is not required for conversion but only the prescribed undertaking.

The Mining Charter (2004:15-16) determines that to facilitate the processing of conversions there will be a Scorecard approach to the different facets of promoting BEE in the mining industry. The Scorecard approach would recognise commitments of the stakeholder at the level of ownership, management, employment equity, human resources development, procurement and beneficiation. The HDSA participation required to achieve conversion within 5 years on a company specific basis will be specified in the Scorecard.

Despite the fact that the transitional provisions of the MPRDA do not require compliance to the Mining Charter, the Mining Charter contains a paragraph which

indicates that it will be applied to the conversion process. There is little doubt that in practice, both the mining industry and the DME are placing considerable emphasis on compliance with the Mining Charter in the conversion process (Dale *et al*, 2005:App-18).

3. CLARIFICATION ON THE APPLICATION OF THE BROAD-BASED SOCIO-ECONOMIC EMPOWERMENT CHARTER (CLARIFICATION DOCUMENT)

A Clarification Document was issued by the DME on 14 July 2004. The purpose of this document was to clarify misconceptions that might have arisen as a result of the interpretation and application of the MPRDA and the Mining Charter with regard to unused rights and pending applications (Dale *et al*, 2005:App-8).

In paragraph 1 of the Clarification Document (2004:2) it is indicated that the document relates to unused rights and pending applications, and that it does not apply to the requirements for conversion of rights governing operating mines and prospecting operations. It confirms that for operating mines and prospecting operations, the BEE requirements of 15% in 5-years and 26% in 10-years applies. In paragraph 3 it is indicated that the following policy applies:

- Where a company has made investment in respect of the right concerned, a low BEE participation will be required. In instances where no investment has been made, there will be a high BEE participation requirement.
- With regard to unused old order rights, if the rights are former state owned rights, BEE participation of not less than 51% is required. If the rights were formerly privately held, BEE participation of a minimum of 26% is required. This applies during the one-year transitional period only.
- For pending applications for prospecting rights the same BEE participation as indicated in the aforementioned paragraph, applies.
- All applications not included in the above that are in the custodianship of the state, is subject to a minimum of 26% BEE participation.

In a presentation by S Booyens, Manager Mining Rights, Sasol Mining on 29 August 2005, he confirmed that the Mining Charter in itself makes no direct reference to prospecting but that the requirements in the Clarification Document issued by the DME should be applied. He also indicated that Section 17(4) of the MPRDA provides that the Minister may request an applicant to give effect to Section 2(d) of the

MPRDA. This section determines that the applicant must expand opportunities for HDSA's, including women to enter into the mineral industry. Even though not a legal requirement until requested, to be successful with an application, it should be considered a general requirement for all applications for prospecting rights.

4. THE SCORECARD

In accordance with clause 4.11 in the Mining Charter (2004:15-16), to facilitate the processing of conversions, there will be a Scorecard approach to the different facets of promoting BEE. The Scorecard approach would recognise commitments of the stakeholder at the level of ownership, management, employment equity, human resources development, procurement and beneficiation. The HDSA participation required to achieve conversion within 5 years on a company specific basis will be specified in the Scorecard. The Scorecard is attached to the Mining Charter as Annexure A.

The Scorecard gives effect to the provisions contained in the Mining Charter and is designed to facilitate the application of the Mining Charter. The Scorecard is intended to reflect the spirit of the Mining Charter (SA, 2004:3).

According to Bredell (2004) the Minister will take into account the entire Scorecard in decision-making, and a company's total performance in terms of the Scorecard is expected to play a significant role in respect of the conversion of old order rights to new order rights.

The introduction to the Scorecard reiterates that it is designed to facilitate the application of the Mining Charter in terms of the MPRDA requirements for conversion. The Scorecard recognises the requirements set out in the MPRDA for conversion, without claiming that it is the only way in which those requirements can be met. The Scorecard, as a separate document, finds no legal basis within the MPRDA and it depends on the Mining Charter for its legality. The Scorecard provides for a framework, target and a timetable. The Scorecard is a document that assists in the conversion process and does not set peremptory targets as the statement in the introduction mentions that progress can be measured in two ways, namely, targets set out in the Mining Charter and/or targets set by the company. As the Scorecard is intended to reflect the spirit of the Mining Charter, it is another indication that it must be interpreted in conjunction with the Mining Charter (Dale *et al*, 2005:App6-7).

In a presentation by Bernard Swanepoel, Managing Director Harmony Gold, on 24 March 2004 at a conference in Johannesburg, he indicated that 90% of all industry Scorecards would comprise of the following:

- Direct empowerment through ownership and control of enterprises and assets.
- Human resources development and employment equity.
- Indirect BEE through preferential procurement and enterprise development.

In his presentation on 24 March 2004, Mr. Swanepoel contended that the remaining 10% should consist of the following:

- Infrastructural support to suppliers in the same area or community.
- Investment and support in rural communities and those identified in government's sustainable development programme and urban renewal programme.
- Investment in the social wage of employees.
- Labour intensive production and construction methods.
- Beneficiation.

According to Mr. Swanepoel the purpose of the Scorecard is to demonstrate compliance with the Mining Charter and is a requirement for a mining license. The approach in scoring is a binary (yes/no) approach with time-framed targets on equity, procurement and employment equity. The Scorecard has an implied equal weighting for all Scorecard items. In his presentation, Mr Swanepoel indicated three popular approaches to the Scorecard:

- i) Find BEE partners that will meet the ownership and joint venture requirements of the Mining Charter. Those partners will then be contractually required to fulfil the other Mining Charter requirements.
- ii) Hire a consultant to meet the requirements of the Mining Charter, other than the ownership and joint venture and beneficiation.
- iii) Put together a large legal team and try to do major deals and roll out a programme across the group.

4.1 Scorecard Measurement Areas

The Scorecard (2004:4) provides 9 measurement areas. These areas must be scored in terms of the 5-year and 10-year targets of the mining company. Scoring is done on a yes/no basis. The measurement areas are indicated below.

4.1.1 Human Resources Development

The company must answer 3 questions in this regard. The questions are:

- Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2005 and are the employees being trained?
- Has the company implemented career paths for HDSA employees including skills development?
- Has the company developed systems through which empowerment groups can be mentored?

4.1.2 Employment Equity

In scoring the company must indicate progress by answering the following four questions:

- Has the company published its employment equity plan and reported on its annual progress in meeting the plan?
- Has the company established a plan to achieve a target of HDSA participation in management of 40% within five years and is the plan being implemented?
- Has the company identified a talent pool and is it fast tracking it?
- Has the company established a plan to achieve the target of participating in mining of 10% within the five years and is it implementing the plan?

4.1.3 Migrant Labour

The company needs to indicate whether it has subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour.

4.1.4 Mine Community and Rural Development

An indication must be given if the company has co-operated in the formulation of integrated development plans and if it is co-operating with government in the implementation of these plans for communities where mining takes place and for major labour sending areas. The company must also indicate whether it has made any effort to engage the local mine community and major labour sending areas.

4.1.5 Housing and Living Conditions

In scoring the company needs to answer the following two questions:

- For company provided housing has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading of hostels, conversion of hostels to family units and promoted home ownership options for mine employees? Companies will be required to indicate what they have done to improve housing and show a plan to progress the issue over time and is the plan being implemented?
- For company provided nutrition, has the mine established measures for improving the nutrition of mine employees? Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and is it implementing the plan?

4.1.6 Procurement

In scoring procurement the following questions are asked:

- Has the mining company given HDSA's preferred supplier status?
- Has the mining company identified current levels of procurement from HDSA companies in terms of capital goods, consumables and services?
- Has the mining company indicated a commitment to a progression of procurement from HDSA companies over a 3 – 5 year time frame of capital goods, consumables and services and to what extent has the commitment been implemented?

4.1.7 Ownership and Joint Ventures

The mining company must indicate whether it has achieved HDSA participation in terms of ownership for equity or attributable units of production of 15% in HDSA hands in 5-years and 26% in 10-years.

4.1.8 Beneficiation

To enable a company to score against the Scorecard the following questions are asked:

- Has the mining company identified its current level of beneficiation?

- Has the mining company established its base line level of beneficiation and indicated the extent that this will have to grow in order to qualify for an offset?

4.1.9 Reporting

The last item a mining company must be scored against is reporting. The company must indicate whether it has reported on an annual basis its progresses towards achieving its commitments in its annual report.

Mr. J. Rocha, Deputy Director-General in the DME, mentioned in a presentation on 29 August 2005, in Johannesburg, that the Mining Charter and scoring against the Scorecard, with regard to ownership, will eliminate the trends, listed below, which the DME has noted:

- Broad based consortiums where minorities are not protected and therefore companies fight against the influence that BEE partners may have. It equates to the divide and rule principal.
- The invisible presence of BEE partners, where details of partners are provided but they are never seen.
- Fronting where BEE companies have 51% ownership but no control. They are considered to be undercover agents or chameleons. Also the boss-servant ownership style where the mining company dominates the BEE partner.
- Terms and conditions that undermine the transformation agenda.
- Mining companies giving preference to weak BEE partners so that they can be manipulated.

In a presentation delivered by Mr. J. Rocha at a conference in Johannesburg on 24 June 2003, he indicated that the Scorecard is an administrative tool to assist applicants to comply with the Mining Charter and assists the Regional Managers to measure the applicant's compliance. It will also be used as an enforcement tool once rights have been converted.

The Minister of Minerals and Energy, Lindiwe Hendricks, said that she would be tough on companies implementing phoney BEE deals. She mentioned that the Mining Charter is good legislation and that the DME had been a pioneer in coming up with an empowerment strategy, which is at the forefront of South Africa's empowerment strategy. She reiterated that companies wishing to meet the criteria of

the Scorecard would need to go out and look for black people and women, with whom to partner (2005:1).

The Scorecard gives the company a snapshot view of how its transformation process is progressing as measured against its transformation targets. It does not measure how sustainable or meaningful the transformation efforts have been (Woolley, 2005:111).

5. CONCLUSION

This chapter focused on the Mining Charter and the main pillars contained therein. It was noted that the Mining Charter provides broad guidelines as to how BEE and transformation are to be achieved by means of addressing the issues contained in the eight pillars of the Mining Charter. To remove any misconception that may have arisen due to the interpretation of the MPRDA, the DME issued a Clarification Document to address the issues relating to applications for unused old order rights and pending applications, during the 1-year transitional period. The Scorecard, as a tool to measure compliance with the Mining Charter, has nine measurement areas, each with a number of questions. The method of measurement used is by responding on a yes/no basis to a number of questions. It is apparent that the DME will use the Scorecard to measure performance against the aims and targets of the Mining Charter during the conversion process and thereafter.

In the next chapter it will be determined whether the Scorecard in its current format will be able to serve as a measuring instrument, to measure compliance with the Mining Charter.

CHAPTER 4

PERFORMANCE MANAGEMENT: THEORETICAL PERSPECTIVES

1. INTRODUCTION

In the previous chapter the Mining Charter and Scorecard were discussed. The Mining Charter sets a number of goals and targets to be attained by the mining industry over various time periods. The Mining Charter also introduced the Scorecard, which is to be used as a performance-measuring instrument, in measuring compliance with the Mining Charter. To determine whether the Scorecard would succeed as a measuring instrument it is necessary to discuss the principles, theories and models of measuring performance. This chapter will not only be devoted to the principles, theories and models of performance management, but attention will also be given to the Scorecard to determine whether it meets the theoretical requirements of a performance measuring instrument.

Firstly, the theory of performance management will be investigated and secondly the principles applicable to performance measurement will be discussed. Thirdly, a discussion on a number of performance management and measurement models and techniques will be provided. Lastly, the Scorecard will be compared with the theory to determine to what extent it conforms to the theoretical principles.

2. PRINCIPLES OF PERFORMANCE AND PERFORMANCE MANAGEMENT

Performance and performance management plays an integral part in any organisation. To understand the difference between performance and performance management it is necessary to consider the relevant definitions. Firstly the concept of performance will be dealt with and performance management will be discussed thereafter.

2.1 Performance

According to the COD (1999:1060) the meaning of performance is "the action or process of performing a task or function".

Performance and productivity relate to output. Performance is usually related to the degree to which a desired objective has been achieved, with the least cost and

usually has two dimensions. These dimensions are effectiveness and efficiency (Hilliard, 1995: 2-4).

Van der Waldt (2004:36-37) expands on this by indicating that there is a similarity between performance and productivity. However, a distinguishing feature is that performance is guided and assessed by various, equally important standards of effectiveness, efficiency and equity.

Bernadin *et al* (1998:7-8) go further by determining that precision in defining and measuring performance is critical to effective performance management. Before any appraisal or performance management program is designed, it is necessary to develop a clear understanding of exactly what is meant by work performance. From this perspective Bernadin *et al* (1998:8) define performance as the record of outcomes produced on a specified job function, activity or behaviour during a specified time period. With this outcome-based definition, performance is something that is separate and distinct from the person who produced it or that person's characteristics.

According to Van der Waldt (2004:48) an enterprise would benefit from clarifying goals and monitoring progress but it is the prescribed formula for controlling performance that presents the difficulties.

2.2 Performance management

In its simplest form management can be defined as "the process of management" (COD, 1999:864). The managerial functions of planning, organising, motivating and controlling are considered central to management functions (Hersey & Blanchard, 1982: 3).

Van der Waldt and Du Toit (1997:180-181) expand on this definition by indicating that management consist of five basic management functions described as planning, organising, leading, control and co-ordination.

The management of performance is usually viewed as an approach to managing people which involves the planning of employee performance, facilitating the achievement of goals and reviewing performance achieved as a way of motivating

employees to achieve their full potential in line with organisational objectives (Spangenberg. 1994:xiii).

According to Viedge (2004:211) the fundament of performance management is clear performance objectives. The clarity comes from understanding and not merely reading the written expression of the objectives.

Patel (as quoted by Van der Waldt, 2004:40) mentions that performance management as an approach to management seeks to harness the endeavours of managers and workers towards the organisation's strategic goals. It defines goals and the outputs required to achieve the goals, it gains commitment from individuals or teams to achieve the outputs, and it monitors the outcomes.

Du Toit *et al* (2002:187) are of the opinion that performance management involves putting in place systems and methods to translate the objectives of strategic management into performance terms. Performance management may be defined as a systematic process by which an organisation involves employees in improving effectiveness in accomplishing organisational goals.

Van der Waldt (2004:48) agrees with this definition but expands thereon by indicating that performance management has to be seen as a method or set of techniques. It must be managed from one or more power centres and is time consuming. Performance management needs data, which must be collected and used and therefore requires a major management intervention to set up the required systems to monitor, supervise and establish the appraisal systems.

Bernardin *et al* (1998:5) contribute to the definition by adding that the effects of performance management systems will be more positive if and when certain prescriptions are followed. These prescriptions are:

- Precision in the definition and measurement of performance is a key element of effective performance management.
- The content and measurement of performance should derive from internal and external customers.

- The performance management system should incorporate a formal process for investigating and correcting the effects of situational constraints on performance.

According to Fox and Uys (as quoted by Van der Walddt, 2004:40) performance management consists of the following three elements of a system process with sequential logic that is able to predict the future plan:

- Performance planning, which forms part of the overall strategic planning of an institution with a view to allowing employees to perform optimally in order to reach the organisational goals.
- Performance monitoring, which has to do with the day-to-day supervision of performance, recording actual performance on the job and pre-empting performance problems.
- Performance appraisal, which comprises the application of a system of measuring performance.

3. PERFORMANCE MEASUREMENT

According to the COD (1999:884) the meaning of measurement is “an amount, size, or extent as established by measuring”.

Measurement is the assignment of numbers or words to items or events to describe differences. To be useful, measurement information must be descriptive, unambiguous and objective. Scales can be used for measurement purposes (Henderson, 1984:157).

Landy and Farr (1983:25) mention that performance measures should be reliable, valid and accurate, in addition to being practical and useful.

Hilliard (1995:2-4) expands by indicating that difficulties associated with performance measurement relate to the evasive concept of output; scarcity of performance measures; vague performance dimensions; unresponsive organisational culture and climate; and unclear performance indicators.

Hale (1998:172) contributes to this definition by indicating that the words evaluation and measurement are often perceived to mean the same thing, but at other times it is used for completely different things. The most common measurement problems are insufficient criteria and inappropriate criteria and metrics.

Van der Waldt (2004:48-49) expands on the definition by adding that the central idea behind performance measurement is quite simple. An organisation must formulate the envisaged performance and indicate how this performance can be measured by defining performance indicators. What must be measurable is the direct effect (the output). For instance: the number of reports drawn up by an official or the number of patients treated. Therefore many performance management systems focus on output as products or services and production targets are agreed upon. Thereafter the outputs are measured and reported on.

Standards should be set for final and intermediate results. Performance measurement can be made at predetermined intervals whereafter actual performance should be compared with the set standards and any deviations should be identified (Rossouw *et al.*, 2003:232).

3.1 Performance standards

Hale (1998:176) mentions that one of the hardest parts of measuring anything is knowing what to use as criteria. When should the criterium be money? When should it be time? When should it be compliance, customer satisfaction, volume, or something else?

Performance standards should be expressed quantifiably in terms of productivity, effectiveness and cost-effectiveness wherever practical. The objectives should be acceptable to those who are expected to produce the results and those who expect the results (Van der Waldt & Du Toit, 1997:203).

Masango (as quoted by Van der Waldt, 2004:63), defines performance standards as a specific level of performance, which could be used as a yardstick for assessing performance. Performance standards are levels of performance which are widely regarded as desirable or appropriate within a given sector or function and develop over time and needs to be constantly adjusted. Service standards could be utilised for the purpose of performance management in the public service.

Bernardin and Beatty (as quoted by Bernardin *et al.*, 1998:16) expand on the definition by indicating that performance standards are levels of performance that correspond to pre-designated levels of effectiveness. Performance standards convey critical information that affects all appraisal participants. Depending on the nature of the standards, this comparison can range from a matching process involving binary determinations (such as yes/no), to a complex integration process in which the rater assigns a value to each performance element, then combines them to arrive at an overall evaluation (Murphy and Cleveland as quoted by Bernardin *et al.*, 1998:16).

Andrews (1993:323) adds by indicating that the evaluator must be familiar with the meaning of the terms used during performance measurement. Concepts such as “good”, “satisfactory” and “excellent” must be properly defined. If not defined properly it increases the subjectivity of the measurement as the interpretation of the relevant terms is left to the evaluator (Andrews, 1993:323).

3.2 Performance targets

Van der Waldt (2004:62) defines performance targets as the commitments made by units or departments about the level and timing of results they are to achieve.

Hilliard (as quoted by Van der Waldt, 2004:64), has identified some of the challenges associated with performance measurement as the following:

- Evasive concept of output - as the public sector is generally a provider of public services and not so much a producer of goods and services. Thus performance and productivity are difficult to measure in the public sector because both relate to output but not necessarily to production.
- Vague or incorrect performance measures - due to the fact that in the public sector, the least cost cannot always be the main criterion for success. There is little agreement about which measures of performance, if any, tells the politicians, electorate, and public manager whether government is succeeding or failing.
- Vague performance dimensions - as performance usually also has two elusive dimensions, namely effectiveness and efficiency. It is the

responsibility of public managers to ensure that effectiveness and efficiency and economy of public service rendering are optimally realised.

3.3 Performance Indicators

Key performance areas are the most critical points or areas identified as priorities (Van der Waldt & Du Toit, 1997:205).

According to the Webopedia (as quoted by Burby, 2005) key performance indicators (KPI) help organisations achieve organisational goals through the definition and measurement of progress. The key indicators are agreed upon by an organisation and are measurable indicators and which reflect success factors. The KPI's selected must reflect the organisation's goals, they must be key to its success, and they must be measurable. Key performance indicators usually are long-term considerations for an organisation."

Key performance indicators are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organisation. Whatever performance indicators are selected, they must reflect the organisation's goals, they must be key to its success, and they must be quantifiable (measurable) and usually are long-term considerations. If a performance indicator is to be of any value, there must be a way to accurately define and measure it and targets need to be set for each performance indicator (Reh, 2005).

In the definition provided by Wikipedia (2005:<http://en.wikipedia.org>) they contribute to the definition of key performance indicators by adding that it is also known as key success indicators and are financial or non-financial metrics used to reflect the critical success factors of an organisation. These are used in business intelligence to assess the present state of business and to prescribe the course of action. The performance indicators differ depending on the nature of the organisation. They help an organisation to measure progress towards their organisational goals. For an organisation to identify performance indicators the key conditions before properly identifying it is:

- Having a pre-defined business process.
- Having clear goals/performance requirements for the business process.

- Having a quantitative/qualitative measurement of the results and comparison with set goals.
- Investigating variances and adjusting processes to achieve long-term goals.

Key performance indicators can be summarised into the following categories:

- Quantitative indicators which can be presented as a number.
- Practical indicators that interface with existing company processes.
- Directional indicators specifying whether an organisation is improving better or not.
- Actionable indicators are sufficiently in an organisation's control to effect change.

Performance indicators are one of many tools to help answer the question: How do you know what you are achieving? Performance indicators are usually seen as numerical measures of achievement that are easy to collect and use. In theory they can only be derived from things over which you have control, however, in practise people don't have absolute control over anything and so having control is really a matter of whether there is enough control for your purpose. A more sophisticated definition from the Australian Office of Public Management (2005) is: *"performance indicator defines the measurement of a piece of important and useful information about the performance of a program expressed as a percentage, index, rate or other comparison which is monitored at regular intervals and is compared to one or more criterion"*. For performance indicators to be used effectively they need to be seen as numerical indicators that require interpretation. They need to be used as some of the many clues available to help in asking questions about performance and the improvement of performance (Management Alternatives, 2005).

Van der Waldt (2004:55-56) contributes by defining the different types of indicators used to measure the aspects of performance. These typical types of indicators and their uses are:

- Input – Measure input to processes and are typically cost related.
- Process – Describe how well institutions use their resources in producing and rendering a service. Can be used to measure compliance with regard to existing national standards and requirements.

- Output – Refer to products produced by processing inputs and can be used to hold an institution accountable.
- Outcome – Measures the extent to which goals and objectives are being met. Usually based on the results of different variables acting together. It is also difficult to measure as it is influenced by external factors.
- Composite – Used to measure several indicators together to indicate overall performance, simplifying a long list of indicators and identify the complex relationship between them in one index.

The DPLG (as quoted by Van der Walddt, 2004:57) adds to the clarification of performance indicators by indicating that in terms of measuring, performance indicators should display the following 6 characteristics:

- i) Quantitative where possible. Quantitative indicators are more reliable and easier to measure.
- ii) Relative. In order to allow for comparison across similar institutions, reporting requirements for key performance indicators need to be consistent.
- iii) Verifiable. Sources of data need to be verifiable/audited.
- iv) Practical. An indicator is practical if data can be obtained in a timely way and at a reasonable cost.
- v) Reliable. Data needs to be of a sufficient reliable quality for confident decision making.
- vi) Sensitive. If scores are being used, they should not involve either a 0 or 1, but instead a scale of, for example, between 0 and 100.

Van der Walddt (2004:53) is of the opinion that to be able to monitor and evaluate policy processes, performance and outcomes, it is generally recognised that a set of key performance measures and indicators will need to be put in place. Indicators are necessary to determine whether a programme is achieving its objectives. Performance indicators are intended to secure a more efficient and equitable allocation of resources within the organisation and will also encourage managerial efficiency in the use of resources and it describes how well a programme is achieving its objectives. Performance indicators should be developed to measure a multitude of processes and aspects and they therefore reveal and measure trends, measure how well a programme is meeting its objectives and allow for comparison across institutions.

4. PERFORMANCE MANAGEMENT MODELS, TOOLS AND TECHNIQUES

According to Henderson (1984:167) designers of performance appraisal instruments attempt to minimise rater errors by limiting vagueness or ambiguity with regard to specific performance dimensions throughout the use of understandable and recognisable descriptions. Well written descriptions of performance dimensions will assist raters in correlating observed behaviours and results with appropriate ratings.

Van der Waldt (2004:175-201) expands by indicating that a number of models and techniques exist for performance management. The most common models and techniques are briefly discussed below.

4.1 The Three E's Model

Van der Waldt (2004:179) indicates that probably the best known model is the 3-E's model which refers to measures of economy, efficiency and effectiveness.

- Economy, refers to the cost of the inputs that are used to produce the outputs.
- Efficiency, which relates inputs to outputs, that is, the cost of the inputs used per unit of output.
- Effectiveness, which illustrates the extent to which the outputs or services of a programme are successful in achieving stated objectives or priorities.

4.2 Quality Management Models

These models, in addition to quality include management systems and continuous improvement, customer satisfaction and market focus, teamwork and the wellbeing of employees. A variety of quality models, tools and techniques can be used to measure performance such as the ISO 9000 Forum and Assurance System. The ISO 9000 Forum is an information and support service. The quality assurance system DIN ISO 9000-9004 is an internationally recognised benchmark for quality management and it gives indications to companies as to how to develop quality management and quality assurance systems. ISO certification is an important marketing advantage for trading in the European Union market (Van der Waldt, 2004:182-183).

4.3 Business Excellence Framework and the European Foundation for Quality Management

The Business Excellence Model is a generic model that allows a holistic approach to be taken to the management of an organisation's quality system. The search for excellence and dissemination of best practice is the underlying philosophy and a major function of the Model (Van der Waladt, 2004:183-184).

The European Foundation for Quality Management (EFQM) Model was introduced during 1992 and was used as the framework for assessing applications for the European Quality Awards. The EFQM Model is a non-prescriptive framework that recognises that there are a number of approaches to achieve sustainable excellence. The EFQM Model is result oriented, focuses on customers and focuses on visionary and inspirational leadership. It also focuses on people development and involvement; continuous learning, innovation and improvement and development of value-adding partnerships (Geo-environmental Research Centre, 2005).

4.4 South African Excellence Foundation and Model

The main objective of the South African Excellence Foundation is to provide a process framework and direction to create a culture of organisational excellence to enhance overall competitiveness and promote the well being of all its citizens (South African Excellence Foundation, 2005).

The Excellence Model is a generic plan that can be applied to both public and private sectors. It provides a framework and direction which encourage a culture of performance excellence. It is based on the Burke and Litwin's model (1989) which predicts behaviour and performance consequences within the organisation, that is, cause and effect (Van der Waladt, 2004:184-185).

4.5 Citizen's Charters

In a presentation at the International Symposium on Service Charters and Customers Satisfaction in the Public Service, by Gavin Drewry (2003:1), he mentioned that many countries have taken initiatives to empower their citizens in recent years. This is achieved by raising the citizen's critical awareness of the quality of service, and at the same time to encourage those responsible for service delivery, to improve their

standard of performance and operate in a transparent manner. In some countries these initiatives have included the publication of citizen's charters or public service charters.

According to Van der Waldt (2004:186-187) Citizen's Charters are official frameworks for assessing and awarding quality in the public sector particularly. It may also be applied to private companies as part of customer services standards. Charters usually address macro-quality as a generic system concept which applies to the public service/citizen relationship. The essential idea behind charters is to increase the quality of life in society and to pay more attention to the needs of citizens.

The Department of Administrative Reforms and Public Grievance in the Government of India indicates that the main objective of a Citizen's Charter in their country, is to improve the quality of service, which includes ways to get in touch with officials, which services to expect, and measures that can be taken to remedy things that goes wrong (Government of India, 2006).

In South Africa, there has been a major drive to improve service delivery and bringing about a better life for all. In 1997 a framework was introduced for transforming public service delivery, know as Batho Pele. The Bato Pele initiative closely resembles a Citizen's Charter (Job Mokgoro Consulting CC, 2003:27, 13).

Gildenhuys and Knipe (2000:130) mention that Batho Pele involves the creation of a framework for the delivery of service that treats citizens more like customers and enables citizens to hold public officials accountable for the delivery as well as the quality of service. This customer concept derives from the private sector.

4.6 Quality Awards

A variety of quality award competitions, such as premier awards for the best performing department in a province, takes place in South Africa. A public award competition may be defined as a performance measurement instrument, which fosters innovation and quality in the public sector (Van der Waldt, 2004:187).

Proudly South African, annually presents 12 Homegrown Awards, in six categories. These awards are the leading showcase for South African companies and organisations, which are innovating, achieving and excelling. These awards carry the

promise of high-profile national recognition and prestigious media coverage. It entrenches a sense of achievement for staff (Proudly South African, 2006).

The National Productivity Institute has been recognising South African companies, which excelled in productivity for the past 24 years. The national productivity awards were established to promote productivity awareness, recognise quality achievements and publish successful competitiveness strategies (Iggy, 2005).

4.7 The Balanced Scorecard

The quest for a new approach to the evaluation of value creation associated with the information age has led to the development of the balanced scorecard. The balanced scorecard retains the traditional financial measures, but augments the evaluation of an organisation's success by adding measures to evaluate the success of the organisation to create future value through investment in customers, suppliers, employees, processes, technology and innovation (Rossouw *et al*, 2003:200).

Viedge (2004:209-210) mentions that the balanced scorecard goes through great lengths to emphasise that it is a strategic management system rather than a strategic measurement system. The balanced scorecard is a management system and is presented as a holistic model of what is needed to make organisations successful. Simply stated it is knowing what to do and then managing it.

Van der Waldt (2004:187-190) expands on the balanced scorecard, developed by Kaplan and Norton (1996), by indicating that it is a set of measures that could give managers a fast but comprehensive view of the organisation's performance and includes both process and results measures. The balanced scorecard is a management tool which assist senior managers in revealing to them employee's and other stakeholders assumptions made about the department. A balanced scorecard reflects a balanced view of organisational performance. It addresses the financial, internal business processes, innovation and learning, and customer focus perspectives.

4.8 The Integrated Provincial Support Programme

This is a multi-year strategic programme of the South African government to support targeted provincial governments in achieving and sustaining poverty alleviation, the

effective rendering of basic services and good governance (Van der Waladt, 2004:190-191).

The Integrated Provincial Support Programme is a partnership between the Department of Public Service and Administration and a number of provincial governments. Financing is provided by a variety of international donors and the South African Government. It is a key capacity-building programme and provides for a number of awards for service excellence and also focuses on promoting learning and knowledge management (South African Government Information, 2005:2-3).

4.9 Benchmarking

Reh (2006) indicates that benchmarking is the process to determine who is the very best, who sets the standard and what the standard comprises. Even though benchmarking emanated from the manufacturing industry, it now is a management tool, which is being applied almost everywhere.

Van der Waladt (2004:191-194) contributes by adding that the aim of benchmarking is to identify competitive targets, which render the weak points of the benchmarking organisation visible, and to establish means of improvement. Benchmarking is a continuous, systematic process of measuring products, services and practices against organisations regarded as superior with the aim of rectifying any performance gaps.

4.10 The Servqual Model

The Servqual approach begins with the assumption that service quality is critically determined by the difference between customers' or consumers' expectations and their perceptions of the service actually delivered (Van der Waladt, 2004:194-195).

Richardson (1999:2) expands by indicating that instruments based on the Servqual model essentially ask respondents to rank the importance of elements of service and to indicate the level of service expected. The level of service actually experienced is then indicated.

4.11 Process Mapping and Flow Charts

Webb (2006) mentions that process mapping is a well-known technique for the creation of common vision and is a shared language for improving results.

Process maps and flow charts are the most commonly used of all problem-solving tools. The Process Approach is the System Approach to Management, which states that identifying and managing interrelated processes as a system contributes to the organisation's effectiveness and efficiency. Process mapping is the first step of process and performance management. It consists of tools that enable you to document, analyse, improve, streamline and redesign the way your department performs. The flow chart is a diagram that uses graphics to depict the nature and flow of the steps in the process (Van der Waladt, 2004:195-199).

4.12 The Plan-Do-Check-Act Cycle

Van der Waladt (2004:200-201) indicates that within the context of quality management system, the plan-do-check-act is a dynamic cycle that can be deployed within each of the organisation's processes. The cycle applies to processes as follows:

- Plan – establish the objectives and process necessary to deliver results.
- Do – implement the processes.
- Check – monitor and measure processes and product against policies.
- Act – take actions to continually improve process performance.

4.13 Integrated Model of Overall Performance

Spangenberg (1994:30) mentions that the overall performance cycle, combined with three levels of performance provide an integrated model of overall performance. The three levels of performance refers to organisational, process/planning and the team/individual. The performance cycle includes the following:

- Performance planning
- Design
- Managing performance and improvement
- Reviewing performance
- Rewarding performance.

The integrated performance model is useful as it clearly portrays the levels and phases of performance throughout the annual performance cycle.

4.14 The Pratt & Whitney Performance Management Process

Spangenberg (1994:37-38) indicates that this model displays some commendable features as it starts at the right place, with creating a shared vision.

4.15 The Systems Model of Performance Management

According to Spangenberg (1994:38-49) this performance management process is set in an input-process-output framework. The aim of the systems model is to describe performance management as a total system and to show the relationship between the various elements and the system's alignment to other major systems.

5. PERFORMANCE MEASUREMENT MODELS, TOOLS AND TECHNIQUES

There are different ways to measure performance and at the simplest levels, we have two categories of performance data – judgemental and non-judgemental measures (Landy & Farr, 1983:27).

It would be necessary to compare the Scorecard of the mining industry as explained in Chapter 3 against these levels to determine whether it is a judgemental or non-judgemental measure. Once this has been determined it would be possible to evaluate the Scorecard against these models. Investigating the available models, tools and techniques plays a significant role in determining whether the Scorecard will meet the requirements of a performance measurement tool or technique.

5.1 Non-judgemental Measures of Performance

The non-judgemental methods to measure performance would include counts of units produced, time elapsed, errors, scraps, absences and accidents. It consists of measures that do not require abstraction or synthesis, or at least not by the person collecting the data. The data consist of things that can be counted, seen and compared directly from one employee to another (Landy & Farr, 1983:27).

Comparing the aforementioned with the Scorecard (2004:4) it is evident that the Scorecard does not intend to compare data of one mining company with that of another.

5.2 Judgmental Measures of Performance

Landy and Farr (1983:57-58) indicate that judgmental methods involve ranking, rating or simply pose descriptions. It requires one individual to make a judgement about the performance level of another and involves the collection of information. This is by far the most widely used performance measurement techniques.

The Scorecard (2004:4) indicates that it will rate mining companies on a number of predefined criteria and targets to determine performance levels. The Scorecard may thus be classified as a judgmental measure of performance and therefore the models, tools and techniques applicable to judgmental measures needs to be discussed in more detail to determine whether any of the models, tools and techniques are applicable to the Scorecard.

According to Landy and Farr (1983:57-58) judgmental measures may be classified in criterion-referenced and norm-referenced performance measures and these are discussed below:

5.2.1 *Graphic Rating Scale*

Dessler (1984:164) mentions that the simplest and most popular technique for appraising performance is the graphic rating scale. The scale lists a number of traits as well as a range of performance for each.

According to Landy and Farr (1983:58-60) the graphic rating scale consists of trait tables, brief definitions of the labels and unbroken lines with varying types and number of adjectives below. The relative ambiguity or meaningfulness of response categories is addressed through the process of anchoring.

Oberg (2005:3-4) mentions that Graphic Rating Scales may not yield the depth of an essay appraisal but it is more consistent and reliable. A graphic scale assesses quality and quantity of work and a number of other factors.

5.2.2 Behavioural Anchored Rating Scale (BARS)

BARS aims at combining the benefits of narrative critical incidents and quantified ratings by anchoring a quantified scale with specific, narrative examples of good or poor performance (Dessler, 1984:468-469).

Landy and Farr (1983:60-64) indicate that one of the attempts to improve the graphic rating scale was to reduce the ambiguity of scale anchors. The rater is not being asked whether he or she had actually observed the ratee behaving in a manner indicated by one of the anchors, but rather to infer or predict the behaviour of the ratee in terms of the scale anchors based on the rater's past observations of the ratee's work performance.

5.2.3 Mixed Standard Scale (MSS)

According to Landy and Farr (1983:64-67) the MSS consists of three specific behavioural examples, much like the anchors in BARS. It describes above average, average and below average performance. The behavioural examples are arranged randomly and the performance dimensions are not identified. The rater is to make one of three responses to each example given. The ratee's performance is poorer, equal or better than the described example.

5.2.4 Forced-Choice Rating Scales (FC)

Oberg (2005:4-5) indicates that this technique was developed to reduce bias and to establish objective standards of comparison and no third party intervention is involved. The most common application of this method is to ask the rater to choose from groups of statements which best fit the ratee and those who least fit the ratee.

5.2.5 Checklists

Checklists are easy to use but a significant constraint is that words or statements may be interpreted differently by different people (ANON, 2005).

According to Landy and Farr (1983:70) common format for checklists is simply a listing of relative specific items that describe possible work behaviours or individual

characteristics. The rater either makes a response to each example or chooses some of the examples as most descriptive of the ratee.

Henderson (1984:171) adds by indicating that two major kinds of checklists are used. The simple checklist is an example of the preferential choice/proximity kind and uses a list of job requirements, behaviours, or traits. The weighted checklist method adds a degree of sophistication by assigning a weight to each item, thus permitting the development of possibly a more accurate rating score.

5.2.6 Method of Summated Ratings

ANON (2005) confirms that summated ratings are obtained by adding the values of the applicable items of a variable for each object. Thereafter the average value is computed, taking into consideration any missing data.

Likert's method of summarized ratings requires the rater to judge a ratee with regard to each of a number of items that describes job behaviours. The judgement scale typically has five categories with category anchors of "strongly agree" to "strongly disagree". Items that describe favourable job behaviours are scored so that the "strongly agree" response receives an item score of "5" and a "strongly disagree" response a score of "1". Items describing unfavourable behaviour are scored in the reverse and thus an overall rating is obtained by summing the item scores (Landy & Farr, 1983:70-71).

6. COMPARING THE MINING SCORECARD WITH PERFORMANCE MANAGEMENT THEORY

The Scorecard will be compared with the theory in relation to performance management, performance measurement, performance management and measurement models, tools and techniques as well as performance indicators. This is essential to determine whether the Scorecard conforms to the theory and whether the Scorecard would be able to suffice as a performance measurement instrument.

6.1 Performance management

The objective of performance management is to improve performance in organisations and that the improvement should derive a focus on strategy. The fundament of performance management is crystal-clear performance objectives.

Performance management as an approach to management seeks to harness the endeavours of managers and workers towards the organisation's strategic goals. The Mining Charter has been developed to provide a framework for progressing empowerment of HDSAs thus harnessing the efforts of the DME and the mining industry to achieve the goals of the Mining Charter.

Performance management is the essence of business, namely delivering on the strategy so as to satisfy customer needs. Performance appraisal is subset in this process. The strategy of the Mining Charter is to transform the mining industry and to create an industry that will proudly reflect the promise of a non-racial South Africa. The Scorecard will be utilised to manage this process.

The Scorecard indicates that its purpose is to give effect to the provisions contained in the Mining Charter. The main objectives of the Mining Charter are to:

- Promote equitable access to the nation's mineral resources to all the people of South Africa.
- Substantially and meaningfully expand opportunities for HDSA's including women, to enter the mining and minerals industry and to benefit from the exploitations of the nation's mineral resources.
- Utilise the existing skill base for the empowerment of HDSA's.
- Expand the skills base of HDSA's in order to serve the community.
- Promote employment and advance the social and economic welfare of mining communities and the major labour sending areas.
- Promote beneficiation of South Africa's mineral commodities.

Performance management can be divided into two distinct categories. Transformational performance management, being one of the categories, refers to areas in which change is likely to be caused by interaction with the environmental forces, external and internal to the organisation, and which requires entirely new behavioural patterns.

The Scorecard, as imposed by the MPRDA and Mining Charter is an external influence, and is designed to facilitate the application of the Mining Charter for the conversion of all the old order rights into new rights.

Performance management will be more positive if the following prescriptions are followed:

- Precision in the definition and measurement of performance should be a key element of effective performance management.
- The content and measurement of performance should derive from internal and external customers.
- The performance management system should incorporate a formal process for investigating and correcting of the effects of situational constraints on performance.

Performance management consists of the following three elements of a system process with sequential logic that is able to predict the future plan:

- Performance planning, which forms part of the overall strategic planning of an institution with a view to allowing employees to perform optimally in order to reach the organisational goals.
- Performance monitoring, which has to do with the day-to-day supervision of performance, recording actual performance on the job and pre-empting performance problems.
- Performance appraisal, which comprises the application of a system of measuring performance.

In accordance with the Mining Charter monitoring progress will be done on an annual basis and new strategies must be developed as needs are identified. Even though provision for the establishment of a review mechanism is provided for, none has been provided thus far.

The Scorecard provides nine scoring areas to be monitored and measured but it does not provide any particulars on performance planning. It is not precise in the definition of key elements and does not incorporate a formal process for investigating and correcting efforts of situational constraints.

6.2 Performance measurement

The central idea behind performance measurement is a simple one: a public organisation formulates envisaged performance and indicates how this performance can be measured by defining performance indicators. What is measurable is direct effect (the output). Products or services are defined, production targets are agreed, and output is measured and reported.

Performance standards are levels of performance that correspond to pre-designated levels of effectiveness. Performance standards convey critical information that affects all appraisal participants.

The Scorecard provides nine measurement areas. These nine areas comprise the critical areas of performance as required by the Mining Charter. The pre-designated levels of performance are imposed by the Mining Charter and performance is measured by the effectiveness (output) achieved by the plans implemented by the mining companies.

Depending on the nature of the standards, this comparison can range from a matching process involving binary determinations (such as yes/no) to a complex integration process in which the rater assigns a value to each performance element, then combines them to arrive at an overall evaluation.

Measurement is the assignment of numbers or words to items or events to describe differences. To be useful, measurement information must be descriptive, unambiguous and objective. Scales can be used for measurement purposes. The Scorecard utilises a binary process, with a yes/no response, to measure performance in relation to the nine areas. The most common measurement problems are insufficient criteria and inappropriate criteria and metrics.

Taking the aforementioned into consideration the Scorecard is an instrument to measure performance, and criteria is provided to enable people to evaluate performance. Standards should be set for final and intermediate results. Performance measurement can be conducted at predetermined intervals whereafter actual performance should be compared with the set standards and any deviations should be identified. The Scorecard does set a number of standards and targets. Target dates are provided for the 5-year and 10-year periods, but it does not provide for the

measurement of performance at any other intervals, even though some of the measurement areas involve a different time period than the 5 or 10 years.

6.3 Performance management models, tools and techniques

The Scorecard introduced by the Mining Charter and MPRDA is a new model and does not explicitly relate to any of the existing performance management models previously discussed. More importantly, it does not resemble the balanced scorecard in any manner.

The balanced scorecard is a management system, which is presented, in a holistic model of what is needed for organisations to be successful. The balanced scorecard is a set of measures that provides managers with a fast but comprehensive view of the department's performance, including both process and result measures.

Even though the Scorecard is intended to be a set of measures that gives a view of an organisation's progress in achieving the objectives of the Mining Charter within 5 and 10 year periods, it does not resemble the balanced scorecard. The Scorecard is intended to reflect the "spirit" of the Mining Charter (Department of Minerals and Energy, 2004:3).

6.4 Performance measurement models, tools and techniques

There are different ways to measure performance. At the simplest levels, there are two categories of performance measures; judgemental and non-judgemental.

Judgemental methods involve ranking, rating or simply prose descriptions and is by far the most widely used performance measurement techniques. As the Scorecard involves rating it may be classified as a judgemental performance measurement method.

The simple checklist is an example of the preferential choice/proximity kind and uses a list of job requirements, behaviours, or traits. This list may include from 15 to 50 different items. The rater reviews the list and checks those indicators that may best identify the performance. The Scorecard bears closest resemblance to a checklist as a total of 18 specific items describing the Mining Charter objectives, are posted in the

form of questions. The rater is required to review the list and check the Yes/No measurement options.

The Scorecard provides nine measurement areas, each containing a number of items to be measured. These items often contain more than one requirement, behaviour or trait, which are not clearly defined. This is contrary to the theory which prescribes:

The fundament of performance management is crystal-clear performance objectives. The clarity comes from understanding and not merely reading the written expression of the objectives.

To be useful, measurement information must be descriptive, unambiguous and objective.

6.5 Performance indicators

Performance indicators are one of many tools to help answer the question: How do you know what you are achieving? Performance indicators are usually seen as numerical measures of achievement that are easy to collect and use. Performance indicators define the measurement of a piece of important and useful information about the performance of a program expressed as a percentage, index, rate or other comparison which is monitored at regular intervals and is compared to one or more criterion. Performance indicators need to be seen as numerical indicators that require interpretation.

To be able to monitor and evaluate policy processes, performance and outcomes, it is generally recognised that a set of key performance measures and indicators will need to be put in place. Indicators are necessary to determine whether a programme is achieving its objectives.

For performance indicators to be of any value there must be a way to accurately define and measure it and targets must be set for each performance indicator. The nine performance areas to be measured in terms of the Scorecard may be seen as the performance indicators of the Mining Charter. Success in these areas will mean that the objectives of the Mining Charter have been met. Even though targets are set, these performance indicators, however, in terms of the current format of the

Scorecard, cannot be measured numerically. The items or "questions" often contain more than one measurement area and statements are broad and open to interpretation. Measurement information must be descriptive, unambiguous and objective.

The Scorecard is more of a checklist than a scorecard as proposed by the Department of Trade and Industry. In the Department of Trade and Industry BEE scorecard there is flexibility in all areas with different weightings per category. In the Mining Charter Scorecard there is some flexibility which can be traded off but it predominately consists of a yes or a no response (ANON, 2004:4).

Standards should be set for final and intermediate results. Performance measurement can be made at predetermined intervals whereafter actual performance should be compared with the set standards and any deviations should be identified. The Scorecard does not allow for the measurement of any progress made between year 1 and 4 of the 5-year period and the same applies to years 6 to 9 of the 10-year period. Performance should be rated and compared at regular intervals.

The aforementioned is summarised in the comparative table below:

Table 1 A comparison between performance management theory and the Scorecard

Theory	Mining Charter and Scorecard
Performance management	
Harness endeavours towards organisational goals	Framework for progressing empowerment; thus harnessing efforts to achieve goals
Deliver strategy to satisfy needs and performance appraisal is subset in the process	Strategy to transform the mining industry, Scorecard to be utilised to manage the process
Change caused by interaction with environmental forces, internal and external to the organisation	The Scorecard is an external influence, designed to facilitate change to give effect to the provisions of the Mining Charter
Entails performance planning, performance monitoring and	No provision for performance planning Monitoring on an annual basis

performance appraisal	Nine areas to be measured
Performance measurement	
Formulates envisaged performance and indicates how performance can be measured, using performance indicators to measure effectiveness	Nine measurement areas, comprising the nine critical performance areas and effectiveness of performance is measured
Use of binary or complex integration process for an overall evaluation	Utilises a binary process
Sufficient criteria must be set	Criteria is provided
Standards must be set for final and intermediate results	Standards and targets for final results but does no intermediate measurement
Performance management models, tools and techniques	
Number of existing models	Model not comparable to existing models
Balanced scorecard	No resemblance to the balance scorecard
Judgmental and non-judgement performance measures	Judgmental performance measure
Checklist of the preferential choice/proximity kind, using a list of job requirements, behaviours and traits	Resembles checklist, and objectives are described in the form of questions
Clear performance objectives	Performance objectives not clear
Measurement information must be descriptive, unambiguous and objective	Measurement information not clearly defined
Performance indicators	
Must be accurately defined and measured against targets for each indicator	Nine performance areas may be seen as indicators. Targets set cannot be measured numerically

In terms of the table above the Scorecard conforms to the majority of the requirements of the theory for performance management, but it falls short on performance planning and annual monitoring. The same applies for performance measurement, but the Scorecard does not provide for intermediate measurement. With reference to performance management models, tools and techniques, the Scorecard does not compare to any of the existing models and even though it is referred to as a Scorecard it is a checklist and it has no resemblance to the balanced

scorecard. Performance objectives and measurement information are not up to the standard required by theory. The Scorecard does set 9 performance areas, but they are vague and cannot be measured numerically.

7. CONCLUSION

The idea of performance management is to obtain better results from organisations, teams and individuals. However, performance must be managed within an agreed framework of planned goals, standards and requirements. The importance of the clear and measurable objectives cannot be emphasised enough. During performance measurement the output is often measured and performance measures should be valid, accurate, practical and useful. Problems encountered with measurement usually arise from insufficient and unclear criteria. Up to this point the Scorecard compared adequately to the theory of performance management and measurement.

A number of models, tools and techniques exist for performance management and measurement. On comparing the Scorecard with the theory it was determined that it does not fall within any of the existing models of performance management. Some similarities do occur with the check list model for performance measurement.

Performance indicators are quantifiable measurements agreed to beforehand, and which reflect the critical success factors of an organisation. The Scorecard, as a performance measuring instrument, has significant deviations from the theory as the performance indicators are often unclear, a number of measurables are grouped together in one question and the items are open for interpretation. The Scorecard also does not provide for the interim measurement of progress and does not recognise progress made to reach the targets. Theory requires measurement information to be quantitative, relative, verifiable, practical, reliable and sensitive and that it must be measured at regular predetermined intervals. The Scorecard falls short in this regard as the measurable are often unclear, not well defined and grouped together, which complicates the measurement of performance.

CHAPTER 5

APPLICATION OF THE SCORECARD: EMPIRICAL FINDINGS

1. INTRODUCTION

Government is under pressure to ensure that sustainable transformation of the mining industry takes place and that BEE is expedited, to ensure that all South Africans reap the benefit from the exploitation of the nation's mineral wealth. To achieve its' objectives, Government implemented the MPRDA, together with the Mining Charter and Scorecard. This has, however, placed mining companies under extreme pressure to implement the necessary measures to achieve the objectives of the Mining Charter, in the specified time frames.

To measure performance against attaining the objectives of the Mining Charter, the Scorecard was developed as a measurement instrument. As mining companies are obliged to submit a completed Scorecard with applications for the conversion of their old order mining rights, the approach to scoring becomes relevant. To measure performance against the targets and objectives of the Mining Charter, it is necessary to determine how the DME and mining companies approach scoring in terms of the Scorecard.

In this chapter information on how the DME and mining companies approach scoring, will be presented.

2. METHODOLOGY

McBurney (1994:1-3) mentions that learning about behaviour can be divided into two categories which are empirical and non-empirical. The term empirical simply means based on experience.

Struwig and Stead (2003:98-99) indicate that primary data collection for qualitative research can be obtained by means of interviews. They identify three types of interviews, these being standardised, semi-standardised and unstandardised interviews.

Most projects can be done from books, journals and the Internet, but in some areas you have to collect primary data from people. An interview does not need to be

scripted around a set of questions, as this tends to freeze interviews. The interviewer must be prepared and should not talk to the interviewee aimlessly. If you sort out what you know from what you want to know, the more efficiently you will get what you need (Booth *et al.*, 2003:85-86).

During personal interviews the interviewer can establish rapport with the persons being interviewed. The attention of the respondents can be directed to the material and the interviewer can motivate them to answer the questions carefully and is also in a position to avoid any misunderstanding of questions by explaining its meaning. The main disadvantage of an interview is that respondents may tell interviewers what they think they want to hear (McBurney, 1994:199).

Semi-structured interviews will be conducted with various government officials in management positions. This sample was selected based on the involvement of the relevant government officials in the decision making chain, within the application for conversion process. These officials play a critical role in determining whether a mining company complies by scoring them against the Scorecard. Interviews with these role players are aimed at obtaining insight into Government's approach to the application of the Scorecard and compliance to the Mining Charter.

Semi-structured interviews will be conducted with role players within Sasol Mining. The sample size is based on the relevant role players' involvement in the nine items to be scored in terms of the Scorecard. These interviews are aimed at obtaining information regarding strategies and processes developed to measure performance and compliance to the Mining Charter in terms of the Scorecard. The specific role players are the General Manager, Sasol Mining, Manager Human Resources, Manager New Business Development, the Operations Manager responsible for Mining Charter compliance and the Manager Mining Rights and Properties responsible for the conversion of Sasol Mining's old order mining rights and co-ordinating the scoring against the Scorecard.

In qualitative research the participants are selected based on certain characteristics in which the researcher is interested and focuses on information-rich participants. The sample size is determined whether the information from the sample is rich in data and thick in description (Struwig & Stead, 2003:122-125).

In addition to the aforementioned semi-structured interviews, a literature study was conducted to determine how other mining companies approached the Mining Charter and Scorecard.

According to Huysamen (1993:149-150) during a semi-structured interview a list of subjects and issues, but not specific questions, which are applicable to the subject and which are addressed during the interview, are discussed. Even though all respondents are asked the same questions, the interviewer might adjust the formulation and terminology to suit the background and educational levels of the respondents. This type of interview is suitable for sensitive topics and is a versatile method to obtain information. It also allows the interviewer to ask additional questions to clarify issues. The most important advantage of a semi-structured interview is that the interviewer is in control and reposes as well as changes to initial response can be noted and the interviewer is in a position to clarify any misunderstandings.

Struwig and Stead (2003:135) indicate that reliability of interviews are obtained by determining whether participants understand the questions and find them useful, the interviewer is trained and that raters check that the codes allocated to the response of the question is reliable.

The evidence collected must be tested by the same criteria used to judge the sources. It must be sufficient and representative, reported accurately and precise from an authoritative source (Booth *et al*, 2003: 145).

Graziano and Raulin (1993:63) indicate that responsible people will seriously consider donating their time, effort and information as subjects to promote scientific knowledge, even when they do not personally benefit by participating.

The results of the interviews will be utilised to determine whether mining companies will be in a position to score them in terms of the Scorecard, without a measuring instrument to quantify its progress and allocate scores to it. On the basis of the research objectives all relevant information will be analysed and evaluated.

3. THE DME AND SCORING AGAINST THE SCORECARD

According to Smit (1993:16) the population to be included in research must be defined properly and clearly identified.

To determine the DME's process and approach to scoring the performance of mining companies, against the Scorecard, a number of semi-standardised interviews were conducted with various officials in management positions. The selection was based on the relevant government official's involvement in the application of the MPRDA and Mining Charter. To obtain a representative sample, interviews were conducted with officials in three regions, being Mpumalanga, Gauteng and Free State as well as DME head office, in Pretoria.

The specific role-players interviewed at regional level are: the Regional Manager, Mpumalanga Region, the Deputy Director, Mineral Law Administration, Mpumalanga Region, the Deputy Director, Mineral Law Administration, Gauteng Region, the Assistant Director, Mineral Law Administration, Free State Region, the Assistant Director, Social Plan Programme, Free State Region. At the DME head office interviews were conducted with the Acting Director, Mineral Law Administration, Pretoria, as well as three Chief Directors, Mineral Regulation and Administration. These Chief Directors are responsible for the development and implementation of legislation, evaluation of applications for conversions and making recommendation regarding the granting of rights to the Deputy Director-General.

Mining companies must submit a completed Scorecard when applying for the conversion of their old order mining rights. The Scorecard is rather more of a "checklist" than a "scorecard" as envisaged in the Codes of Good Practice, which provides a number of key areas and when combined, provides a pass mark. The Scorecard provides for some flexibility in that beneficiation and ownership targets can be traded off, but the rest is a simple yes or no response (ANON, 2004:4).

In an interview with Mrs. D. Ntombela, Chief Director Mineral Regulation and Administration on 3 November 2005, she indicated that it is a common problem encountered with mining companies, that they only focus on the ownership pillar of the Mining Charter and neglect the other seven pillars. All the pillars are of equal importance and when mining companies are scored against the Scorecard, this will have a significant negative impact.

Table 2 **Summary of the main DME responses to questions**

Question/Remark	No of respondents	Yes	No	Response (%)
Does the DME have any guidelines available to assist the industry in scoring against the Scorecard?	7		7	100%
Will any documents be made available to the mining industry to assist in scoring?	7	1	6	86%
Does the DME have any information on how to score the 9 items in the Scorecard?	7		7	100%
Is scoring done at Regional level?	6	1	5	83%
Will the DME assist mining companies in scoring?	7		7	100%
Will the DME engage in discussions with applicants in scoring against the Scorecard?	5		5	100%
The social and labour plan should be used as basis for scoring against the Scorecard.	7	7		100%
Does the Scorecard play a significant role in decision making?	7	7		100%
Is it possible for the Scorecard to recognise progress before the expiry of the 5-year period?	5		5	100%
Mining companies should develop their own system to assist in scoring.	5	4	1	80%

Below follows information on the relevant interviews.

According to an interview with Mr. D. du Plessis, Deputy Director in the Mpumalanga Region (2005), the DME has not released any formal guidelines or documentation to assist mining companies in scoring themselves against the Scorecard. Similarly the region has not received any documents or guidelines to assist the region. He indicated that when applications are submitted, the region only verifies if it is

complete and does not evaluate it. Evaluation and scoring on the DME's behalf is attended to at head office level.

Mr. A. le Grange, Assistant Director in the Free State Region, during an interview on 21 December 2005, confirmed that they do not evaluate compliance to the Mining Charter and do not score mining companies against the Scorecard: this is referred to head office. He also confirmed that no departmental guidelines are available to assist the mining industry. As there are a number of provisions of the Mining Charter that overlaps with that of the social and labour plan, he indicated that a discussion with the Social Plan Programme Department might be of use.

In an interview with Mr. E. Molotsi (2006), Assistant Director Social Plan Programme in the Free State Region, he also confirmed that no official guidelines are available to assist mining companies in applying the Scorecard and that scoring is not done at regional level. Even though no assistance or information are available to assist mining companies in scoring against the 9 items of the Scorecard, he indicated that an in depth look should be taken at the mine's social and labour plan. A number of the items in the Mining Charter overlap with those in the social and labour plan and as the plan provide detail on how the mining company will achieve these objectives, it may be useful in completing a Scorecard. However, as the main purpose of the social and labour plan is not the same as that of the Mining Charter, some variables will be introduced which must be addressed by means of supporting documents.

According to a communication with Adv. S. Malebe, Regional Manager Mpumalanga Region (2006), she mentioned that the information contained within the social and labour plan should be used to measure a mining company's performance against the objectives of the Mining Charter. Even though no specific guidelines are available and the Scorecard does not provide for a shorter period than 5-years, mining companies should establish their current status and use that as baseline to score. She also mentioned that it is acknowledged that a number of mining companies have made significant progress in achieving the objectives and targets of the Mining Charter but this cannot be captured in the Scorecard before the initial 5-year period has expired. To address this constraint a summary should accompany the Scorecard to indicate the baseline, current status and targets in what she referred to as an interim Scorecard.

Regional office receives the applications for conversion of old order rights and verifies whether the mining company has complied with all aspects of the Scorecard. If the Scorecard is complete, the regional office will not consider the documentation or qualifications raised by the mining company, it is referred to the DME head office, which will deal with it. The DME will not use a computerised programme to score items, but they may consider a matrix system in measuring compliance with the Scorecard (ANON, 2004:4).

During an interview with Mrs. M. Ledingwane, Chief Director, on 20 December 2005, she confirmed that the DME has no guidelines, directives or documentation available to assist the industry in applying the Scorecard and scoring them. She did confirm that the DME has developed documents to assist them in scoring applicants in terms of the Scorecard. However, she indicated that the content of the documents are confidential and for internal use only and will not be made available to the industry. She mentioned that the DME does not provide assistance to the mining companies to score themselves, each mining company needs to evaluate and score themselves and submit the results to the DME. The DME will score a mining company only once it has formally submitted the completed Scorecard at the relevant region. The DME will not engage in any discussions with mining companies beforehand. The region will forward the documents to head office. The DME will then evaluate the Scorecard and results, using their internal documents. Once the DME has scored a mining company and there is a significant difference in the score of the company and that of the DME, only then will they engage in discussions with that mining company.

Mrs. Ledingwane indicated that the Scorecard was specifically structured in a manner to provide flexibility. The DME does not believe in a numbers game, as is the case with other scorecards. The DME focus on quality rather than quantity and therefore the Scorecard were intentionally compiled to have grey areas and that is also why it has only yes/no answers. This will ensure flexibility and steer away from the numbers game. Mrs. Ledingwane expressed the view that a good practice, by reaching specific targets and numbers in terms of a scorecard, does not necessarily mean good performance. The DME is more concerned with good performance rather than demonstrating good practice.

Mr. H. de Villiers, Deputy Director in the Gauteng Region, during a communication on 25 January 2006, also confirmed that the DME has no guidelines or process on how to score the performance of a mining company against the 9 items in the Scorecard.

Each company must provide information on its current progress against these items and provide the targets to be achieved. He indicated that the region evaluates the document for completeness and submits a recommendation to head office in Pretoria. He also indicated that due to the overlap between the objectives of the Mining Charter and that of the social and labour plan, the social and labour plan could be used for guidance. He confirmed that rating before the initial 5-year period has expired is extremely problematic as the Scorecard places the mining company converting its old order mining rights in a weaker position in terms of scoring against the Scorecard, than those converting at the end of the 5-year period. Companies converting in the 5th year can demonstrate exactly how the targets were achieved whilst companies converting earlier has not achieved the targets as yet and will thus achieve a lower score. Some system or process is required to address this problem.

In a verbal communication with Mr. B. Liebenberg, Acting Director Mineral Regulation, on 25 January 2006, he confirmed that the DME has an internal system in evaluating Scorecards and that this document is not available to the industry. He mentioned that mining companies should ensure that they do not only concentrate on the ownership pillar of the Mining Charter, but all the pillars. He indicated that the internal document is based on the Scorecard and the 9 items contained therein, but with the inclusion of an additional comments column in which raters can indicate any issues they may have with a company's performance against a particular item in the Scorecard. Once the Scorecard is received from the region, this document is attached to the Scorecard and as it then progresses through the ranks, up to the Deputy Director-General. Each official must indicate his comments on the document, and sign off against it. The Deputy Director-General uses these comments in making a decision regarding the companies' performance and ultimately the conversion of old order rights.

According to a communication with Mrs. D. Ntombela the Scorecard is a tool the DME uses to check whether mining companies are addressing all pillars of the Mining Charter. It is used to make a recommendation to the Deputy Director-General, whether an application for the conversion of an old order mining rights should be granted or refused.

During the interview with Mrs. M. Ledigwane, she indicated that the DME does not provide assistance to mining companies on how scoring against the Scorecard should be conducted, industry must create and develop its own method and systems,

taking into consideration the grey or flexible area, to score themselves against the Scorecard.

4. MINING COMPANIES AND SCORING AGAINST THE SCORECARD

Mining companies are obliged to submit completed Scorecards in support of any application for the conversion of old order mining rights. To determine the approach utilised by mining companies in scoring themselves against the Scorecard, a number of semi-structured interviews were conducted with senior managers within Sasol Mining, South Africa's 3rd largest coal producer, to determine how they approach the scoring against the Scorecard. A study was also conducted on how a number of other large coal mining companies approach the Scorecard.

The sample size is based on the relevant managers' responsibilities regarding the MPRDA and Mining Charter compliance. These interviews are aimed at obtaining information regarding strategies and processes developed to measure performance and compliance to the Mining Charter in terms of the Scorecard. The specific role players are the General Manager, Sasol Mining, Manager Human Resources, Manager New Business Development, the Operations Manager responsible for Mining Charter compliance and the Manager Mining Rights and Properties responsible for the conversion of Sasol Mining's old order mining rights and co-ordinating the scoring against the Scorecard.

Interviews begin with an introduction and has two main categories; demographic and content questions. Content items ask about the respondents' opinions, attitudes, knowledge and behaviour (Graziano & Raulin, 1993:302).

Mining companies will have to ensure that they comply, in one way or another, with all the aspects of Scorecard to avoid the DME rejecting applications. Should a mining company wish to qualify any issue in compliance, these can only be addressed in supporting documentation (ANON, 2004:4).

Table 3 *Summary of main responses to questions posed to Sasol Mining*

Question/Remark	No of respondents	Yes	No	Response (%)

Has the DME provided any guidelines to assist the industry in scoring against the Scorecard?	4		4	100%
Has Sasol Mining developed a system to assist in scoring?	5		5	100%
Is it possible to respond to all 9 items in the Scorecard in a yes/no manner?	5		5	100%
Are the targets and objectives of the Scorecard clearly identified, understandable and measurable?	3		3	100%
Can progress made before the expiry of the 5-year period be measured?	4		4	100%
The social and labour plan and undertaking will be used as basis for scoring against the Scorecard.	5	5		100%
Does the Scorecard make provision for the commitments and issues addressed in the social and labour plan?	3		3	100%
Mining companies should develop their own system to assist in scoring	3	3		100%

More details of the individual interviews are discussed below.

In an interview with Mr. P. Tsiane, Manager Human Resources, on 9 January 2006, he mentioned that Sasol Mining has no specific method on scoring its progress against the Scorecard. In the absence of guidelines or assistance from the DME, the commitments made in the social and labour plan are used as basis for scoring. This introduces a number of variables that are not contained in the Scorecard. This in itself is problematic, as a completed Scorecard must be submitted in support of an application for the conversion of the old order mining right but the social and labour plan submitted is only a draft document. The social and labour plan remains a draft document until it has been approved by the DME, on conversion of the old order mining right. Using the information contained in the social and labour plan for scoring is then based on a plan and commitments not approved by the DME, and are subject to change should the DME not concur with the content. This will in turn then impact on the scoring against the Scorecard.

On how Sasol Mining intends to score against the Scorecard, Mr. P. Tsiane indicated that it is extremely difficult to score a company before the first 5-year period has expired. The Scorecard does not acknowledge progress made in the first 4 years and has no system of recognising progress made in the interim. Regarding the 9 items to be scored, he indicated that these items are very wide and open for interpretation. For instance, the second question asked under item 1, human resources development, is "Has the company implemented career paths for HDSA employees including skills development plans?" This provides only for the development of plans and the implementation thereof and it does not measure the mining company's progress with the targets set. The social and labour plan however includes details in this regard and this variable must be taken into consideration when scoring is conducted. In principle, if a company has developed a career progression plan and has implemented that plan, the score would be "yes". It does not indicate what happens if the plan is not met or if the targets are exceeded. The fact that a number of issues are contained in one item is also a problem as a company may have achieved the targets with a particular issue but is still attending to the other. These variables relating to each part of the question should be clearly defined and listed. Under item 6, housing and living conditions, it is required from a mining company for housing provided at a mine, it must improve the standard of housing, upgrade hostels, convert hostels to family units and promote homeownership. Should a mining company have improved the standard of housing and promoted homeownership, but is still attending to the upgrading and conversion of hostels, the answer will be "no" as all the issues have not been met. Thus progress made with some of the issues is not recognised.

According to Dale *et al* (2004:App13) the Scorecard in item 2 (employment equity) asks whether a company has published its employment equity plan and reported on progress. It would seem that the employment equity plan is a reference to the plan required in terms of the Employment Equity Act, 1998, and that it is not a new plan required by the Mining Charter.

According to Mr. Tsiane the format in which the questions are posted may result in misleading answers. In scoring, Sasol Mining, the majority of items could be answered with a "yes" as plans and strategies have been developed and implemented. It does not take the variables introduced by the social and labour plan

into consideration. However, the Scorecard should measure progress with the implementation and not merely if plans have been developed and implemented.

Mr. G. Leibbrandt, Manager New Business Development, in an interview on 4 January 2006, expressed the view that no method or guidelines are available in assisting mining companies on scoring against the Scorecard. He indicated that an undertaking must be provided in support of an application for the conversion of an old order mining rights. The purpose of the undertaking is to provide information and commitments on how the mining company intends to substantially and meaningfully expand opportunities for HDSA's to enter the mining industry (ownership) and to promote employment and advance the social welfare of all South Africans. This includes a number of variables that need to be considered such as the ownership format, partner selection as well as the procurement systems. At the time of submitting an application for the conversion of an old order mining rights, the undertaking is submitted to the DME. A number of issues addressed in the undertaking are also included in the social and labour plan. As is the case with the social and labour plan, especially with regard to the applicants' BEE strategy, approach and partner, such BEE ownership strategy has not been accepted by the DME. Should scoring be based on the content of this undertaking and the DME does not accept it, the Scorecard will reflect an inaccurate score. He mentioned the same issue applies to all the pillars of the Mining Charter and items contained in the Scorecard.

With regard to item 4 (migrant labour), the question is asked whether the company has subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour. However, these agreements have not been identified (Dale *et al*, 2004:App14).

Sasol Mining expects the DME to provide guidance in scoring companies against the Scorecard, as is the case with documents such as mining work programmes and social and labour plans. This is done to ensure alignment and to avoid misinterpretation, mentioned Mr. A. Potgieter, Manager Mining Rights and Properties, during an interview on 19 January 2006. According to him, mining companies have not developed any specific systems. The guidelines, issued by the Chamber of Mines do not deal with the practicalities of scoring against the Scorecard. As Sasol Mining is obliged to submit a completed Scorecard at the time of application for the conversion of old order mining rights, it can only base the scoring on the contents

and information contained in the social and labour plan and undertaking. These documents introduces some variables not covered by the Scorecard but of which cognisance must be taken during scoring, such as the ownership strategy, community projects as well as procurement initiatives. This is not an ideal situation as the social and labour plan and undertaking has not been approved by the DME and it is not known if the proposals in the documents are acceptable to the DME. If scoring is based on documents that may have to be amended and the DME uses the Scorecard initially submitted as a tool in making a decision whether an old order mining rights should be converted or not, does not instil any confidence in the system. To achieve the objectives of the MPRDA, Sasol Mining has established a Prospecting and Mining Right Conversion Project lead by a dedicated project manager. Mr. Potgieter concluded by indicating that both the DME and the mining industry will benefit from a formal measuring instrument which provides assistance in scoring against the Scorecard, whilst taking into consideration progress made as well as the various factors and variables to be measured. This instrument should be used as a supporting document to the Scorecard, to demonstrate how a score was achieved, resulting in a yes or no answer.

Mr. E. Ratshikhope, executive Director of Xstrata Coal, indicated in a presentation on 30 January 2006, that they do not refer to Mining Charter compliance but rather transformation. To enable Xstrata Coal to achieve transformation, they have established the Xstrata Transformation Committee. The main purpose of the committee is to ensure all the pillars of the Mining Charter are addressed.

The Mining Charter covers various areas of human resources, one of which is employment equity. The target for HDSA's is set at 40% and Xstrata Coal is currently on 29.6%. According to Xstrata Coal, it is not about achieving 40% that counts, it is going beyond that if they want to reflect the demographics of the country. Xstrata Coal also focuses on transformation outside of its business goals through social responsibility programmes. Xstrata Coal indicated that their employees live in communities in which they recruit from and therefore the workforce and community cannot be separated. They have also implemented learnerships, career paths and mentoring and coaching plans. They indicate that it is not whether the company is aligned with the Mining Charter so much as it is whether Xstrata Coal has a steady supply of skilled labour (Henderson, 2005:26-27).

During an interview with Mr. P. Jordaan, Operations Manager, on 20 January 2006, he indicated that Sasol Mining does not have a formal process in scoring itself against the Scorecard. However, in dealing with the practical implementation of the Mining Charter requirements, Sasol Mining adopted a project approach. Within the project, called Project 2010, various initiatives were developed, of which each deals with a specific pillar of the Mining Charter. These initiatives have been extremely successful and progress in achieving the targets of the Mining Charter is ahead of schedule. In scoring these initiatives against the 9 items of the Scorecard poses a significant challenge, as the Scorecard merely requires a yes or no answer, whereas Sasol Mining tends to be somewhere in the middle. Mr. Jordaan indicated that a “yes, but ...” or a “no, but ...” approach will have to be adopted in the scoring against the Scorecard in the interim phase. An answer will be provided, based on the current strategies and progress made, and each answer will have to be qualified to convey the strategy and targets, to address the variables encountered due to the use of the social and labour plan, undertaking as well as the progress made. Even though the Mining Charter allows a period of 5 years for reaching specific targets, progress made in the interim should be acknowledged. For instance, item 2 (employment equity) indicates that plans to achieve 40% HDSA participation in management by 2009, must be established and implemented. Even though the target has not been reached yet, at the end of 2005, barely 1½ years into the initial five-year period, the involvement of HDSA's in management is already 37%. Certainly any scoring process, used to determine whether a mining company will be able to continue with its mining operations, should take this into consideration.

Mr. R. Berry, Chief Executive Officer of Anglo Coal indicates in a presentation on 30 January 2006, that Anglo Coal is making good progress with the Mining Charter. A project approach is used. On item 2 of the Scorecard, dealing with employment equity, especially with regard to HDSA participation in management and women in mining, he indicated that Anglo Coal already has 30% HDSA's in management and 11% women in core business. With the Mining Charter only implemented 38 months ago, this is well ahead of what is required in terms of the Scorecard. Anglo Coal refers to the Mining Charter as the house of BEE, in which the 8 pillars supports the roof. If the roof collapses, the business collapses. All the pillars are important, but on item 8, he indicated that BEE ownership in Anglo Coal has reached the 21% level in 2005. This is well ahead of the 15% required at the end of the initial five-year period and not far from the 26% required at the end of the ten-year period. In scoring the company against the Scorecard, this needs to be taken into consideration.

On the matter of providing opportunity to all employees to become functionally literate and numerate (Item 1, human resources development) Mr. Jordaan mentioned that even though opportunities were provided to everyone, a large percentage of employees declined to take the opportunity. Sasol Mining had to implement additional incentive measures to ensure that people utilise the opportunity. The Scorecard does not address these variables and does not recognise such additional actions. On item 5, dealing with migrant labour, Mr. Jordaan indicated that Sasol Mining does not make any distinction between employees from South Africa or any other country. Every employee is treated the same, with the same conditions and benefits of employment. With reference to item 9 (beneficiation) the mining industry is still waiting for clarification from Government on exactly what is considered in beneficiation. It is expected that this will be done by implementing the Beneficiation Act. Beneficiation is a complicated matter as Sasol Mining provides the coal it mines to Sasol, who beneficiates the coal into more than 150 products. How to address such a variable and how to score this matter is not clear from the Scorecard.

Mr. Jordaan indicated that any scoring instrument or method developed to assist with scoring, taking into consideration interim progress, the main issues contained in the social and labour plan and the undertaking and the associated variables, would be of great use to the mining industry as well as the DME.

In a presentation by Mr. D de Bourgues, Vice President of Total Coal on 30 January 2006, he mentioned that Total Coal South Africa has decided to take an easy and simple route to achieve the ownership (Item 9) provision of the Scorecard. Total Coal entered into a partnership with a BEE company, with the BEE partners owning 25% of the Dorstfontein Mine. This is well in ahead of the Mining Charter objectives. On item 1, dealing with human resources, Mr. de Bourgues mentioned that they have developed and implemented employment equity and skills development programmes and a talent pool (Item 2) is being nurtured and fast tracked. These are all in line, and exceeding the targets of the Scorecard but it is not known how this will be scored or recognised in the Scorecard.

In an interview with Mr. P. Steyn, General Manager on 16 January 2006, he mentioned that Sasol Mining's main concern is that any scoring system applied, should be reasonable and fair, whilst taking progress made in achieving the objectives of the Mining Charter into consideration. Not recognising progress made

before the expiry of the initial five-year period will place mining companies converting their old order mining rights before the 5-year period has elapsed at a disadvantage. There would be no incentive for mining companies to convert its old order mining rights as soon as possible, as requested by the DME.

5. CONCLUSION

It is evident from the information obtained from the DME that they have not developed a system or process to assist the mining industry in scoring themselves against the Scorecard. Even though they have developed a system to assist in scoring based on a modified version of the Scorecard, this system is for internal use only. The DME is willing to discuss the Scorecard in general and is of the opinion that the contents of the social and labour plan and undertaking should be used as basis. However, they will not provide assistance or engage in discussions with mining companies in the scoring process, until such a time as a mining company has officially submitted a completed Scorecard as part of its application for the conversion of an old order mining right.

In the absence of formal guidelines, mining companies use the commitments in the social and labour plans and undertakings as basis for scoring themselves against the Scorecard. Using these documents introduces a number of variables not covered by the Scorecard. This is not the ideal situation, as these documents have not been approved by the DME when scoring takes place and the documents are subject to change, thus impacting on the scores achieved on the Scorecard. Some mining companies have adopted a project approach in achieving the objectives of the Mining Charter, but scoring is somewhat complicated by the fact that the Scorecard does not make provision for the measurement of progress made in the period leading up to the first five year period. This has a negative impact on scores achieved by mining companies who opted for the early submission of applications for the conversion of old order mining rights instead of waiting till the last moment.

The DME has indicated that it is up to the mining industry to develop a measure to assist them in scoring against the Scorecard. Sasol Mining mentioned that a measuring instrument to assist them in scoring against the Scorecard which takes into consideration interim progress, the main issues contained in the social and labour plan and the undertaking and the resulting variables, would be of significant help.

CHAPTER 6

SUMMARY AND RECOMMENDATIONS

1. SUMMARY

Minerals have been mined in South Africa for more than 150 years and it has provided the impetus for the development of a number of towns and cities together with the associated infrastructure. These mining activities also created significant wealth for a selected group of South Africans. A large portion of the community was excluded from partaking in the mining of the mineral wealth of the country. The situation was caused by the exclusion of black people, through legislation imposed by the apartheid regime. To rectify the imbalances brought about by this unnatural circumstance, the new democratic government has no other alternative but to address the imbalances caused, by implementing legislation.

Due to the history of South Africa, it could be argued that it is a Government and industry imperative to address the injustices of the past. Even though significant political transformation has been achieved, it is unlikely that stability will be achieved unless economic transformation takes place by incorporating HDSA's into the mainstream economy. However, progress with redressing past discrimination has been unacceptably slow and Government had to implement measures to expedite transformation.

In this research, BEE in the South African context was discussed in depth. It was found that black people were excluded from participating in the economy during the late 1800's and it continued throughout the 20th century. This resulted in an economic imbalance, with the majority of businesses in the hands of a white minority. This again resulted in black people being disempowered and also restricted skills development. It also prohibited self-employment and entrepreneurship amongst black people. For a democracy to be successful, it must have an economy that meets the economic requirements of all its citizens. During the apartheid regime, the creation of wealth was confined to a racial minority and imposed underdevelopment on black communities. This resulted in an economic structure, which today still excludes the vast majority of South Africans.

To address and accelerate transformation the Government implemented specific legislation. Redressing the results of past discrimination is of such importance that it

is imbedded in the Constitution of the Republic of South Africa (Act 108 of 1996). Subsequently the MPRDA, the BEE Act, the Mining Charter and associated legislation and measures were implemented.

To determine how transformation will be achieved in the mining industry the contents, aims and targets of the Mining Charter and Scorecard were discussed. The development of a Mining Charter was imposed by the MPRDA. Subsequently the Mining Charter was negotiated between government and the mining industry. The main objectives of the Mining Charter are to promote equitable access to mineral resources; expand opportunities for HDSA's, including women to enter the mining industry. It aims to utilise the existing skills base for the empowerment of HDSA's and expand the skills base of HDSA's. The Mining Charter also intends to promote employment and advance the social and economic welfare of mining communities and to promote the beneficiation of minerals.

The Mining Charter consists of 8 pillars, which addresses human resource development, employment equity, migrant labour, mine community and rural development, housing and living conditions, procurement, ownership and joint ventures and lastly beneficiation. Even though the mining industry is currently focusing predominately on ownership, all these pillars are of equal importance and mining companies must achieve the objectives and targets imposed by the Mining Charter.

The Scorecard was introduced by the Mining Charter, to facilitate the processing of conversion of old order mining rights by measuring performance against the objectives and targets of the Mining Charter. The minister will use the Scorecard in adjudicating applications for the conversion of old order mining rights. The Scorecard is therefore to be used as a performance measurement instrument. It provides 9 items to be measured, encapsulating the main performance areas of the Mining Charter. It uses a binary scoring method in which a number of questions are asked and the mining company must respond with a "yes" or "no" response. It does not provide for the qualification of a particular response. The Scorecard measures performance at two specific points in time, a 5-year period, expiring in April 2009 and a 10-year period, expiring in April 2014.

To determine whether the Scorecard would meet the criteria of a performance measurement instrument it was compared with the principles, theories and techniques of performance management and measurement.

In analysing the principles, theories and techniques of performance management and measurement, the concepts of performance and performance management were investigated. It was concluded that performance relates to output and is closely related to productivity. Performance management, as part of the basic management functions, involves the development in implementation of systems and methods to translate the objectives of management into performance terms. It is a set of techniques, which includes planning, monitoring and appraisal.

In performance measurement, numbers or words are assigned to items to describe differences and it is essential that performance measures are reliable, valid and accurate. Performance must be formulated and an indication must be given on how this performance will be measured. Performance standards should be set and it must be expressed quantifiably in terms of productivity, effectiveness and cost-efficiency. Performance targets determine the timeframe when results should be achieved and should be set for final and intermediate results. Performance indicators play a significant role in performance measurement as it defines the critical success factors of an organisation. It is usually seen as a numerical measure and it describes how well a programme is achieving its objectives.

Various performance management models, tools and techniques exist and a number thereof were discussed, such as Quality Management Models, Business Excellence Framework, Balanced Scorecard and Benchmarking. The Scorecard is classified as a new performance management method as it does not have any similarities with and does not resemble any existing methods. Performance measurement is divided into judgmental and non-judgmental measures. Judgmental methods involve ranking, rating or posing of descriptions. The Scorecard is a judgmental performance measure. A number of judgmental performance measures exist such as the Graphic Rating Scale, Mixed Standard Scale and Checklists. In comparing the Scorecard against these performance measures, it resembles a checklist.

The theory requires that performance standards must convey critical information in which a value is assigned, using a binary or other scale, to arrive at an evaluation. Performance targets must be set to ensure objectives and commitments are

achieved. Performance indicators are necessary to determine whether a programme is achieving its objectives and also is quantifiable measurements, which should clearly be defined and described beforehand. Even though the 9 items in the Scorecard is clearly indicated, the measurement areas are often vague and in some instances a number of measurement areas are contained within one question. Targets should be set of what should be achieved and the timeframes according to which performance should be measured at regular intervals, and at the end. The Scorecard provides for target dates, but this is limited to the initial 5-year period and the final period of 10-years, with no interim measurement.

In comparing the Scorecard with the theory, it appears to conform to the majority of the requirements of the theory for performance management, but it falls short on performance planning and annual monitoring. The Scorecard also correlates with the theory of performance measurement but the Scorecard does not provide for intermediate measurement. With reference to performance management models, tools and techniques, the Scorecard does not compare to any of the existing models and even though it is referred to as a Scorecard, has no resemblance to the balanced scorecard. As a performance measure it resembles a checklist. Performance objectives and measurement information are not up to the standard required by theory. The Scorecard does set 9 performance areas, but they are too vague and cannot be measured numerically.

To determine whether the Scorecard will serve as a performance measurement instrument, the application thereof was discussed with a number of managers within the DME. During these interviews it was determined that no official guidelines or measures exist or will be provided to the mining industry to assist them in scoring against the Scorecard. The DME has developed a system, based on a modified version of the Scorecard to allow for comments, to be used internally, to assist them in evaluating Scorecards submitted by mining companies. The DME will only engage in discussions regarding the scores achieved once a Scorecard has been submitted officially.

According to the DME mining companies should use the content of their social and labour plans and undertakings, even though not all the items are captured in the Scorecard, as basis for completing an interim Scorecard. The use of the social and labour plan introduces a number of variables, not provided for in the Scorecard but which must be taken into account to score against the Scorecard. The Scorecards

submitted in support of applications for conversions are verified for correctness at the relevant region, but are referred to head office for adjudication. The DME indicated that the Scorecard is a high level performance measuring instrument and should the mining industry wish to have an instrument to assist them in scoring against the Scorecard, the mining industry should develop its own instrument.

Sasol Mining, in the absence of guidelines from the DME, utilises its draft social and labour plan and undertaking as basis for scoring against the Scorecard. Such a social and labour plan and undertaking, even though an overlap occurs with the Mining Charter and Scorecard, have their own objectives which are not incorporated in the Scorecard. This introduces a number of variables that will impact on the scoring against the Scorecard. The use of the social and labour plan and undertaking is cause for concern as the social and labour plan and undertaking has not been approved by the DME at the time scoring takes place. The DME will in all likelihood require Sasol Mining to amend the social and labour plan and undertaking, should the DME not be satisfied with any of the approaches, strategies or commitments contained therein. The DME may even reject the social and labour plan and require the mining company to redraft it. This could result in major changes to the social and labour plan and undertaking, in which case the score achieved against the Scorecard would not reflect the true situation. Even though the Scorecard provides 9 scoring items, the social and labour plan and undertaking contains a significant amount of information not contained in the Scorecard. This will have an impact on the scoring items of the Scorecard, and thereby a number of variables are introduced that must be taken into consideration when scoring against the Scorecard.

Various mining companies have indicated that they have made significant progress in achieving the objectives and targets of the Mining Charter and the 9 items of the Scorecard. The structure of the Scorecard does not allow for the measurement of progress before the expiry of the first 5-year period and therefore, when measuring performance, progress may not be considered. This implies that mining companies opting for an early conversion may not receive full credit for what has been achieved in the first 1½ years after the implementation of the Mining Charter and Scorecard. The development of a process or system, to assist mining companies in scoring, taking into consideration the commitments in the social and labour plan and undertaking and the associated variables as well as the interim progress in achieving the objectives and targets of the Mining Charter, will be of significant help to the mining industry.

Almost every item in the Scorecard will require an additional document to clarify the variables and provide guidance and assistance to the mining industry to score against the Scorecard. In summary of the aforementioned the comparative table below illustrates five examples of some of the areas, which needs to be resolved. However, all 18 areas included in the 9 items of the Scorecard require clarification.

Table 4 ***Example of 5 items in the Scorecard to be clarified or resolved***

Mining Scorecard (questions quoted as it appears)	Areas to be improved
Has the company offered every employee the opportunity to be functional, literate and numerate by the year 2005 and are employees being trained?	The Scorecard resembles a checklist and objectives are described in the form of questions. This question is vague and does not provide for the measurement of performance as it only enquires whether employees are being trained. It should be improved by formulating the envisaged performance and indicate how performance can be measured, using performance indicators to measure effectiveness. Information is provided in the social and labour plan and should be included to determine whether a mining company is performing against its commitments.
Has the company established a plan to achieve a target of HDSA participation in management of 40% within five years and is it implementing the plan?	A measure should be developed to measure the progress before the 5-year period has elapsed. It would be achieved by developing a performance measurement instrument that measures progress in the 3 rd and 4 th year, as this is the period in which most mining companies will have to convert their old order mining rights. It should also measure performance with regard to the

	implementation of the plans as committed to in the social and labour plan.
Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place and for major labour sending areas? Has there been effort on the side of the company to engage the local mine community and major labour sending area communities? (Companies will be required to cite a pattern of consultation, indicate money expenditures and show a plan)	Performance indicators must be accurately defined and measured against targets for each indicator. The Scorecard groups a number of indicators together. These should be separated and defined as 5 individual areas with clearly measurable objectives.
For company provided housing has the mine, in consultation with stakeholders established measures for improving the standard of housing, including the upgrading of the hostels, conversion of hostels to family units and promoted home ownership options for mine employees? Companies will be required to indicate what they have done to improve housing and show a plan to progress the issue over time and is it implementing the plan?	Even though criteria are provided, four individual questions are posed as one item. A mining company could have made significant progress with some areas and are attending to the remainder and should be able to receive recognition for the progress made. These should be separated and each clarified with the commitments in the social and labour plan to ensure clearly defined and measurable objectives.
Has the mining company achieved HDSA participation in terms of ownership for equity or attributable units of production of 15 percent in HDSA hands within 5-years and 26 percent in 10-years?	Standards and targets for final results are set but do not provide for intermediate measurement. The measure should be improved to illustrate performance against the commitments made in the undertaking.

2. RECOMMENDATIONS

A performance measurement instrument used in the adjudicating of applications for the conversion of old order mining rights must be able to measure the actual status of compliance of the applicant, at the time of application. To ensure this, clear measurement criteria and performance standards, targets and indicators will be required to be measured on a numerical scale, which will enable mining companies to complete the Scorecard. This measurement instrument must take into consideration the main areas of performance committed to in the social and labour plan and undertaking, the variables introduced by these documents as well as progress made in the interim.

Even though the Scorecard may be used as a high-level performance measurement instrument, it will not suffice for the measurement of performance on the progress made, including the commitments and progress against the social and labour plan and undertaking. The level of information is not sufficient to enable a mining company to decide whether a score should be a “yes” or “no” answer. In the current format mining companies need to qualify the answers provided. This is done by an additional report or motivation and is sometimes referred to as the “yes, but...” or the “no, but ...” scenario.

A performance measuring instrument is required, based on a numerical scale, to measure performance against the targets of the Mining Charter, social and labour plan and undertaking. This measuring instrument should take into consideration the variables introduced by the social and labour plan and undertaking, to ultimately indicate to mining companies whether particular progress would achieve a quantifiable and verifiable “yes” or “no” answer on the Scorecard.

It is evident that a number of variables exist due to the use of the social and labour plan and undertaking as basis for measuring performance against the objectives of the Mining Charter. These variables are not reflected in the Scorecard and must be clarified to determine the impact it has on scoring.

It is recommended that further studies should be undertaken to identify, clarify and describe the exact extent of the variables affecting the scoring against the Scorecard. Thereafter the format and content of a performance measurement instrument should be investigated, in which the aforementioned variables are included. A performance

measurement instrument should then be developed, to be used as a supporting document to the Scorecard, through which mining companies can score themselves on a numerical scale, resulting in a quantifiable and verifiable result to demonstrate to the DME how such a score was achieved.

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