

**BOARD TRANSFORMATION AND EE SCORECARD TARGET  
ATTAINMENT: PROGRESS MADE AND BARRIERS FACED WITH  
TRANSFORMATION BY JSE LISTED COMPANIES IN THE SOUTH  
AFRICAN MINING INDUSTRY**

by

**NTHABISENG VIOLET MORAKA**

submitted in accordance with the requirements

for the degree of

**MASTER OF COMMERCE**

in the subject of

**BUSINESS MANAGEMENT**

at the

**UNIVERSITY OF SOUTH AFRICA**

**SUPERVISOR: PROF MARI JANSEN VAN RENSBURG**

November 2013

## DECLARATION

Student Number: 46741720

I declare that **Board transformation and EE scorecard target attainment; progress made and barriers faced with transformation by JSE listed companies in the South African mining industry** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

---

Mrs NV Moraka

---

Date

## ACKNOWLEDGEMENTS

It is with enormous appreciation that I would like to acknowledge the following persons and organisations for their assistance, time and support, and without whom the completion of this dissertation would have not been possible.

- All the glory and thanks to the almighty God for his grace and for providing me with the ability to complete this dissertation. The Lord is worthy of all glory.
- A special thanks to my husband, Thuso Moraka, for his continued support, love and understanding. I couldn't have done this without him. You are my life and I love you.
- To my boys, Neo and Raletsatsi, for allowing me quiet time to write.
- A big thank you to my supervisor, Prof Mari Jansen van Rensburg who is also my mentor, for her unwavering support, guidance and patience. She has watched me grow personally and professionally and has always believed in me.
- I would like to honour my parents, Donald and Rosina Mashaba, for their prayers and for providing me with a good educational foundation. This dissertation is dedicated to my parents.
- To my sisters and twin brother, Kedibone, Gift and Praise, thank you so much for your prayers and support.
- I also wish to extend my gratitude to my parents-in-law, whom I also dedicate this dissertation to, Prof Raletsatsi and Mrs Tebogo Moraka, for their emotional support and prayers.
- The same appreciation is extended to my siblings-in-law, Mamiki, Obakeng, Kea and Viscount.
- A final word of thanks to Judith Matlou, for helping to conduct the interviews, the mining companies who assisted me in the collection of data, colleagues and friends in the Department of Business Management, Andries Masenge for assistance with the statistical analysis, and Retha Burger for the professional editing of this dissertation.

## **ABSTRACT**

The political and economic pressures for transformation in South Africa have been documented in an array of policies, pieces of legislation, regulatory and statutory frameworks, and also in governance codes for both public and private companies. Specifically for the mining industry, the Mining Charter comprises of transformation targets and measurement criteria that are presented in a scorecard to be achieved by the mining industry by 2014. Additionally, the King reports on governance have specific requirements that listed companies must meet in terms of employment equity and demographic representation to achieve board diversity and independent boards. The aim of this study was to report on the board transformation status in the mining industry, as well as the progress that has been made towards meeting transformation targets. The 2011 annual reports were used to capture profiles and composition of board of directors in Johannesburg Stock Exchange (JSE) listed mining companies. Interviews were used to gain insight on the transformation status, initiatives undertaken and challenges of transformation in the mining industry. The research findings from the analysis of board members demographic and career profiles shows that little has been achieved to ensure equal representation and diversity on the boards of directors. Further analysis of the status of transformation by JSE listed mining companies to realise transformation, shows that transformation in the mining industry is still a major challenge. Whilst some initiatives have been undertaken and some progress has been made, this study reveals that the barriers to transformation in the South African mining industry are racial issues and tensions based on colour, the lack of skills caused by the education system, a war for talent, a lack of mentorship and no stakeholder engagement between the mining industry and government.

**Keywords:** EE scorecard, transformation, board of directors, HDSA, mining charter, corporate governance, board composition, board diversity, board profiles.

## **LIST OF ABBREVIATIONS**

<b>ANC</b>	African National Congress
<b>ANCYL</b>	African National Congress Youth League
<b>BBBEE</b>	Broad-Based Black Economic Empowerment
<b>BEE</b>	Black Economic Empowerment
<b>CEE</b>	Commission for Employment Equity
<b>CEO</b>	Chief Executive Officer
<b>DME</b>	Department of Minerals and Energy
<b>DMR</b>	Department of Mineral Resources
<b>DTI</b>	Department of Trade and Industry
<b>EE</b>	Employment Equity
<b>EE scorecard</b>	Employment Equity Scorecard
<b>HDSA</b>	Historically Disadvantaged South African
<b>IoD</b>	Institute of Directors
<b>JSE</b>	Johannesburg Stock Exchange
<b>NUM</b>	National Union of Mineworkers
<b>UNECA</b>	United Nations Economic Commission for Africa

# TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>iii</b>
<b>ABSTRACT</b> .....	<b>iv</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>v</b>
<b>TABLE OF CONTENTS</b> .....	<b>vi</b>
<b>LIST OF FIGURES</b> .....	<b>xii</b>
<b>CHAPTER 1 BACKGROUND TO THE STUDY</b> .....	<b>1</b>
1.1 INTRODUCTION .....	1
1.2 AIM OF THE STUDY .....	2
1.3 PROBLEM STATEMENT.....	3
1.4 PURPOSE OF THE STUDY .....	4
1.5 RESEARCH OBJECTIVES.....	4
1.6 RESEARCH LIMITATIONS.....	5
1.7 DELIMITATIONS OF THE STUDY .....	5
1.8 CHAPTER SEQUENCE.....	6
1.9 CONCLUSION.....	7
<b>CHAPTER 2 THE DEVELOPMENT OF THE EE SCORECARD TARGETS FOR THE SA MINING INDUSTRY AND ITS PROGRESS</b> .....	<b>8</b>
2.1 INTRODUCTION .....	8
2.2 AN OVERVIEW OF THE SOUTH AFRICAN MINING INDUSTRY .....	9
2.2.1 The historical and political background of the South African mining industry....	9
2.2.2 Mineral reserves .....	12
2.2.3 Economic impact of the South African mining industry.....	13
2.2.4 Mining companies.....	14
2.2.5 Mining industry role players .....	14
2.3 KEY CHALLENGES FACING THE MINING INDUSTRY.....	17
2.3.1 Transformation challenges.....	17
2.4 TRANSFORMATION .....	23
2.4.1 The constitution of South Africa .....	24
2.4.2 The historically disadvantaged South African (HDSA).....	24
2.4.3 Transformation projects .....	26
2.5 MINING INDUSTRY REGULATION AND STATUTORY FRAMEWORKS .....	27
2.5.1 The Employment Equity Act, No 97 of 1998.....	27
2.5.2 The Skills Development Act, No 55 of 1998 .....	28

2.5.3	The Black Economic Empowerment (BEE) Act.....	28
2.5.4	The Broad-Based Black Economic Empowerment (BBBEE) Act No 53 of 2003 .....	29
2.5.5	The Minerals and Petroleum Resources Development Act 28 of 2002.....	34
2.6	SECTOR TRANSFORMATION CHARTERS .....	36
2.6.1	The 2002 Mining Charter .....	36
2.7	THE MINING SCORECARDS.....	42
2.7.1	The 2004 Mining Scorecard.....	42
2.7.2	The Amended 2010 Mining Scorecard.....	44
2.7.3	Key differences between the Mining scorecards of 2004 and 2010.....	51
2.8	CONCLUSION.....	51
<b>CHAPTER 3 CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS.....</b>		<b>53</b>
3.1	INTRODUCTION .....	53
3.2	CONCEPTUALISATION OF CORPORATE GOVERNANCE .....	54
3.2.1	The agency theory .....	54
3.2.2	The resource dependence theory .....	56
3.2.3	The institutional theory.....	56
3.2.4	The stakeholder theory .....	58
3.2.5	The stewardship theory.....	58
3.2.6	The power perspective theory.....	59
3.3	GLOBAL AND LOCAL BEST PRACTICE GOVERNANCE CODES.....	60
3.3.1	The Cadbury Report - 1992 .....	60
3.3.2	The Greenbury Report - 1995.....	60
3.3.3	The Hampel Report - 1998.....	61
3.3.4	The King I Report on Corporate governance - 1994 (King I) .....	61
3.3.5	The King II Report on Corporate Governance - 2002 (King II).....	62
3.3.6	Report on governance for South Africa - 2009 (King III).....	63
3.4	CHARACTERISTICS OF GOOD GOVERNANCE .....	64
3.4.1	Accountability.....	64
3.4.2	Responsibility.....	65
3.4.3	Transparency.....	65
3.4.4	Social responsibility .....	65
3.4.5	Independence .....	66
3.4.6	Fairness.....	66
3.4.7	Discipline .....	66
3.5	THE BOARD OF DIRECTORS .....	67

3.5.1	Board structure .....	68
3.5.2	Board composition .....	71
3.5.3	Board selection process.....	79
3.6	CONCLUSION.....	81
<b>CHAPTER 4</b>	<b>RESEARCH DESIGN AND METHODOLOGY.....</b>	<b>86</b>
4.1	INTRODUCTION .....	86
4.2	RESEARCH PROBLEM.....	86
4.2.1	Objectives of the study.....	87
4.3	TYPES OF RESEARCH .....	87
4.3.1	Descriptive research .....	88
4.3.2	Exploratory research.....	88
4.4	RESEARCH METHODS .....	89
4.5	POPULATION SAMPLING .....	89
4.6	UNITS OF ANALYSIS.....	90
4.7	DATA COLLECTION .....	91
4.7.1	Phase 1: Annual reports .....	91
4.7.2	Phase 2: Transcribed interviews .....	92
4.8	DATA ANALYSIS AND PROCESSING.....	93
4.8.1	Inductive content analysis.....	93
4.8.2	Deductive content analysis .....	93
4.8.3	Phase 1: Quantitative content analysis .....	93
4.8.4	Phase 2: Qualitative content analysis .....	96
4.9	ETHICAL CONSIDERATIONS.....	100
4.10	PRESENTATION OF FINDINGS .....	101
4.11	CONCLUSION.....	101
<b>CHAPTER 5</b>	<b>REVIEW OF SOUTH AFRICAN MINING COMPANY BOARDS.....</b>	<b>103</b>
5.1	INTRODUCTION .....	103
5.2	PRESENTATION OF RESULTS.....	104
5.3	BOARD COMPOSITION OF MINING COMPANIES LISTED ON THE JSE in 2011 .....	106
5.4	PROFILES OF DIRECTORS ON THE BOARD .....	111
5.4.1	Demographical presentation of results in mega companies .....	112
5.4.2	Demographical presentation of results in large companies .....	115
5.4.3	Demographical presentation of results in medium companies.....	120
5.4.4	Demographical presentation of results in small companies.....	124
5.4.5	Demographical presentation of results in micro companies.....	127

5.5	CUMULATIVE ANALYSIS AND DISCUSSION OF RESULTS.....	130
5.5.1	Racial profiles in the South African mining industry.....	130
5.5.2	Gender profile in the South African mining industry.....	132
5.5.3	Cumulative nationality profile in the South African mining industry.....	134
5.6	Cumulative demographic board position results.....	136
5.7	PROFILING THE AGE OF DIRECTORS IN THE SA MINING INDUSTRY .....	141
5.8	PROFILING THE CAREER BACKGROUNDS OF DIRECTORS ON THE BOARD.....	149
5.8.1	Qualifications of board members.....	149
5.8.2	Qualification fields.....	149
5.8.3	Qualification levels of qualifications of directors serving on the board .....	151
5.8.4	Board experience of board members .....	152
5.8.5	Mining experience.....	155
5.8.6	Years of experience on current board .....	157
5.9	CONCLUSION.....	159
<b>CHAPTER 6 INITIATIVES UNDERTAKEN AND CHALLENGES EXPERIENCED IN TRANSFORMING THE SOUTH AFRICAN MINING INDUSTRY .....</b>		<b>160</b>
6.1	INTRODUCTION .....	160
6.2	INTERPRETATION OF TRANSFORMATION.....	161
6.2.1	Culture change .....	161
6.2.2	Mindset change .....	162
6.2.3	Creation of opportunities and equalising rights.....	163
6.2.4	Valuing diversity.....	163
6.2.5	Doing what is right .....	164
6.2.6	It's a process.....	165
6.3	TRANSFORMATION AND LEGISLATION.....	166
6.3.1	Definitions.....	166
6.3.2	Buy-in .....	169
6.3.3	Adherence .....	170
6.3.4	Perceptions.....	173
6.4	TRANSFORMATION AND KEY STAKEHOLDERS .....	175
6.4.1	HDSAs.....	175
6.4.2	Communities.....	176
6.4.3	The business .....	177
6.4.4	Employees.....	177
6.5	CHALLENGES OF TRANSFORMATION.....	178
6.5.1	Recruitment of suitable candidates .....	178

6.5.2	Role of government.....	184
6.5.3	Mining as a career choice .....	189
6.5.4	Spirit of transformation.....	195
6.5.5	War for talent .....	198
6.5.6	Nationalisation of mines debate .....	200
6.6	TRANSFORMATION IN THE MINING INDUSTRY .....	204
6.6.1	Entry levels .....	205
6.6.2	Staff development.....	205
6.6.3	Staff retention efforts.....	209
6.6.4	Community engagement and outreach .....	210
6.6.5	Cooperation with key stakeholders .....	213
6.7	BOARD TRANSFORMATION.....	214
6.7.1	Criteria for board appointments.....	215
6.7.2	Board composition .....	216
6.8	BARRIERS TO TRANSFORMATION .....	218
6.8.1	Racial issues and tensions.....	218
6.8.2	Education.....	220
6.8.3	War for talent .....	220
6.8.4	Lack of mentorship .....	221
6.8.5	Non-stakeholder engagements .....	221
6.9	CONCLUSION.....	222
<b>CHAPTER 7 CONCLUSION, SUMMARY AND RECOMMENDATIONS .....</b>		<b>223</b>
7.1	INTRODUCTION .....	223
7.2	RESEARCH OBJECTIVE 1: BOARD COMPOSITION AND PROFILES.....	223
7.2.1	Board composition: Summary of results, findings and conclusions .....	223
7.2.2	Demographic profiles and career backgrounds of directors: Summary of results, findings and conclusions.....	225
7.3	RESEARCH OBJECTIVES: PHASE 2.....	229
7.3.1	Research objective 2: Criteria employed to appoint members serving on boards of mining companies listed on the JSE.....	229
7.3.2	Research objective 3: Progress towards, and status of transformation within the SA mining industry, measured against EE scorecard targets .....	230
7.3.3	Research objective 4: Challenges of transformation in the South African mining industry	233
7.3.4	Research objective 5: Barriers to transformation in the mining industry.....	237
7.4	RESEARCH CONTRIBUTION AND RECOMMENDATIONS.....	239
7.4.1	Research contribution .....	239

7.4.2	Recommendations for future research .....	241
7.4.3	Recommendations for the mining industry .....	241
7.4.4	Recommendations for the mining regulator.....	242
7.5	LIMITATIONS OF THE STUDY .....	243
7.6	CONCLUSION.....	244
<b>LIST OF REFERENCES.....</b>		<b>245</b>
<b>APPENDIX A.....</b>		<b>257</b>
<b>APPENDIX B.....</b>		<b>258</b>
<b>APPENDIX C.....</b>		<b>259</b>
<b>APPENDIX D.....</b>		<b>261</b>

## LIST OF FIGURES

Figure 2.1: The Mining Scorecard .....	43
Figure 2.2: Amended 2010 Mining Scorecard .....	45
Figure 3.1: The literature review process .....	82
Figure 4.1: Stages of qualitative content analysis.....	97
Figure 5.1: Summary of statistical analysis .....	103
Figure 5.2: Racial profile of directors in mega companies .....	112
Figure 5.3: Gender profile of directors in mega companies .....	112
Figure 5.4: Nationality profile of directors in mega companies.....	114
Figure 5.5: Racial profile of directors in large companies .....	115
Figure 5.6: Gender profile of directors in large companies .....	116
Figure 5.7: Nationality profile of directors in large companies (n = 218) .....	119
Figure 5.8: Racial profile of directors in medium companies (n = 49) .....	121
Figure 5.9: Gender profile of directors in medium companies (n = 49) .....	121
Figure 5.10: Nationality profiles of directors in medium companies .....	123
Figure 5.11: Racial profile of directors in small companies (n = 81).....	124
Figure 5.12: Gender profile of directors in small companies (n =81).....	124
Figure 5.13: Nationality distribution of directors in small companies (n =81).....	126
Figure 5.14: Racial profile of directors in micro companies (n = 93) .....	127
Figure 5.15: Gender profile of directors in micro companies (n = 93) .....	128
Figure 5.16: Nationality profile of board of directors in micro companies.....	129
Figure 5.17: Cumulative racial profile in the mining industry.....	131
Figure 5.18: Cumulative gender profile in the mining industry (n = 506).....	133
Figure 5.19: Cumulative nationality profile in the mining industry .....	135
Figure 5.20: Age distribution of board of directors in the mining industry (n=458) .....	141
Figure 5.21: Qualification levels (n=486).....	151
Figure 5.22: Board experience categorical results.....	152
Figure 5.23: Mining experience of the board of directors.....	155
Figure 5.24: Experience on current board .....	157

## LIST OF TABLES

Table 2.1: Historical and political background of the SA mining industry. ....	11
Table 2.2: The core components of the BBBEE .....	31
Table 2.3: Governing body positions at executive level .....	33
Table 2.4: The scoreboard used to calculate targets obtained .....	46
Table 2.5: Percentage HDSAs at different levels.....	46
Table 2.6: Total HRD expenditure (excluding mandatory skills development levy) in R million .....	48
Table 4.1: Data analysis.....	102
Table 5.1: Positions with similar meaning.....	105
Table 5.2: Classification of mining companies to size using turnover .....	105
Table 5.3: Number of mining companies in each industry category.....	106
Table 5.4: Board size and positions represented on board level per company .....	107
Table 5.5 : Cumulative industry distribution of positions represented on board level .....	109
Table 5.6: Cumulative summary of board size in each industry category .....	110
Table 5.7: Racial and gender profile of directors in mega companies.....	113
Table 5.8: Gender and racial profile of board positions in mega companies.....	113
Table 5.9: Nationality profile of directors in mega companies.....	114
Table 5.10: Racial and gender profile of directors in large companies.....	117
Table 5.11: Racial and gender profile of board positions in large companies .....	118
Table 5.12: Nationality and gender profile of directors in large companies .....	120
Table 5.13: Racial and gender profile of directors in medium companies .....	122
Table 5.14: Racial and gender profile of board positions in medium companies.....	122
Table 5.15: Nationality and gender profile of directors in medium companies .....	123
Table 5.16: Racial and gender profile of directors in small companies .....	125
Table 5.17: Racial and gender profile of board positions in small companies.....	126
Table 5.18: Nationality and gender profile of directors in small companies.....	127
Table 5.19: Racial and gender profiles of directors in micro companies .....	128
Table 5.20: Racial and gender profile of board positions in micro companies .....	129
Table 5.21: Nationality and gender profile of directors in micro companies .....	130
Table 5.22: Cumulative industry racial demographic profiles.....	131
Table 5.23: Cumulative industry gender demographic profiles .....	133
Table 5.24: Cumulative gender per race profile in the mining industry .....	134
Table 5.25: Cumulative industry nationality profiles.....	135
Table 5.26: Racial profiles of board positions in the mining industry.....	136
Table 5.27: Gender profiles of board positions in the mining industry.....	136

Table 5.28: Cumulative race and gender demographic profiles of board positions .....	139
Table 5.29: Cumulative nationality demographic profile of board positions.....	140
Table 5.30: Cumulative positions relating to gender and nationality .....	140
Table 5.31: Cumulative age of directors .....	141
Table 5.32: Age distribution of board of directors in the mining industry.....	142
Table 5.33: Overall demographic profile of directors (according to age).....	143
Table 5.34: Directors' ages according to gender .....	146
Table 5.35: Directors' ages according to race .....	147
Table 5.36: Directors' ages according to nationality .....	148
Table 5.37: Qualification fields of board members.....	150
Table 5.38: Qualification levels of board of directors (n = 486).....	151
Table 5.39: Board experience in years (n = 486).....	152
Table 5.40: Board experience of board of directors.....	154
Table 5.41: Mining experience in years (n = 463).....	155
Table 5.42: Mining experience of the board of directors.....	156
Table 5.43: Years of experience on current board (n = 485) .....	157
Table 5.44: Experience on current board .....	158

# **CHAPTER 1 BACKGROUND TO THE STUDY**

## **1.1 INTRODUCTION**

Early in 2009, Julius Malema, as the president of the African National Congress Youth League (ANCYL) at that time, called for the nationalisation of mines due to a lack of transformation in the South African mining industry (Ngungunyane, 2010). His arguments were based on the need for ANC strategy to fulfil the Freedom Charter's objectives that the people shall share in the country's wealth (Roelf, 2010). He also outlined that the economic gains of mineral exploitation were benefiting shareholders in the industry whilst the surrounding community representing the disadvantaged groups, were still living in poverty (Boyle, 2010; Mining Report Q3, 2010; Roelf, 2010; Spoken, 2009; Wessels, 2009). Although the ANC government rejected this proposal at their national elective conference in Mangaung in December 2012, the call for nationalisation caused uproar in the industry and further fuelled the debate about the lack of transformation in the mining industry. Further to the call for the nationalisation of mines, consecutive national strikes followed which also led to the tragic events at Marikana, which resulted in the loss of 37 lives during unprotected (wild cat) strikes for higher wages. The Mining Charter Impact Assessment which was completed in 2009 revealed the intransigence of the mining industry to transform based on statistics that indicate that less than 10% of mining companies were submitting EE plans and reports. In addition, there are concerns about the continued white male domination in mining management structures, including up to the boards of directors of mining companies (CEE Annual Report, 2012). This raises questions about whether the drivers or elements of the Mining Charter are progressing as anticipated.

Following the Freedom Charter's objectives, the Mining Charter was developed by the government to drive transformation as a key focus in the mining industry until 2014 (DME, 2004; Mining Charter, 2004). The vision of the Mining Charter is to redress economic inequalities through black ownership, management representation and skills development (Republic of South Africa, 2002). In order to ensure representations of Historically Disadvantaged South Africans (HDSAs) across all management levels and on the board, the Employment Equity (EE) scorecard, as an element of the Mining Charter, is instrumental in prescribing targets and reporting on

transformation in the South African mining industry (CEE Annual Report, 2011). Given that statistics indicate that less than 5% of management positions, especially at top management level, were held by HDSAs in 2011 (CEE Annual Report, 2011), public outcry and government scrutiny could be expected.

Indeed, during a summit held by government, business and labour representatives, a lack of transformation was recognised as the key limitation of the Mining Charter (Sapa, 2010). With an agenda to develop a strategy to position South Africa's mining industry for sustainable growth, job creation and meaningful transformation, the summit identified skills development as the principal limitation of competitiveness (DME, 2010).

The aim of this research is to provide insight into the current transformation status in the South African mining industry with reference to achieving EE scorecard targets. The focus is specifically on the representation of HDSAs, particularly at the level of the board of director of JSE listed mining companies. As a point of departure, the research methods analysed the board composition and profiles of directors appointed to the boards of mining companies. It scrutinised the demographic profiles and career experience of these directors. It also reviewed board size, positions represented at board level and the criteria followed for the appointment of directors to the board. The research further reports on the progress made in attending to transformation targets. This is reviewed from insights of participants from the mining industry who oversee transformation in their companies. The purpose is to investigate progress made, challenges experienced and barriers to transformation by mining companies listed on the JSE.

The remainder of this chapter is dedicated to conferring the aims of the study, problem statement, purpose of the study, research objectives, limitations of the research, delimitations and chapter sequence.

## **1.2 AIM OF THE STUDY**

The aim of the study was to evaluate compliance to the EE scorecard targets in the mining industry as set out by the government in 1994, emphasised by the Chamber of Mines in 2004, and formalised by the Mining Charter in 2004 and 2009. The aim was subdivided to firstly investigate the transformation status in terms of board representation by HDSAs and EE scorecard targets attainment in the South African

mining industry. This was achieved through an analysis of the board composition and profiles of the boards of directors of JSE listed companies in the mining industry category. The board member's profiles were described according to demographic profiles and career backgrounds. Demographic profiles were presented by race, gender, nationality and age whilst the career backgrounds were examined through an analysis of qualifications and career experience. Qualification fields and tertiary levels were also reviewed, whilst career experience considered the experience serving at board level, mining experience and experience on the current board. The board composition reflected the size of the board, the positions represented at board level as well as the criteria for board appointments. Secondly, transformation challenges experienced and initiatives undertaken in this industry were outlined with the purpose of identifying barriers to transformation in the mining industry.

### **1.3 PROBLEM STATEMENT**

Despite set goals, guidelines, legislation and documented statutory frameworks, transformation and EE scorecard target attainment seem to remain a challenge in the South African mining industry. The mining industry is characterised by a skills shortage, lack of relevant qualifications and experience from HDSAs required to occupy leadership positions in top management (Landelahni, 2010; Mpofu, 2010). Despite the mining industry's BEE target of filling at least 40% of top management positions with HDSA, this target had not materialised by 2009 (Shabangu, 2010). In fact, statistics revealed that less than 5% of the management composition in the mining industry was represented by the previously disadvantaged groups. Statistics thus highlight that transformation is lacking in the mining industry (Sapa, 2010). As a result, this industry has been subjected to vicious national mining strikes, as well as calls for and debates about the nationalisation of mines. Furthermore, the Mining Charter Impact Assessment, completed in 2009, which aims to track the progress on the transformation status of the nine elements of the scorecard, found that in terms of the EE scorecard, there was low participation by HDSAs to serve on the board of directors, executive management and senior management levels. This was also confirmed by the 10th, 11th and 12th Commission for Employment Equity reports. The most recent report presented by this commission was for the years 2012/2013. In their reports, this commission found that HDSAs still remain in lower management functions, particularly at senior and board-of-director level, with just about 17.5%

representation across all industries and 20.5% in the mining industry (CEE Annual Report, 2012). Thus, the slow progression in the mining industry in terms of transformation and compliance to the EE scorecard serves as a major discourse in today's economic and political agenda.

#### **1.4 PURPOSE OF THE STUDY**

The purpose of the study was to assess the progress made and to identify barriers to transformation in the South African mining industry with reference to the EE scorecard target achievement. The study presupposed that certain demographics, qualifications, career experience and backgrounds were considered as necessary and desirable in order for the HDSA candidates to enter the mining industry and to be represented across all levels of management. Therefore, the results of the study also highlighted the profiles of the directors in the South African mining industry that are considered as favourable for entering this industry. This analysis of the barriers to transformation was seen as a vehicle to providing meaningful recommendations to the mining industry towards addressing the challenges faced with transformation.

#### **1.5 RESEARCH OBJECTIVES**

The primary objective of the study was to describe the current status of transformation in the mining industry. Also considered were the initiatives undertaken and challenges experienced in meeting EE scorecard targets. In order to do this, the following objectives were set:

1. To investigate board members' profiles and the board composition of JSE listed companies in the South African mining industry.
2. To report on the criteria employed to appoint members serving on the boards of mining companies listed on the JSE.
3. To report on the progress towards, and determine the current status of transformation within the South African mining industry, measured against EE scorecard targets.
4. To investigate the current challenges experienced and initiatives undertaken in this industry, in terms of transformation.
5. To identify barriers to transformation in the mining industry.

## **1.6 RESEARCH LIMITATIONS**

The results of the study are limited to the mining industry and cannot be generalised to other industries. However, future research might be extended to other industries in order to compare transformation trends. Due to nature of the study that required data to be collected by means of annual reports and interviews, some limitations were experienced when a few of the companies did not have websites from which the annual reports could be electronically downloaded. In these cases, the companies were requested to post hard copies, but none of the companies were able to post hard copies of their annual reports. Cost and time limitations were also seen as limitations. It was costly to visit the mines to perform interviews. Additionally the desired respondents in the mining industry had limited time available to partake in the study. Also due to the fact that transformation is a sensitive issue in South Africa, there was still some reluctance to participate in the interviews. The study was also done during the intense national strikes in the mining industry which resulted in most companies being reluctant to participate in the study, however, some saw it as an opportunity to defend their companies and provide the real facts regarding the issues being faced by the mining industry.

## **1.7 DELIMITATIONS OF THE STUDY**

A delimitation worth noting is that whilst other aspects of the Mining Charter and scorecard are important, its progress was not entirely measured, i.e. ownership and control, procurement, improving housing and living standards, human resources development, beneficiation and reporting, and other similar aspects, fall outside the scope of the study. The second chapter, however, reviewed some of these issues in order to provide contextual background. Lastly, in the mining industry, terminology relating to the board of directors and top management are used interchangeably and are commonly intertwined, resulting in a perplexity in the usage of the terms. As a result, the use of terminology differed from company to company.

## **1.8 CHAPTER SEQUENCE**

In order to meet the set objectives of the study, this dissertation is made up of the following series of chapters.

### **Chapter 1: Background to the study**

Chapter 1 provides the background and rationale of the study. It does so by reviewing the aim of the study and the purpose of the study. It provides a description of the problem statement and finally the research objectives. It also covers research questions, limitations and delimitations of the study.

### **Chapter 2: The development of the EE scorecard targets for the South African mining industry and its progress**

Chapter 2 provides a literature review on transformation and the development of the EE scorecard. This review explains transformation targets and scorecard and measurement criterion.

### **Chapter 3: Corporate governance and the board of directors**

Chapter 3 provides a scholarly review of the board of directors as a focal governance mechanism. It reviews the dominant theories of corporate governance globally and locally and provides a comprehensive literature on the local best practice governance systems, board composition, board diversity and board profiles.

### **Chapter 4: Research design and methodology**

Chapter 4 deals with the design of the methodology applied in the research. It applies the research methods of both qualitative and quantitative research in the design. It also covers the type of qualitative and quantitative research used. It describes the unit of analysis used, the population, and the sample used and finally how data was analysed and reported.

## **Chapter 5: A review of the South African Mining Companies Boards**

Chapter 5 deals with the interpretation of data and the presentation of results and findings in Phase 1 of the research by means of quantitative analysis.

## **Chapter 6: Initiatives undertaken and challenges experienced in transforming the South African mining industry**

Chapter 6 deals with the interpretation of data and the presentation of results and findings in Phase 2 of the research by means of qualitative analysis.

## **Chapter 7: Conclusion, summary and recommendations**

Chapter 7 ends with conclusions, summary and recommendations for future research.

### **1.9 CONCLUSION**

The purpose of this chapter is to give a justification for the study and to provide a roadmap of the dissertation. This chapter provides an overview of the rationale and aim of the study. The problem statement with regard to transformation concerns in the South African mining industry is made, followed by the purpose of the study and justifies the progression of the study. The research objectives are set and the research limitations and delimitations of the study concludes this chapter together with a chapter overview of the dissertation.

## **CHAPTER 2 THE DEVELOPMENT OF THE EE SCORECARD TARGETS FOR THE SA MINING INDUSTRY AND ITS PROGRESS**

### **2.1 INTRODUCTION**

In 2009, The Department of Mineral Resources (DMR) announced that “Only 37 per cent of mining companies have developed EE plans, while a lesser number of companies have published these plans”. The report furthermore stated that “No evidence of EE reports (either audited or unaudited) were submitted to the DMR. These findings demonstrate the intransigence and lack of commitment by the industry to transform (DME, 2009:10).”

In this literature chapter, transformation was identified as one of the key challenges facing the mining industry. This chapter will review the current status of adherence to EE scorecard targets within the mining industry by means of a literature review. Firstly, this chapter will provide an overview of the South African mining industry. This discussion pertains to issues related to the historical and political background of the mining industry; the mineral reserves extracted by this country; its economic contribution; active mining companies; and the main industry role players. The main industry role players reviewed are the Department of Mineral Resources (DMR), the Chamber of Mines, National Union of Mineworkers (NUM) and the South African Mining Development Association (SAMDA). Attention will also be paid to the operational relevance to enforce transformation in the mining industry.

In view of the fact that the debates regarding the nationalisation of mines were influenced by a lack of transformation in the mining industry, the discourse in this chapter will cover the transformation agenda, its links to the constitution and how it influenced the development of the Black Economic Empowerment (BEE) strategy. The inception of the Broad-Based Black Economic Empowerment (BBBEE) Act is also conversed together with its beneficiaries, i.e. the Historically Disadvantaged South Africans (HDSAs).

The transformation laws governing the mining industry, namely, The Skills Development Act No 55, of 1998; the Employment Equity Act No 97, of 1998; The BEE Act No 53 of 2003; and the Minerals and Petroleum Resources Development Act 28 of 2002 will be consecutively discussed as they were developed as mandatory regulatory and statutory frameworks toward transforming the HDSA

arena. The literature review will also cover a detailed discourse of the general objectives of the BBBEE Act which gave birth to the development of the Broad-Based Socio-Economic Empowerment Charter for the mining industry, i.e. the Mining Charter. The Mining Charter provides the foundation of the scorecard against which individual companies are measured. Both the 2002 and 2010 Mining Charters will be discussed. This discussion will be followed by a review of the 2004 and 2010 Mining Scorecard as measurement criteria for the Mining Charters.

## **2.2 AN OVERVIEW OF THE SOUTH AFRICAN MINING INDUSTRY**

The following sections provide an overview of the South African mining industry. Specific focus will be directed to the historical and political background of this industry, mineral reserves extracted by this industry, economic impact of the mining industry, the mining companies operating in the mining industry and the main industry role players. Finally, key challenges facing the mining industry will be discussed.

### **2.2.1 The historical and political background of the South African mining industry**

The development of the mining industry was influenced by several events in the history of South Africa which warrant a brief historic and political overview. The initial explosion of mining in South Africa was led by the discovery of the first diamond at the Orange River in 1867, followed by the discovery of gold on the Witwatersrand in 1886. These mineral discoveries and the development of mining led to the high demand for industrial support which resulted in the mining industry becoming a key economic contributor by 1886 (Project IQ, 2011).

Given the national importance of the mining industry, this industry was also subjected to the laws and priorities of the government of the day. For example, in 1948 the National Party with its more Afrikaner-based following came into power under the presidency of D.F. Malan. Under the new president, a new regime was formed that conceived and implemented the policy of apartheid [racial discrimination was already present in SA at the time (Rungan, Cawood & Minnitt, 2005:736)]. This policy used race to restrict black people from participating in major economic industries, and the mining industry was not excluded. The restrictions were based on

the types of employment black people could partake in, the places they could reside, the standard of education they could obtain, etc. (Rungan *et al.*, 2005).

By the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, the economy of South Africa was incarnated by a small number of large mining groups called mining finance houses (Malherbe & Segal, 2001). These companies were characterised by pyramid of control structures which protected the interests, values and management control of the white labour force. These structures were aligned to the key apartheid policy elements which were strengthening the white working class, such as the emasculation of black labour, the oppression of women, state patronage to advance group interests, the forming of corporations in the major economic industries, and the development of mining houses as an instrument of capital allocation (Malherbe & Segal, 2001). These conditions resulted in black people being a source of cheap labour, whilst being methodically subjected to domineering legal and directorial obstacles. This also prevented their attainment of pursuing their entrepreneurial advancement goals (Okechokwu, 2004:4).

The ANC's victory in the first democratic election in 1994 saw the collapse of apartheid. The new regime aimed to redress the economic imbalances through the launch of BEE. Corporate restructuring began whereby mining houses were changed into focused mining companies through the shedding of their non-core industrial holdings. This change incorporated the consolidation of ownership through minority takeovers, the transfer of primary listings (and group head offices) offshore, as well as the requisition of South African assets by foreign nationals (DME, 2004). This restructuring was implemented to achieve the BEE policy and the empowerment of the HDSA.

However, in 2010 the DME reported that the mining industry was still characterised by gender inequality, was racially and ethnically defined and was untransformed (DME, 2010). On the other hand, the ANC government, BEE and black capitalism have been criticised for unethical practices that are benefiting a chosen few who are influential politicians or who benefit from strong political contacts (Mokoena, 2006:37). The ANC leadership was also accused of moving towards capitalism, i.e. being politicians during the sunlight hours and board members at night-time (Mokoena, 2006:38). Indeed, allegations of self-enrichment, rather than empowerment, have been made in the criticism of BEE implementation initiatives

(Rungan *et al.*, 2005). This is evident in current topical concerns about corruption, ineptitude, self-enrichment and the call for the nationalisation of mines.

Indubitably, the South African political and historical background is linked to, and continues to determine the future of the mining industry. Table 2.1, below, summarises the historical and the political background of the South African mining industry according to key historical events, political dispensation, mining legislation and its impact on the mining industry.

**Table 2.1: Historical and political background of the SA mining industry.**

Date (Year)	Key historical events	Political dispensation	Mining legislation	Impact on the mining industry
1652	Arrival of the Dutch colonialists in South Africa.	Establishment of Dutch colonies.	Mining not yet operational	N.A.
1820	British arrival at the Cape (Conflict between the Dutch and British evolved).	Establishment of the British colonies.	Roman/Dutch Law	N.A.
1867	Discovery of diamonds in the Orange River.	<i>High demand for industrial support.</i>	Industrial capitalism and globalization of the South African economy.	Import and export of mining products began.
1886	Discovery of gold on the Witwatersrand.	<i>A further influx by the British to SA led to two colonial factions, confrontations, hostilities and power struggles that led to the Anglo-Boer War 1899-1902.</i>	Roman Dutch Law	Influx of fortune seekers from all over the world to find fortune in gold. Mining claims established on an individual scale. Establishment of mining communities.
1899-1902	The Anglo-Boer War	<i>Signing of the peace treaty in 1902</i>	Roman Dutch Law	Pass laws determining where blacks could work, live and travel.
1910	The establishment of the Union of South Africa.	<i>Revolution of South Africa as a mining country.</i>	Transvaal mining laws Colonialism Capitalism	Pass laws determining where blacks could work, live and travel.
1948	The National Party elected into government.	<i>Racial discrimination based on race and gender in major economic industries. Restriction of black people and women to participate in major economic industries.</i>	The apartheid policy Mines, works and machinery regulations	Development of mining finance companies. Pyramid of control structures which protected the interest and control of the white labour force.
19 <sup>th</sup> and 20 <sup>th</sup> centuries	Mining finance houses established.	<i>Management control of white labour and emasculation of black labour force of the mining industry.</i>	Mines, works and machinery regulations Mining Titles Registration Act 16 of 1967- regulates the registration of mining titles and other rights connected with prospecting and mining	Development of a small number of mining companies and ownership of mines given to white supremacy.
1955	Uprising of the ANC party.	<i>Draft of the freedom charter.</i>	Mines and Works Act	Call for the nationalisation of mines, banks and other monopolies.
1956	Racial discrimination in employment.	<i>Skilled jobs for whites only and semi- or unskilled jobs for black workers.</i>	Mines and Work Act	Growth of the mining industry. Contribution to GDP/ employment/ role players.

1970	Gold production, 67% of the world production.	<i>Skilled jobs for whites only and semi- or unskilled jobs for black workers.</i>	Mining Titles Registration Act 16 of 1967- regulates the registration of mining titles and other rights connected with prospecting and mining Mining Rights Act 20 of 1967- deals with the issues of unwrought precious metals Occupational Diseases in Mines and Works Act 78 of 193- deals with the compensation for diseases contracted by persons employed in mines and works	Growth of the mining industry.  SA classified as a mining country.  Mining rights and registration were allowed for the white elite.
1994	ANC won the first democratic elections.	<i>Corporate restructuring</i>	Minerals Act 50 of 1991 (GG 13253, 1; 22 May 1991) – regulated the mining industry until May 2004  Constitution Act 108 of 1996 (GG 17678,1; 18 December 1986)	Mining finances houses changed into focused mining companies.  Birth of transformative laws to be enforced in the mining industry.
1995- present	Development of BEE	<i>Employment equity, Affirmative Action and empowerment of HDSAs.</i>	EE Act 55 of 1998 (GG 19730,1; 19 October 1998) – achieved equity in the workplace by eliminating unfair discrimination. Also adopts affirmative action measures.  BBBEE ACT 53 of 2003 (GG 25899, 1; 9 January 2004) – establish a legislative framework for the promotion of Black Economic Empowerment  MPRDA ACT 2002 (GG 23922, 1;10 October 2002- Transferred mineral rights from private holders to government as guardians of peoples of SA and makes special provisions to accommodate HDP's	Antitrust legislation and government officials sitting on executive boards.  The progress for transformation is regulated by the Mining Charter. Scorecard targets are developed for achievement by 2014.

Source: Own source

## 2.2.2 Mineral reserves

The mining reserves in South Africa include manganese, chromium, platinum group metals, gold, vanadium and alumino-silicates (SA Info, 2011). Of the world's total mineral reserves, South Africa holds 90% of platinum metals, 80% of manganese, 73% of chrome, 45% of vanadium and 41% of gold (Mining Report Q3, 2010). Other significant minerals found in South Africa include ilmenite, palladium, rutile and zirconium (SA Info, 2011).

South Africa is the leading global producer of chrome, manganese, platinum, vanadium, and vermiculite. It holds the second position in producing ilmenite, palladium, rutile and zirconium (Projects IQ, 2011). Over 40% of the global gold

reserves are found on the Witwatersrand, and more than 80% of the iron ore is exploited in the Sishen and Thabazimbi areas. The Witbank and Ermelo areas are known for producing platinum (Project IQ, 2011). The country is thus a rich resource of mining produce and the contribution of these resources has a significant economic impact on the South African mining industry.

### **2.2.3 Economic impact of the South African mining industry**

Classified as a minerals-based economy (Cawood, 2004), South Africa is notorious as a wealth trove which possesses a considerable amount of mineral capital, and produces an exceptionally large quantity of the world's minerals (Segal & Malherbe, 2002). The South African mining industry is a very important export industry with international recognition (Coetzee, 2010). For the past 132 years, the mining industry has led to the development of industries that either use mineral extracts or supply the mining sector (Chamber of Mines, 2010:3). The mining industry is also a major provider of jobs for the country's citizens, carrying approximately 1,013,600 jobs amounting to 16% of the total national employment (Mining Report Q3, 2010; Projects IQ, 2011). It also contributes 18% of gross investment (10% directly), and nearly 30% of capital inflows into the economy through the financial account of the balance of payments. In addition, approximately a third of the market capitalisation of the JSE, 93% of the country's power generating capacity, and about 30% of the country's liquid fuel supply (Chamber of Mines, 2010) derives from the mining industry.

The South African mining industry is considered as the key fiscal sector in the economy of South Africa (Shabangu, 2010) as it contributes an average of 20% of the national Gross Domestic Product (GDP) (Projects IQ, 2011; StatsSA, 2011) of which about 50% is contributed directly. The mining industry in South Africa also produces income beyond 330 billion Rand and is the largest contributor by value to BEE in the economy (Projects IQ, 2011). The value of completed BEE transactions by 2009 was "between 10% to 20% of direct corporate tax receipts (R33 billion in 2008, R10.5 billion in 2009)" (Chamber of Mines, 2010). This has resulted in South Africa becoming an attractive proposition for foreign investments. Although China overtook South Africa as the world largest gold producer in 2007, the mining industry is still critical to South Africa's wealth and economy (Chamber of Mines, 2007; Coetzee, 2010; DME, 2009) as well as the world economy (Callaghan & Campbell,

2009). Whilst the industry has reached its maturity phase with mineral exploitation decreasing over the years due to the depletion of reserves, and the combined disturbances of power shortages and labour disputes, the Business Monitor International (BMI, 2009) has predicted that this industry will accomplish a value of US\$37.38bn by 2014. In essence, South Africa still depends on mining activities to create prosperity that could contribute to employment, economic advancement and good quality infrastructure (Swart, 2003).

#### **2.2.4 Mining companies**

In 2010, a total of 54 mining companies were listed on the Johannesburg Stock Exchange, (JSE) whilst the number of private and other companies is not known (Coetzee, 2010). In 2011, the number of mining companies listed on the JSE amounted to 59 (JSE, 2012). The enterprises in the mining industry are divided into four groups namely Large (turnover exceeding R39 000 000), Medium (turnover between R10 000 000 and R39 000 000), Small (turnover between R4 000 000 and R10 000 000) and Micro (less than R4 000 000 turnover) (StatsSA, 2009).

The leading mining companies include BHP Billiton, Anglo American, Impala Platinum, AngloGold Ashanti, Anglo Platinum, Goldfields, Sasol, Harmony and Kumba. These nine corporations represent over 95% of the total market capitalisation of all listed mining companies. Other medium and small enterprises include Petmin, Aquarius Platinum, Uranium One, Wesizwe, Platmin and Great Basin Gold to mention a few, account for the remaining 5% of total market capitalisation.

#### **2.2.5 Mining industry role players**

The main role players in the mining industry are the Department of Mineral Resources (DMR), the Chamber of Mines, the National Union of Mineworkers (NUM) and the South African Mining Development Association (SAMDA).

- **Department of Mineral Resources (DMR)**

The Department of Mineral Resources, previously known as the Department of Minerals and Energy, is an independent department which is responsible for overseeing the formulation and implementation of policy, with the goal of ensuring that the country's mineral resources are used optimally (DME, 2010). Headed by

Minister Susan Shabangu, this department aims to achieve set transformation targets and mining industry developments (DMR, 2010). The Minister is responsible for reviewing the transformation progress in the mining sector every five years and this resulted in the Mining Charter impact assessment that was conducted in 2009.

- **The Chamber of Mines**

The Chamber of Mines acts as an advocacy body with a goal of creating an environment in which the mining industry will be able to deliver, timeously and cost-effectively, sufficient, appropriately skilled employees, who are trainable for advancement and deployment (Chamber of Mines, 2010). It also monitors industry adherence to the Minerals and Petroleum Resources Development Act of 2002 and the Mining Charter (Shabangu, 2010).

In the role of advocate, the Chamber is required to act as custodian of the monitoring of transformation and sustainability progress on an annual basis as one of its key objectives. In order to govern this, the Chamber develops a sustainability and transformation report that outlines the mining industry's commitment to skills development and transformation. The report also includes transformation targets in conjunction with those of the Mining Charter. It furthermore specifies that the industry has to meet objectives by contributing to the development of the National Skills Development Strategy (NSDS) and satisfying the requirements of the Mining Qualifications Authority (MQA). Other objectives include: workers' participation in different Adult Basic Education Training (ABET) programmes (approximately 7 000 workers per annum), workers finishing different leadership and apprenticeship programmes (approximately 800 workers per annum) and aiding HDSAs to enter "formal employment in the mining industry through skills development by issuing a Workplace Skills Plan to the Mining Qualifications Authority (MQA) on an annual basis" (Chamber of Mines, 2007:13). All these activities aim to ensure compliance with the Mining Charter and the Minerals and Petroleum Resources Development Act, 2002.

- **National Union of Mine Workers (NUM)**

NUM is the leading union of mine workers in South Africa. It was founded in 1982 and is affiliated with Congress of the South African Trade Unions (COSATU). NUM defines itself in terms of the concept of social movement trade unionism (Fafuli, 2012). This union has the overall aim of improving the lives of mineworkers and has been instrumental in transforming the mining industry with regards to the conversion of hostels into family units and single units. The mandate of NUM is to defend the rights of employees at the workplace, drive and monitor the training and skills development, take up grievances, protect employees against unfair labour practices, and bargain to improve salaries and working conditions (NUM, 2013). NUM supports affirmative action strategies that seek to empower black people into senior positions and that contribute to the struggle for non-racialism, racial inequality and gender domination in the mining, energy and construction industry (NUM, 2013).

- **South African Mining Development Association (SAMDA)**

SAMDA is a non-profit organisation that was established in 2000 to represent the interests of junior and BEE mining companies. SAMDA advocates for transformation and compliance with national transformation objectives in the mining sector (SAMDA, 2011). It is insistent on transformation and continues to lobby for developmental policy objectives in the sector through the existing channels available to it (SAMDA, 2011). SAMDA has been involved in the draft of the Minerals Bill and participated in the drawing up of the charter on empowerment of HDSAs. This commission drafted the agreement between the government and the mining sector on time frames and quotas to allow the objectives of the Mining Charter to be met. Amongst other things, SAMDA also takes responsibility for developing capital markets for junior companies.

The above role players share the goal of transforming the mining industry; however, these players together with mining companies are faced with many challenges which will be discussed in the next section.

## **2.3 KEY CHALLENGES FACING THE MINING INDUSTRY**

Similar to any other industry, the mining companies and industry role players mentioned above, also face several challenges. According to Limpitlaw, Aken, Lodewijks and Viljoen (2005) the general challenges faced in the mining industry are risk issues of mine health and safety, and the depletion of resources. Research by Limpitlaw *et al.* (2005) revealed numerous other challenges faced by the mining industry, namely, rehabilitation, greenhouse gases, good governance, disclosure policies and access to information, artisanal and small-scale mining, capacity building, conflict management, human rights, dialogue and partnership facilitation, legacies of the past and closure, standards, guidelines and monitoring, general environmental issues, size and speed of project development, gender inequality, corruption, empowerment of civil society, social and environmental responsibility of business, impacts and benefits at community level, institution building and regulatory framework, social mitigation, economic diversification, and poverty alleviation.

In 2011, Frontier Market Intelligence revealed that the central challenge facing the mining industry is transformation, pointing out that the South African government is undoubtedly taking a more strict position relative to regulation and enforcement in this industry. This was confirmed, not only by the amendment of the 2002 Mining Charter, but also by the statement that non-conformity could amount to adequate motivation for government to annul a company's mining rights (DMR, 2009). Although the various challenges within this industry are acknowledged, this study will focus on the challenges of transformation.

### **2.3.1 Transformation challenges**

With reference to transformation, BEE target compliance is a main challenge. One of the major concerns is to see HDSAs occupying leadership positions in top management (Landelahni, 2010; Mpofu, 2010). The mining industry is characterised by a skills shortage and a lack of relevant qualifications and experience from previously disadvantaged groups which will allow them to meaningfully participate in this industry. As a result, the mining industry's BEE target of filling at least 40% of the top management positions with previously disadvantaged candidates did not materialize in 2009 (Shabangu, 2010). Further to these issues, are concerns about

the government's failure to attend to BEE in an appropriate manner. Leon (2011) argued that a "type of a narrow BEE was promoted, resulting in the enrichment of well-connected few", rather than a wider group of the targeted population groups. The call for the nationalisation of mines by the ANCYL due to a lack of transformation in the South African mining industry (Ngungunyane, 2010), on the other hand, does not provide clarity on how wealth distribution and transformation will be implemented (Coetzee, 2010). Key challenges of transformation to be discussed in this section are the, skills shortage of HDSAs, low management representation by HDSAs, the call for the nationalisation of mines and foreign investment uncertainties.

- **Skills shortage of HDSA**

A skills shortage has constantly been a limiting factor for HDSAs to participate in the mainstream economy (Schoeman, 2010). It is argued that a historical prevalence of uneducated, unqualified, and inexperienced semi-skilled HDSAs construct them unprepared to deal with the ever rapidly varying demands of the open industry marketplace (Mokoena, 2006:23). The DMR has also identified the HDSAs' lack of skills as a strong limitation to the Mining Charter implementation (DMR, 2010). Mining companies have defended the deficient conformance related to the shortage of suitable black candidates, enabling them to target only a few (Rungan *et al.*, 2005). What makes skills shortage not to improve was justified by ineffective leadership for driving transformation, inability to identify and manage a talent pool, broad transformation legislation and failure to acknowledge transformation (Esterhuyse, 2003). Engdahl and Hauki (2001) presents a view that skilled black South Africans are not only few, but are skewed. These candidates are often paid more money than their white counterparts and as a result of their demand, they engage in job hopping (war for talent). However it was discovered that many black people leave organisations out of frustration due to feelings of alienation, distrust in their abilities and difficulties to reach their full potential (Engdahl & Hauki, 2001).

- **Low management representation by HDSAs**

The increment of HDSA representation at top, senior and middle management is the biggest employment equity challenge facing the mining industry (CEE Annual Report, 2012). According to the CEE Annual report (2012:45) the key trends that have been observed since 2002 was that the domination of the whites in top management have remained static at an average 73% level. Where else, the percentage of HDSA at top management level has remained unstable and not increasing. It was also observed that race and gender are still major aspects that determine where a person sits in the hierarchy of the organisation. The 13<sup>th</sup> edition of the CEE showed that from a base of 81.5% in 2002, whites constituted 72.6% of top management. It also shows that Blacks held 12.3% of top management positions in 2012, compared to 10% in 2002, indicating that there has been 2% improvement in ten years. The similar trend was observed in the Coloured group as they occupied 4.6% of top management positions in 2012, compared to 3.4% in 2002. Indians also increased to 7.3% in 2012, from 5% in 2002 (CEE Annual Report, 2012).

- **The call for the nationalisation of mines**

Coetzee (2010) defines nationalisation as an operation of transferring an industry or assets into the ownership of the national government to achieve political and economic growth. It enables the government to implement democratic control of outputs to allow balanced distribution of wealth, consolidation of wealth, and development and management of the economy. According to Coetzee (2010:5). General reasons in support of nationalisation are:

- Delivery of infrastructure i.e. the construction of roads, dams, or public buildings.
- Social and economic quality.
- Resentment of foreign control of major industries.
- Prevention of unfair exploitation and large-scale labour layoffs.
- Control of natural monopolies.
- The rescue or stabilisation of distressed or heavily subsidised companies.
- To keep the means of generating wealth in public control.

- To reduce the power of private capitalists.
- To allow the profits of business to be shared by the state.

The call for the nationalisation of mines has been influenced by the lack of transformation in the mining industry. This call was made early in 2009 and since then the government has established a task committee to research the viability of nationalisation based on the experiences of countries where it was implemented both successfully and unsuccessfully. Furthermore, the ANCYL arranged a march (between 27 and 28 October 2011) that was supported by more than 5 000 individuals in support of the proposal for the nationalisation of mainstream industry. In their memorandum they stated the following agendas to be looked into (Mail & Guardian, 2011:3):

- At least 60% of minerals extracted in South Africa to be beneficiated locally.
- The provision of education and skills to young people so that they can play a meaningful role in the mining sector.
- An end to import-parity pricing on South African minerals,
- Involvement in the development of mining communities.
- Local manufacturing of the supplies required for mining.
- A cessation of threats of disinvestment by mining capital.
- Compensation to mining communities suffering from diseases caused by mining pollution.

The ANCYL is concerned that the economic gains of mineral exploitation are benefiting shareholders in the industry whilst the HDSAs are still facing poverty.

Considering the history of South Africa, the call for the nationalisation of mines comes from further back than the former ANCYL President, Julius Malema's call in 2009. The nationalisation of major industry players, i.e. the mines, banks and monopolies was the initial policy of the ANC that was adopted from the Freedom Charter. The drawing up of the Freedom Charter in 1955 was a key political turning point in the history of the ANC and persists to dictate its developmental planning (Esterhuyse & Nel, 1990:551). The Freedom Charter of 1955 states that:

*"We the people of South Africa, declare for all our country and the world to know: That South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of people; That our people have*

*been robbed of their birthright to land, liberty, and peace by a government founded on injustice and inequality; That our country will never be prosperous or free until all our people live in brotherhood, enjoying equal rights and opportunities; That only a democratic state, based on the will of people, can secure all their birthright without distinction of colour, race, sex, or belief; And therefore, we the people of South Africa, black and white, together equals, countrymen, and brothers, adopt this FREEDOM CHARTER. And we pledge ourselves to strive together, sparing nothing of our strength and courage, until the democratic changes here set out have been won” [Freedom Charter 1955 quoted in Peet 2002]*

Sections 4 and 5 of the Freedom Charter, discusses economic rights and land reform as measures for social transformation, it states that:

*“The national wealth of our country, the heritage of all South Africans, shall be restored to the people; The mineral wealth beneath the soil, the banks and the monopoly industry shall be transferred to the ownership of the people as a whole; All other industries and trade shall be controlled to assist the well-being of the people; Restriction of land ownership on a racial basis shall be ended, and all the land redivided amongst those who work it, to banish famine and land hunger; The state shall help the peasants with implements, seed, tractors, and dams to save the soil and assist the tillers” [Freedom Charter 1955 quoted in Peet 2002]*

Following the objectives of the 1955 Freedom Charter, Nelson Mandela after his release from prison in 1990 stated that “the nationalisation of mines, banks and monopolies is the policy of the ANC and a change and modification of our views in this regard is unconceivable”. However two years later this thought had changed. By February 1992, Mandela discarded the idea of nationalisation after attending the World Economic Forum in Davos, Switzerland. Mandela was accompanied by Thabo Mbeki, Joe Slovo and Walter Sisulu, and together they realised that nationalisation was immaterial and ambitious. The ANC was then confronted with formulating policy alternatives, namely, introducing antitrust legislation and the appointment of government officials on boards of large corporations. **Antitrust legislation** refers to legislation against or in opposition of business trusts or combinations; specifically consisting of laws to protect trade and commerce from unlawful restraints and monopolies or unfair business practices and the **appointment of government officials on boards of large corporations**.

The collapse of the Soviet Union gave a false impression of nationalisation and served as a major reason for the shift from nationalisation to empowerment. This is where the concept of BEE was born. Empowerment refers to “the creation of opportunities and the delivering process that will contribute to market education and economic transformation” (JSE, 2011).

The call for the nationalisation of mines by the ANCYL was regenerated and put on the ANC 2012 Centenary conference agenda as an item to become government policy, to ensure that the Freedom Charter's objectives are met (Rungan *et al.*, 2005). Although the call for the nationalisation of mines was rejected at the ANC National conference in Mangaung, December 2012, it had some negative consequences in the mining industry and South Africa as a whole. A key challenge is the negative effect on foreign investment.

- **Uncertainty among investors**

Malema's call has opened a debate on the nationalisation of mines which had initiated an intense discussion of the future of the mining industry, the economy of the country and further escalated uncertainty among investors (Gordhan, 2011). As a result, South Africa has become a potential high-risk investment for foreign investment (Otto, 2011). The Minister of Finance, Pravin Gordhan reported on Tuesday, 25 October 2011 that mining production in South Africa has declined by 4% in 2011 compared to Chile's 12% growth and Australia's 24% growth due to uncertainty in the regulatory environment linked to mining rights, the nationalisation debate and inefficiencies in the rail system (Gordhan, 2011). The authoritative Fraser Institute Report also revealed that South Africa fell to the sixty-seventh (67) position out of 79 mining countries in terms of the attractiveness of its policies. These are the views of the mining executives globally (Miningmx, 2011). Amongst these policies are the BEE policies.

All the above challenges concur that transformation is one of the pressing issues facing the mining industry. If not addressed properly it can have a negative bearing on the future of South Africa.

In the next section, transformation is discussed at a root level, the reasons for development in South Africa, its links to the constitution, and an explanation of the term HDSA, transformation goals and objectives, and various programmes that have been initiated.

## 2.4 TRANSFORMATION

In South Africa, the meaning of transformation is uncontested and is marked by change (Schoeman, 2010). It basically implies changing institutions to include diversity and democracy and ensuring equal rights for all South African citizens. It is about the social and economic transformation of the environment of South Africa. Thomas and Robertshaw (1998) called for transformation to be defined whilst Levy and Merry (1986) viewed transformation as a drastic reshuffling in the change process, that requires radical action for change. Selby and Sutherland (2006), as well as Engdahl and Hauki (2001) view transformation as a government structure to bring culture change, by instilling new core values, equitable access to resources and opportunities and skills (Schoeman, 2010). Engdahl and Hauki (2001) recommended that changing mindsets about transformation enable people to understand diversity and appreciate and respect one another in organisations. Esterhuysen (2003) attributed transformation meaning as a moral obligation to remove the legacies of apartheid. Transformation has a further political association expressed as a “political, social, and economic change process, with the aim of redressing historical imbalances” (Robertshaw, 2006:8). Diversity refers to the inclusion of the mixture of individuals that reflects the demographics of the people of South Africa in institutions. This change, that requires institutions to include diversity and democracy in their operations, was influenced by the results of the democratic elections in 1994 which favoured the government of the ANC as the leadership of South Africa (Schoeman, 2010).

The ANC democratic government opened and created expectations among South African companies to change structures at institutions of the apartheid regime through the act of transmitting corporate social responsibility initiatives to empower and develop the HDSA (Arya & Bassi, 2009). The first step was the drafting of the constitution of South Africa. This was followed by the founding of processes to meet the expectations that would allow the new government to formulate clear and solid obtainable transformative projects (Heller & Ntlokonkulu, 2001). This was first executed by implementing various programmes to introduce the historically disadvantaged people as participators in the economy. The development of the BEE policy as the national building strategy (Okechokwu, 2004) was the key policy that was formulated. The aim of the BEE policy was to transform the economic status of

the historically disadvantaged people (Burger & Jafta, 2006). Selby and Sutherland (2006:54) discussed the risks associated with BEE efforts for transformation. Their conclusion stated that transformation carries challenges of (1) breaking down the psychological contract with existing white employees (2) loss of organisational memory due to a lack of commitment or processes to transfer knowledge and skills (3) substantial cost to provide incentives (4) increased distrust and racial tensions and (5) lack of leadership. The next section reviews the implications of the constitution, the meaning of the HDSA and various transformation projects that have been implemented.

#### **2.4.1 The constitution of South Africa**

The constitution of South Africa was extracted from the Freedom Charter's objectives in the realisation of its promise for a non-racial, democratic and unitary state (Esterhuyse & Nel, 1990). As an invention of extensive political discussions prior and after the foremost democratic elections, the constitution of the Republic of South Africa is considered as the highest law (Cawood, 2004). The constitution of South Africa (Section 25 Act 108, 1996) states that the government has a commitment to restructure the mining industry. It also provides primary columns of the mineral policy (Cawood, 2004). Mines have to conform to the constitution and common law in performing operational activities with an effort to care for human rights (Swart, 2003). The constitution states that the government aims to improve the quality of life of all South Africans and promote equality (The Constitution of South Africa, 1993). The constitution has a focused goal of transforming the mining industry and to promote equality especially for the HDSA (Booyens, 2006). This is clearly reflected in the Bill of Rights which states that all citizens are equal. To realize this equality, the government aims to inform legislation to protect all the rights of people (Cawood, 2004).

#### **2.4.2 The historically disadvantaged South African (HDSA)**

According to the Minerals and Petroleum Resources Development Act of 2002 (MPRDA, 2002:12), a historically disadvantaged person in South Africa refers to:

- a) Any person, category of persons or community, disadvantaged by unfair discrimination before the constitution took effect.

- b) Any association, whose majority of members are persons contemplated in paragraph (a).
- c) Any juristic person other than an association, in which persons contemplated in paragraph (a) own and control the majority of the issued capital or members interest and are able to control a majority of the members votes.

The above definition includes both people and companies that have been discriminated against (Rungan *et al.*, 2005) and have been prevented from partaking in economic activities before the constitution took effect. The above definition is similar to the one of the Mining Charter. However, it has been noted that the definition of HDSA in the MPRDA Act/Mining Charter differs from the definition of HDSA in the BBBEE Act.

- **Mining Charter definition of HDSA**

HDSA refers to the “South African citizens, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa came into operation which should be representative of the demographics of the country” (Republic of South Africa, 2002).

- **BBBEE Act definition of HDSA**

HDSA refers to “all black people including women, workers, youth, people, living with disabilities, people living in rural areas “(Republic of South Africa, 2003)

The BBBEE Act, by definition, advances the interests of black people exclusively, while the definition of the HDSA referred to by the Mining Charter and the MPRDA Act refers all who were disadvantaged before the constitution came into effect (Rungan *et al.*, 2005). Furthermore, the HDSA term is used synonymously with historically disadvantaged persons (HDP), and historically disadvantaged individuals (HDI's) in government policy documents. HDSAs in some instances are referred to as designated groups of the Employment Equity which includes black people, women (black and white) and disabled individuals. The term black people refers to non-white populations (Okechokwu, 2004), namely, Africans, Indians, Coloureds (Mokoena, 2006) and Asian people. However policy documents do not clarify if black people include black foreign nationals or are exclusive to citizens of South Africa.

Rungan *et al.* (2005) suggested the amendment of the term HDSA to be identical in policy documents. For the purposes of this study, the definition by the MPRDA Act of 2002 has been viewed as applicable to the study and will be adopted. This definition suggests that the term HDSA refers to all who were previously disadvantaged by unfair discrimination in the past, namely, the black people, women (black and white), disabled, youth and people living in rural communities.

### **2.4.3 Transformation projects**

Transformation was initiated by the introduction of the various programmes, including:

1. The Reconstruction and Development Programme (RDP);
2. The changing of the education and training curriculums and structures;
3. Private reinstatement of the private sector to include small, medium and micro enterprises (SMME's) to benefit the black people through ownership of businesses;
4. The development of the Reconciliation Commission as a measure to bring peace to all South African citizens from the effects of the apartheid regime;
5. The introduction of the Growth Employment and Redistribution Programme (GEAR) in June 1996; and finally
6. The enforcement of the implementation of the BBBEE strategy.

Overall, the goal of transformation is to develop an economy that caters for the needs of all South African citizens in a more equitable manner. This objective of transformation within the economy was concluded by the release of the BBBEE Act in 2003.

The Department of Trade and Industry finalised the Codes of Good Practice on February 9, 2007, "to clarify and ensure consistency in the implementation of the socially responsible behaviour in an area of empowerment of HDSA within organisations across industry sectors" (Arya & Bassi, 2009:1). The corporate social responsibility laws that were approved to govern equity are the Employment Equity Act, 1998; the Skills Development Act, 1998; and the Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Visser, 2005).

The main statutory framework that oversees the governance and expedition of transformation of the mining industry are the Minerals and Petroleum's Resources

Development Act of 2002 (Kenny & Bezuidenhout, 1999); the Mining Charter (discussed in Section 2.6); and the Corporate Governance Frameworks (discussed in Chapter 3).

In the following section applicable regulatory and statutory frameworks for the mining industry are discussed.

#### **2.4.4 MINING INDUSTRY REGULATION AND STATUTORY FRAMEWORKS**

In South Africa, the mining industry does not operate in isolation. Moreover, in the post-apartheid democratic environment, the commencement of mineral policies and various pieces of legislation should also be considered (Cawood, 2004). The strategies of the mining companies therefore have to be in compliance with governmental regulations, plus they have to accommodate labour relations and still achieve business profitability. Various regulatory and statutory frameworks that affect the mining industry are discussed below, namely, the Employment Equity Act of 1998, the Skills Development Act of 1998, the BBE Act of 1996, the BBBEE Act of 2003, and the Minerals and Petroleum Development Act of 2002.

#### **2.4.5 The Employment Equity Act, No 97 of 1998**

The main aim of the Employment Equity Act is to obtain equity in the workplace by promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the employment disadvantages experienced by HDSAs (Republic of South Africa, 1998). The goal is to ensure their equitable representation in all occupational categories and levels in the workforce (Thomas, 2002:237). The Employment Equity Act of 1998 necessitates companies taking steps to eliminate unfair discrimination, to develop annual employment equity plans (when employing more than 50 people) and to submit annual reports to the Department of Labour each year (Burger & Jafta, 2006).

#### **2.4.6 The Skills Development Act, No 55 of 1998**

The purpose of the Skills Development Act is to “develop the skills of the South African workforce and to improve the quality of life of workers and their prospects for work. The intention is to improve productivity in the workplace and the competitiveness of employers and to promote self-employment” (Petmin, 2009). This act strives to ensure the development of skills for the HDSAs in core and management functions of companies.

#### **2.4.7 The Black Economic Empowerment (BEE) Act**

Black Economic Empowerment (BEE) is an initiative to improve the standard of living and to increase the participation of black people in the economy of South Africa to achieve the transformation objectives of the government. It is seen as part of South Africa’s growth strategy which is associated with growth, development and enterprise development rather than the redistribution of wealth. BEE acts as a driver of the nation-building strategy and is viewed as fundamental to government’s economic plan (Rungan *et al.*, 2005). BEE is defined as the integrated and coherent socio-economic process that aims to directly contribute to the economic transformation of South Africa. This transformation driver has two main objectives, firstly, to increase the number of black people that own, manage and control the economy of the country, and secondly, to ensure a decrease in income inequalities (Arya & Bassi, 2009:4). BEE was recognised by the government as an inclusive process which means that all organisations are required to participate in this initiative (JSE, 2011). It is viewed as a significant profile strategy to achieve the objectives of the government.

BEE as a strategy consists of a policy statement that serves as a governmental reference which includes the (1) “formalisation of partnerships and charters with the private sector, (2) the usage of the balanced scorecard to track progress made, and (3) legalising acts that allows the formalisation of the codes and guidelines and the (4) establishment of the Advisory Council” (DTI, 2006:5).

One of the focused drivers of the BEE process was the development of the Broad-Based Black Economic Empowerment Act 53 of 2003.

#### **2.4.8 The Broad-Based Black Economic Empowerment (BBBEE) Act No 53 of 2003**

The BBBEE Act acts as an intercession by the South African government to address the systematic segregation of the majority of South Africans from full sharing in the economy” (DTI, 2006: 6). The BBBEE legislation was formalised as a code of practice and regulation, namely, Broad-Based Black Economic Empowerment Act No. 53, 2003. BBBEE is defined as “the economic empowerment of all black people, women, workers, youth, people living with disabilities, and people living in rural areas, through diverse but integrated socio-economic strategies” (Burger & Jafta, 2006) which includes:

1. Promoting economic transformation in order to enable meaningful participation in the economy;
2. Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
3. Increasing the extent to which communities, workers, cooperatives, and other collective enterprises own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;
4. Increasing the extent to which blacks own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training;
5. Promoting investment programmes that lead to broad-based and meaningful participation in the economy by blacks in order to achieve sustainable development and general prosperity;
6. Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership, and skills; and
7. Promoting access to finance for BEE.

BBBEE will be discussed with reference to the three elements, the six principles underlying BBBEE, as well as the core components underlying BBBEE and BBBEE scorecards.

### ***2.4.8.1 The three elements underlying BBBEE***

According to the DTI (2004) there are three elements that underlie BEE. These elements stipulate that BEE is a balanced broad-based strategy, an inclusive process and serves as a national growth strategy for the highest forms of good corporate governance.

- **BBBEE is broad-based.**

The BBBEE process aims to increase de-racialisation of the South African economy and to “fast track the re-entry of the HDSA communities in the mainstream of the economy” (DTI, 2004:7). Broad-based refers to obtaining a balanced strategy that tackles ownership, management, employment equity, skills development, preferential procurement, enterprise development and other areas of the BEE scorecard.

- **BBBEE is an inclusive process.**

This element advocates that every entity, private or public should participate in achieving the goals of BBBEE. This strategy should span across participators in all sectors of the economy.

- **BBBEE is part of South Africa’s growth strategy which must be associated with highest standards of good governance.**

The focus of this element is not just about redistribution of wealth, but the BBBEE process must ensure growth, expansion and venture development. Finally, BBBEE must be associated with the highest standards of corporate practice.

### ***2.4.8.2 The six key principles for executing BBBEE***

The key principles for executing BBBEE are recorded in the DTI (2004) statement policy. The elements are required to:

1. Be measurable.
2. Have sound economic principle.
3. Have substance over form.
4. Be comparable.
5. Be reliable.
6. Be complete and timely.

### **2.4.8.3 The three core components of BBBEE**

The three core components driving the implementation of BBBEE are categorised as direct empowerment, indirect empowerment and human resources development. Robertshaw (2006:24) reports that direct empowerment is measured by ownership, management indicators, and control of business and assets by black persons. Burger and Jafta (2006) report that management is measured by the number of black persons and other groups of HDSA representation in executive management, such as representation on the board of directors and board committees. Indirect empowerment is measured by preferential procurement, enterprise development and residual elements indicators. Lastly, the human resources development component is measured by employment equity and skills development indicators pertaining to black people. Table 2.2 shows the components of BBBEE:

**Table 2.2: The core components of the BBBEE**

<b>Component</b>	<b>Beneficiary</b>
1. Direct Empowerment	Equity holders, executives, and other owners and managers of economic resources
2. Indirect Empowerment	Suppliers, communities and other relevant stakeholders
3. Human Resources Development	Employees and job seekers

Source: Adapted from DTI (2004:12)

### **2.4.8.4 BBBEE Codes of Good Practice**

The Codes of Good Practice are applicable to all industries that are active in the economy. They provide transformation standards, detailed targets, the proposed way of achieving targets and performance measures all tied to an official authentication procedure (Arya & Bassi, 2009). The reason for existence of the Codes of Good Practice is to aid and inform the state and private entities of the execution of the BBBEE Act. These Codes of Good Practice provide standards and procedures that would drive and move forward the execution of the BBBEE in a significant and sustainable manner (DTI, 2004).

The Codes of Good Practice are discussed below:

**Ownership** - means that the HDSA should be allowed to own, manage and control enterprises.

**Management control** - recommends that the practice of BEE should enable HDSAs to have management stakes in the businesses that contribute to the country's economic development. This means that ownership of assets and enterprises by HDSAs must be a domineering benefit providing evidence for authentic participation in decision making at board level, executive management and operational levels. HDSAs should also be allowed to take risks (DTI, 2004:125). Since one of the transformation objectives of management control is representation of HDSAs on the board and executive management, the key principles of management control are:

- the individual must be a member of the governing body i.e. responsible for policy formulation, strategic planning, or planning, directing and coordinating the policies and the activities of the enterprise,
- the individual must be a member having an equity interest in the equity of an enterprise, such as being a shareholder of a company limited by shareholding or a shareholder in a cooperative society,
- be a member of a close corporation,
- a partner in a partnership,
- a beneficiary in a trading trust, or
- be the sole proprietor in a sole proprietorship.

In any of the above scenarios it is also expected that the individual must have voting rights that are expressed as a percentage of the votes to which the member is entitled, over the total number of votes to which all members of that enterprise are entitled at meetings held by the enterprise.

The management of black control can be calculated as the weighted proportion of HDSAs represented on the governing body of the enterprise. Different weightings will apply to non-executives and executive representatives, based on operational decision-making capabilities. A full-time or executive manager is a representative who participates in the day-to-day management of the enterprise's affairs and gives continuous attention to the affairs of the enterprise. A non-executive manager does

not undertake any day-to-day operational affairs and their duties are of an intermittent nature, performed at periodic management meetings.

Table 2.3, below, shows that HDSA representation, other than a black female, in a CEO/ Financial Officer or Chairman position will normally be allocated 2 points, whereas a black female CEO appointment will be allocated 3 points. For a non-Executive Chairman position, a normal allocation will be 1 point but for black females this will be increased to 1.5 points. For positions, such as non-Executive Directors represented by an HDSA, a 0.5 point is allocated, whilst for a black female representation 0.75 points is allocated. This indicates that black women representation will be granted a 50% increase. This implies that female black representation in executive positions is deemed important by the government as it has higher ratings.

**Table 2.3: Governing body positions at executive level**

Governing body position	Allocation	Black women allocation
Chief Executive Officer/ Chief Financial Officer/ Chief Operating Officer/ Chairman	2.00	3.00
Other executive members of the governing body Non-Executive Chairman	1.00	1.5
Non-Executive members of the governing body	0.5	0.75

Source: Adapted from DTI (2004:12)

**Employment equity** - this scorecard refers to initiatives utilised to attain equity in the workplace by (1) promoting equal opportunity and fair treatment in employment through the removal of inequitable discrimination, and (2) implementing affirmative action measures to equalise the disadvantages in the employment experienced by HDSAs in order to ensure their equitable account in all occupational categories and levels in the workplace. Companies are required to abide by the requirements of the Employment Equity Act. The Employment Equity Act aims to enforce participation of HDSAs in the running, professional and executive decision-making activities of the companies employing them (DTI, 2004).

**Skills development** - in the perspective of the BEE Act, it refers to the development of focal competencies and technical skills of HDSAs to exercise their practice in the mainstream of the economy (DTI, 2004).

**Preferential procurement** - this is a measure intended to expand market entrance for entities, in order to incorporate them into the majority of the economy. This implies that the HDSA will indirectly benefit from this as private and public entities are forced to use HDSA businesses (DTI, 2004).

**Enterprise development** - the BBBEE Act aims to promote the participation of HDSAs in economic activities through offering considerable support for enterprise development, especially to women black entrepreneurs, cooperatives and designated groups. The government perceives that sustainable small, micro, and medium enterprises (SMME) will create employment and improve the economy of the country.

**Socio economic development** - refers to the improvement of social and economic status of HDSAs by eliminating poverty, providing integrated educational programmes, and provision of healthcare.

#### **2.4.9 The Minerals and Petroleum Resources Development Act 28 of 2002**

Mineral resources are acknowledged as state resources and are governed by the Minerals and Petroleum Resources Development Act, 2002 (MPRDA). The MPRDA has replaced the Minerals Act, 1991 (DME, 2004). The Minerals Act of 1991 had secured mineral rights in private individuals consisting of the previously advantaged South Africans (DMR, 2009:20). The MPRDA was effected by the obvious new political dispensation after 1994 that included:

- a change in politics driven by reconciliation and peace negotiations,
- the globalisation of the South African mining industry with the free trade of mineral resources to the global arena, and
- the beginning of sustainable development as a complete system to substitute the environmental management approach (Cawood, 2004) with a view to promoting mineral investment in South Africa.

This regulatory framework has vested the “custodianship of mineral rights to the state” (DMR, 2009:20) and aims to be globally competitive with efficient administration (Cawood, 2004). In general the MPRDA monitors and documents the transformation of national mineral and mining policies (Van der Zwan & Nel, 2010). These policies aim to “redress the results of the past based on race, gender or other

disability of HDSA in the minerals and petroleum's industry, related industries and in the value chain of such industries" (Republic of South Africa, 2002:10) .

The MPRDA states that the mining sector has the duty to guarantee that mining exploitation of minerals shall benefit the economy, adhere to corporate social responsibility issues, safety, health, skills development and provision of employment opportunities to the HDSA (Chamber of Mines, 2007). Mineral rights and ownership are at the core of the MPRDA (Cawood, 2004). The Act tackles numerous matters including (1) transformation of the minerals and mining industry, (2) promotion of equitable access to South Africa's mineral resources, (3) promotion of investment in exploration, (4) mining and mineral beneficiation, (5) socio-economic development of South Africa, and (5) environmental sustainability of the mining industry (DME, 2004:1).

In presenting the events that led to the shaping of the legislation related to minerals and petroleum, Cawood (2004: 54) reports that the MPRDA has incorporated some of the clauses of the ANC's Freedom Charter of 1955. It also included the objectives of the RDP programme in 1994 which articulated that the previous system of mineral rights prevented the ultimate development of mining and essential use of urban land. The manifesto stressed the taking back of private mineral rights by the new government (Cawood, 2004). The MPRDA has also taken into account the constitutional claim of acts to administer and preside over employment equity and the empowerment of HDSAs.

The MPRDA steering committee further took into consideration the 1998 White Paper on the Minerals and Mining Policy for South Africa. In this policy the committee looked at BEE policy instruments (MPRDA, 2002), namely:

- Promotion of small-scale mining through a special licensing arrangement.
- Access for small-scale miners to government information and technical expertise, as well as government facilitating access to finance.
- Engineering a wider spread of ownership in the mineral sector focusing on BEE and the promotion of employee share-ownership schemes.
- People issues, such as improving the health and safety of workers, human resources development through appropriate education and training programmes,

representation of all South Africans in the appointment of staff, on-mine housing and living conditions of workers, preserving mining employment, and

- The introduction of social plans, which are aimed to benefit the wider economy.

The MPRDA has a commitment to execute the following strategies: (MPRDA, 2002:18-19)

- Changing the ownership of mineral rights to a system where they are exclusively state owned.
- Applying pressure on industry to beneficiate within South Africa's borders.
- Forcing mining companies to consider the social welfare of affected people working on and living near mining operations as part of the project's feasibility study.
- Stimulating growth in the small-scale mining industry through easy access to mineral resources and information about them.

Each mining company should develop the following plans to achieve the above objectives of the MPRDA, namely, the Exploration plan (work plan), Financial plan, Mining Plan, Social Plan, Labour Plan, Environmental Plan, Empowerment Plan and the Marketing Plan (Cawood, 2004: 58).

## **2.5 SECTOR TRANSFORMATION CHARTERS**

In order to meet the objectives of the BBBEE, several sector transformation charters were developed, specifically to accommodate all industry sectors that have a significant impact in the economy. The key empowerment charters are the Mining Charter, the Petroleum and Liquid Fuel Charters, the Maritime Charter, the Tourism Charter, the Financial Services Charter, the ICT Charter, and the Healthcare Improvement Charter. All these charters have their specific performance indicators. For the purposes of this study, this literature review will focus on the Mining Charter.

### **2.5.1 The 2002 Mining Charter**

The 2002 Mining Charter is among the key empowerment charters developed by the government, and was informed by transformation concerns (Shabangu, 2010). The 2002 Mining Charter refers to the "Broad-Based Socio-Economic Empowerment Charter for the South African mining and minerals industry (DMR, 2010: v). The

Broad-Based Socio-Economic Empowerment Charter for the mining industry is concerned with increasing prospects for HDSAs in the mining industry through: the ownership of the South African mining industry, the management of mining projects, employment by the South African mining industry, worker and community participation in the South African mining industry, and sharing the benefits arising from the mining industry (Cawood, 2004:56).

The vision of the 2002 Mining Charter was to facilitate transformation, growth and development in the mining industry (Mining Charter, 2004). The purpose of the 2002 Mining Charter is to facilitate the mining industry to comply with the Broad-Based Socio-Economic Empowerment Charter (Fauconnier & Mathur-Helm, 2008). However, the shortage and deficiency of relevant skills has been identified as the strongest limitation to entering the mining industry (Mining Charter, 2004).

#### ***2.5.1.1 Motivation for the 2002 Mining Charter***

The motivation for the establishment of the 2002 Mining Charter is influenced by the following factors (Petmin, 2009):

- The history of South Africa, which resulted in blacks, mining communities and women being largely excluded from participating in the mainstream of the economy. In response to the formal mining industry intent on adopting a proactive strategy of change to foster and encourage BEE and transformation at all the tiers of ownership, management, skills development, employment equity, procurement and rural development.
- The imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa, in, among other things, Section 9 on equality (and unfair discrimination) in the Bill of Rights.
- The policy objective stated in the MPRDA to expand opportunities for HDSA to enter the mining and minerals industry or benefit from the exploitation of the nation's mineral resources.
- The scarcity of relevant skills identified as one of the barriers to entry into the mining sector by HDSAs.
- The slow progress made with employment equity in the mining industry compared with other industries, and

- Government's recognition that women, mining communities, and black people were excluded from partaking in mining activities.

### ***2.5.1.2 Objectives of the 2002 Mining Charter***

The overall goal of the 2002 Mining Charter is to develop a strong viable mining industry that will benefit all South African citizens and promote fair admission to the nation's minerals to all. The main objectives of the 2002 Mining Charter is to (Cawood, 2004:57; DME, 2004):

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

In order to achieve these objectives, the mining scorecard was developed as an instrument to measure performance with its own targets for individual companies. The 2004 Mining Scorecard is reviewed in Section 2.7 together with the revised 2010 Mining Scorecard. In the section below the 2002 Mining Charter impact assessment that was completed in 2009, will be discussed. This assessment was done to check the progress made after the development of the 2002 Mining Charter.

### ***2.5.1.3 The 2002 Mining Charter Impact Assessment completed in 2009***

The following findings were presented from the Mining Charter Impact Assessment released to the public in 2010. These conclusions were based on the assessment that was done by the Minister of Mineral Resources to evaluate the progress made by the industry in complying with the requirements of the 2002 Mining Charter and the 2004 Mining Scorecard (DME, 2009:4-16):

- **HDSA's in Management (including Women in mining):**

The mining companies are frequently appointing HDSAs in support functions disparate to core business appointments and executive management positions. The core business positions and executive management positions within mining companies are occupied by white South Africans (men and women) segregating the HDSAs. Minister Susan Shabangu called for the clarification of the meaning of HDSA, as a result of this finding.

- **Women participation in mining**

The results disclose that only 26% of mining companies have conformed to the 10% women (all-encompassing white women) involvement in mining companies. In fact, the standard rate of women participation is 6%. In general, women are employed in support functions with less than 1% occupying core management and executive management positions. Minister Shabangu also highlighted that it should be noted that most core management and executive management positions represented by HDSAs were occupied by white females.

- **Talent pool identification and fast tracking**

About 83% of mining companies have not identified a talent pool, with only 17% fast tracking those recognised for management positions. Employment samples in the mining industry reveal that the mainstream HDSA is still employed in bottom level positions. The goal of 40% of HDSA partaking in management, as stated in the Mining Charter, has proved to be difficult to realise. This weakness is supplemented by a report from the Human Rights Commission released on 4 November 2008 that authenticates these results. The Human Rights Commission report describes the lack of conformity by mining companies with the employment equity objectives in terms of race and gender representation. Findings from these reports are similar to the results of the 9<sup>th</sup> Employment Equity Commission report which emphasised that white South Africans continue to occupy top management positions and earn higher salaries than blacks, regardless of skills, qualifications and experience in companies.

The assessment further revealed that “the occurrence of racially discriminatory exercises in the mining industry, which impacted harmfully on the progress towards the attainment of equitably transformed place of work. The lack of investment in

HDSA skills development by the industry has created an inadequate pool of expertise necessary to effect meaningful gender and racial representation. As a result, retention of a few skilled HDSAs in companies has proven to be a challenge. There is evidence that progress on employment equity remains minimal, with most mining companies developing equity plans for regulatory compliance purposes” (DMR, 2009:9).

Although the 2002 Mining Charter and scorecard was well received by mining executives as a measure to attend to governmental transformation concerns, Tupy (2002) noted that the well-intended Mining Charter possibly would be a formula for disaster especially for managerial level appointments. He argued that South Africa has a shortage of qualified management candidates, and although the government was aware of this deficiency, it did not provide clear measurements through its scorecard. The mining industry privately viewed that the 2002 Mining Charter affected expansions and growth of their businesses in their effort to comply (Tupy, 2002).

#### ***2.5.1.4 The amendment of The Mining Charter in 2010***

The amendment of the Mining Charter, launched in September 2010, was done by the Department of Mineral Resources after the review of the transformation progress of the mining industry against the objectives of the Mining Charter (DMR, 2010) that were set in 2002. The progress review revealed weaknesses in the execution of the elements of the Mining Charter. Indeed, Minister Shabangu reported that the transformation progress in the mining industry was “disappointingly slow” (Shabangu, 2010). Minister Shabangu further reported that the gender and racial distribution of the employees in the mining industry do not reflect the demographics and diversity of South Africa. The Minister asserted that this industry is heavily dominated by white men and females, particularly in top management positions and technical positions. Income disparities were also evident, regardless of skills and experiences. Furthermore, there was a lack of devotion to develop HDSAs with core and critical skills (Shabangu, 2010).

The aims following the revised charter were to (1) simplify certain vagueness and qualms which subsisted beneath the original 2002 Mining Charter; (2) to provide more detailed objectives than the 2002 Mining Charter; (3) to restructure and

accelerate accomplishment of its objectives (Schoeman, 2010:1); and (4) ultimately hone its usefulness in driving transformation and competitiveness in the mining industry. The vision of the 2010 Mining Charter is to facilitate sustainable transformation, growth and development of the mining industry (Shabangu, 2010). The mission of the 2010 Mining Charter is “To give effect to section 100(2) of the MPRDA and section 9 of the constitution” (DMR, 2010: ii).

The amended 2010 Mining Charter kept all the existing elements, but in addition, introduced the concept of the sustainable growth of the mining industry to attain the sustainable transformation and advancement (DMR, 2010:i). This is discussed briefly in the next paragraph.

#### ***2.5.1.5 Sustainable development and growth of the mining industry***

Due to the fact that mineral resources are being depleted and cannot be naturally renewed, the exploitation of resources should accentuate the significance of maintaining a balance between the economic benefits and social and environmental needs, without compromising the need for upcoming generations to also benefit. Each mining company is required to put into practice the requirements of the sustainable development guidelines. These guidelines are contained in the “Declaration on Strategy for the sustainable growth and meaningful transformation of South Africa’s mining industry on 30 June 2010 and in compliance with all relevant legislation”. These guidelines contain improvements of the industry’s environmental management, and improvements of the industry’s health and safety performance. Lastly, the guidelines require the stakeholder’s involvement in improving the competence and skills in the national research and development facilities to obtain quality, speed, cost effectiveness and integrity of such facilities. Mining companies are also required to use these research facilities for the assessment of sections across the mining value chain.

The following section highlights the key differences between the 2002 and 2010 Mining Charters.

#### ***2.5.1.6 Key differences between the Mining Charters of 2002 and 2010***

The objectives of the 2002 Mining Charter and the amended 2010 Mining Charter are the same with the difference of the latter being referred to as “a governmental technique to include and ensure sustainable growth and evocative transformation of

the mining industry” (DMR, 2010). Other than the introduction of the sustainable development item, the key improvement made was the modification of the Mining Charter’s measurement instrument, namely, the Mining Scorecard. The modification sought to develop more realistic and achievable objectives for mining companies.

The 2004 Mining Scorecard and the 2010 Mining Scorecard are discussed in the next section.

## **2.6 THE MINING SCORECARDS**

The Mining Scorecard is regarded as a measurement instrument that provides performance criteria for the attainment of the Mining Charter’s objectives. It provides mining companies with a structure and a framework to comply with the Mineral and Petroleum Resources Development Act, 2002 and the Mining Charter. Like the Mining Charters, there are the initial scorecard developed in 2004 and the amended scorecard developed in 2010 following the 2002 Mining Charter impact assessment completed in 2009. The individual scorecards are discussed below and the key differences of the scorecards will end this section.

### **2.6.1 The 2004 Mining Scorecard**

The 2004 Mining Scorecard was the first scorecard developed to set transformation standards (Cawood, 2004) against which individual companies were measured (Fauconnier & Mathur-Helm, 2008). The 2004 Mining Scorecard was informed by the elements of the 2002 Mining Charter.

The 2004 Mining Scorecard was also developed to be in line with the BBBEE Codes of Good Practice discussed previously. The scorecard measures the obligation of the mining industry at all levels of BEE (Rungan *et al.*, 2005). The Mining Charter explains “how to do it” and the Mining scorecard explains “how companies will be evaluated” (Rungan *et al.*, 2005:740). The 2004 Mining Scorecard is adapted from the Government Gazette, 13 August, 2004. The measurement scorecard is depicted in Figure 2.1 below.

**ANNEXURE A: SCORECARD FOR THE BROAD BASED SOCIO-ECONOMIC EMPOWERMENT CHARTER FOR THE SOUTH AFRICAN MINING INDUSTRY**

NOTES	DESCRIPTION	5 YEAR TARGET			10 YEAR TARGET
		Yes	No		
1	<b>Human Resource Development</b>				
	• Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2005 and are employees being trained?	Yes	No		
	• Has the company implemented career paths for HDSA employees including skills development plans?	Yes	No		
	• Has the company developed systems through which empowerment groups can be mentored?	Yes	No		
2	<b>Employment Equity</b>				
	• Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	Yes	No		
	• Has the company established a plan to achieve a target for HDSA participation in management of 40% within five years and is implementing the plan?				
	• Has the company identified a talent pool and is it fast tracking it?	Yes	No		
	• Has the company established a plan to achieve the target for women participation in mining of 10% within the five years and is implementing the plan?				
3	<b>Migrant Labour</b>				
	• Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	Yes	No		
4	<b>Mine community and rural development.</b>				
	• 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).	Yes	No		
5	<b>Housing and Living Conditions</b>				
	• 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 implementing the plan?	Yes	No		
	• 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 implementing the plan?	Yes	No		
6	<b>Procurement</b>				
	• Has the mining company given HDSA's preferred supplier status?	Yes	No		
	• Has the mining company identified current level of procurement from HDSA companies in terms of capital goods, consumables and services?	Yes	No		
	• Has the mining company indicated a commitment to a progression of procurement from HDSA companies over a 3 – 5 year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?	Yes	No		
7	<b>Ownership &amp; Joint Ventures</b>				
	• 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?			15%	26%
8	<b>Beneficiation</b>				
	• Has the mining company identified its current level of beneficiation?	Yes	No		
	• Has the mining company established its base line level of beneficiation and indicated the extent that this will have to be grown in order to qualify for an offset?	Yes	No		
9	<b>Reporting</b>				
	• Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?	Yes	No		

Source: Adapted from DME (2004)

**Figure 2.1: The Mining Scorecard**

**2.6.1.1 Critique of the 2004 Mining Scorecard**

Rungan *et al.* (2005) have raised concerns over the practicability of measurement of the 2004 Mining Scorecard by arguing that a yes or no does not provide detail or explanations about meeting the requirement and targets. They argued that it was

unsuitable as a measurement scale. Rungan *et al.* (2005) advised the redraft of the scorecard to indicate and provide direction to the mining industry of exactly what was expected and achieved. The amendment of the Mining Charter in 2010 provided more measurable items, scales and targets. The amended mining scorecard is discussed next

## 2.6.2 The Amended 2010 Mining Scorecard

The amended 2010 Mining Scorecard serves to supplement the amended Mining Charter of 2010. Furthermore, this scorecard was developed to improve clarity on the requirements of the scorecard (Miningmix, 2011). Figure 2.4 represents the criterion for compliance followed by the thorough discussion of the elements of the scorecard.

**SCORECARD FOR THE BROAD-BASED SOCIO-ECONOMIC EMPOWERMENT CHARTER FOR THE SOUTH AFRICAN MINING INDUSTRY**

ELEMENT	DESCRIPTION	MEASURE	COMPLIANCE TARGET BY 2014	PROGRESS ACHIEVED BY					Weighting	
				2010	2011	2012	2013	2014		
1	Reporting	Has the company reported the level of compliance with the Charter for the Calendar year	Documentary proof of receipt from the department	Annually	March 2011	March 2012	March 2013	March 2014	March 2015	Y/N
2	Ownership	Minimum target for effective HDSA ownership	Meaningful economic participation	26%	15%	—————→			26%	Y/N
			Full shareholder rights	26%	15%	—————→			26%	
3	Housing and living conditions	Conversion and upgrading of hostels to attain the occupancy rate of one person per room.	Percentage reduction of occupancy rate towards 2014 target.	Occupancy rate of one person per room	Base-line	25%	50%	75%	100%	Y/N
		Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units	Family units established	Base-line	25%	50%	75%	100%	
4	Procurement & Enterprise Development	Procurement spent from BEE entity	Capital goods	40%	5%	10%	20%	30%	40%	5%
			Services	70%	30%	40%	50%	60%	70%	5%
			Consumable goods	50%	10%	15%	25%	40%	50%	2%
		Multinational suppliers contribution to the social fund	Annual spend on procurement from multinational suppliers	0.5% of procurement value	0.50%	0.50%	0.50%	0.50%	0.50%	3%
5	Employment Equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness.	Top Management (Board)	40%	20%	25%	30%	35%	40%	3%
			Senior Management (Exco)	40%	20%	25%	30%	35%	40%	4%
			Middle Management	40%	30%	35%	40%	40%	40%	3%
			Junior Management	40%	40%	40%	40%	40%	40%	1%
			Core Skills	40%	15%	20%	30%	35%	40%	5%
6	Human Resource Development	Development of requisite skills, incl. support for South African based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency (energy and water use in mining), beneficiation as well as environmental conservation	HRD expenditure as percentage of total annual payroll (excl. mandatory skills development levy)	5%	3%	3.5%	4.0%	4.5%	5.0%	25%

ELEMENT	DESCRIPTION	MEASURE	COMPLIANCE TARGET BY 2014	PROGRESS ACHIEVED BY					Weighting	
				2010	2011	2012	2013	2014		
7	Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects	Up-to-date project implementation	Implementation of projects will serve to enhance relationships amongst stakeholders leading to communities owing patronage to projects.					15%
8	Sustainable development & growth	Improvement of the industry's environmental management	Implementation of approved EMPs.	100%	Annual progress achieved against approved EMPs.					12%
		Improvement of the industry's mine health and safety performance	Implementation of the tripartite action plan on health and safety	100%	Annual progress achieved against commitments in the tripartite action plan on health and safety.					12%
		Utilisation of South African based research facilities for analysis of samples across the mining value	Percentage of samples in South African facilities	100%	establish baseline	25%	50%	75%	100%	5%
9	Beneficiation	Contribution of a mining company towards beneficiation (this measure is effective from 2012)	Additional production volume contributory to local value addition beyond the base-line	Section 26 of the MPRDA (percentage above baseline )	The beneficiation strategy and its modalities of implementation outline the beneficiation requirements per commodity extracted in South Africa.					-
<b>TOTAL SCORE</b>									100%	

Source: Adapted from DMR (2009)

**Figure 2.2: Amended 2010 Mining Scorecard**

### **2.6.2.1 The employment equity scorecard**

Diversity and equal representation of race, gender, age, ethnicity, and so on, at all employment levels are considered as channels for social solidity, transformation and performance in any South African organisation. The Mining Charter's compliance to employment equity standards is measured by the company's ability to establish a plan to achieve an HDSA demographic representation of at least 40% of HDSA participation, particularly in the top management category (DMR, 2010:3). These categories are necessary and inextricably linked to day-to-day operations or skills that enhance the performance of a company and are in scarce supply. Employment categories could include artisans, engineers, professionals (i.e. recognised by a professional body), and specialists (e.g. surveyor, safety specialist, geologist, metallurgist, winding engine driver, environmentalists, technologists, technicians, and persons with mining specific qualifications or licenses). An employee must be placed in the category that best resembles his/her job. Table 2.4 below represents the scoreboard used to calculate targets obtained. Table 2.5 calculates percentage points for HDSAs at different management levels.

**Table 2.4: The scoreboard used to calculate targets obtained**

Category	African		Coloured		Indian		White	Subtotals (A)	White
	Male	Female	Male	Female	Male	Female	Female		Male
Top management								0	
Senior management								0	
Middle Management								0	
Junior Management								0	
Core & Critical Skills (1)								0	
Total of the above	0	0	0	0	0	0	0	0	0

Source: Adapted from DMR (2009)

**Table 2.5: Percentage HDSAs at different levels**

	Subtotals as in table above (A)	Grand totals as in table above (B)	A as % of B	TARGET					Points (office use only)
				2010	2011	2012	2013	2014	Max.
Top management	0	0		20%	25%	30%	35%	40%	3
Senior management	0	0		20%	25%	30%	35%	40%	4
Middle Management	0	0		30%	35%	40%	40%	40%	3
Junior Management	0	0		40%	40%	40%	40%	40%	1
Core and Critical Skills	0	0		15%	20%	30%	35%	40%	5
<b>TOTAL</b>	0	0							16

Source: Adapted from DMR (2009)

For Table 2.5, one point will be deducted for every 0.5% below target. Further to the above requirements, the mining companies should spot and fast track their current talent pools to give them experience of high quality exposure through career pathway curriculum development or programmes. In addition, each company has to publish its employment equity plan for both lower and top management levels (Cawood, 2004) and report its progress in meeting its set objectives on an annual basis. Lastly, each company has to establish a plan to achieve the target of 10% for the participation of women in mining within five years of the formulation of plans to

ensure higher levels of inclusiveness and the advancement of women (Republic of South Africa, 2002).

### ***2.6.2.2 Human resources development scorecard***

Human resources development represents a significant contribution to social transformation and continued growth in a company. The mining industry must achieve the following objectives by 2014 (DMR, 2010:3):

- Apply and provide a certain percentage of annual payroll (as per applicable legislation) in required skills development activities that are contemplative of demographics (excluding compulsory skills levy), and
- Offer support for the national research that is based on development initiatives and recommendations or solutions in exploration, mining processing, technology efficient use (energy and water use in mining), beneficiation and environmental conservation and rehabilitation.
  - Year 2010 Target = 3%
  - Year 2011 Target = 3.5%
  - Year 2012 Target = 4%
  - Year 2013 Target = 4.5%
  - Year 2014 Target = 5%

The mining industry is required to present a skills audit in which the skills development plan is featured. Some of the long-term goal requirements are to grant scholarships and bursaries that support mining education. For the immediate goals, the mining industry is required to provide entrepreneurship programmes and provide literacy and numeracy as part of adult education (Cawood, 2004). Table 2.6 (below) is used as a scorecard to calculate total HRD expenditure, excluding the mandatory skills development levy. It is calculated in million Rands.

**Table 2.6: Total HRD expenditure (excluding mandatory skills development levy) in R million**

Expenditure items	African		Coloured		Indian	
	Male	Female	Male	Female	Male	Female
a) Learnership						
b) Artisans and apprentices						
c) ABET Training						
d) Other training initiatives						
e) Bursaries and scholarships						
f) Transfer of skills and capacity building of mine communities						
g) Other school support & post matric programmes						
h) Support for South African based research and development initiatives						
i) Total HRD expenditure (R million) (A)	0	0	0	0	0	0

Source: Adapted from DMR (2009)

### **2.6.2.3 Mine community development scorecard**

It is generally known that mining activities are typically situated in remote and under-developed areas of the country (Shabangu, 2010). Mining communities are often neglected by the mining companies. As a result, there are tensions between these communities and mining companies regarding the welfare of communities and mineworkers (Shabangu, 2010). The 2010 Mining Charter requires that the mining industry contributes meaningfully towards developing communities in terms of size and impact. The mining industry should adhere to the conditions of the social licence to operate in those communities and prepare plans for community development (Cawood, 2004). Mining stakeholders should:

- Review global best practices in terms of policies, principles and guidelines. The principles require mining companies to be devoted to ethnographic discussions and consultations through concerted efforts before engaging with mining projects, development and implementation.

- Perform a needs assessment on the community to establish their developmental focus areas. In their projects, the mining companies should establish projects to match the needs for community development and these details should be incorporated in their Integrated Development Plans.

#### ***2.6.2.4 Housing and living conditions scorecard***

The mineworkers should be given respect and human dignity by improving their housing and living conditions with the view to increasing home ownership schemes (Cawood, 2004). This act will accelerate transformation and increase the productivity of mineworkers (Shabangu, 2010). The scorecard states that the mining industry should be able to execute development plans to improve the housing and living conditions of mineworkers by the following activities:

- Convert or upgrade hostels into family units by 2014.
- Attain the occupancy rate of one person per room by 2014.
- Facilitate home ownership options for all mine employees in consultation with organised labour by 2014.

Research offered by Danasereau (2010:88) revealed that when family housing is established at the mines, it results in the creation of permanent communities in underdeveloped areas. If this is not done properly, it could be detrimental to workers, the environment and lead to the disruption of traditional communities.

#### ***2.6.2.5 Procurement and Enterprise Development scorecard***

This scorecard promotes the purchase of locally made goods and services from BEE entities by companies in the mining industry. This goal is promoted with a view to developing partnerships with HDSA ventures (Cawood, 2004). This action promotes transformation, allows prospects to increase growth in the economy, contributes to employment creation and finally expands the capacity for market access of local capital goods and services. The procurement from BEE entities should be in agreement with the following criteria: (DMR, 2010:2).

- Purchase of at least 40% of capital goods from BEE entities by 2014.
- Ensure that multinational suppliers of capital goods annually contribute at least 0.5 per cent of the annual income generated from local mining companies into a

social development fund towards the socio-economic development of local communities. This should be in place by 2010.

- Purchase 70 per cent of services and 50 per cent of consumer goods from BEE entities by 2014.

#### ***2.6.2.6 Ownership mining scorecard***

The mining assets ownership has shown little change in the transfer of rights and ownership. It is prevailed by the racial and gender disparity. Shabangu (2010) reports that the racial ownership pattern of mining assets has mainly remained untransformed, BEE ownership was aimed at 15 per cent against 8.9 per cent achieved. The ownership scorecard seeks to provide the means for HDSAs to participate in the economy through the following initiatives (DMR, 2010:1):

- Achieve a minimum target of 26 per cent ownership (Cawood, 2004) to enable meaningful economic participation of HDSAs by 2014 as compared to 40 per cent set in the first draft of the Mining Charter of 2002 (Shabangu, 2010).
- The only offsetting permissible under the ownership element is against the value of beneficiation, as provided for by Section 26 of the MPRDA and elaborated in the mineral beneficiation framework.

#### ***2.6.2.7 Beneficiation scorecard***

The beneficiation scorecard aims to convert the comparative advantage in mineral resources inheritance into a competitive advantage to improve industrialisation. As a result mining companies are required to ensure local beneficiation of mineral products by submitting to the requirements of the MPRDA Section 26 mineral beneficiation strategy (DMR, 2010). Mining companies may compensate the value of the level of beneficiation achieved by the company against a portion of its HDSA ownership requirements not exceeding 11 per cent.

#### ***2.6.2.8 Reporting mining scorecard***

The reporting scorecard is the monitoring and evaluation scorecard. The mining industry must report on its echelon of conformity to the Mining Charter on a yearly basis with reference to the MPRDA Section 28(2) (c). Such acts will be evaluated by the Department of Minerals and Energy on an annual basis (DMR, 2010) and formal assessments will be performed every five years.

### **2.6.3 Key differences between the Mining scorecards of 2004 and 2010**

The key differences between the 2004 and 2010 mining scorecards are the modifications to the measurement items. The 2010 Mining Scorecard has provided more measurable items, which are evaluated against a clearly defined set of criteria, compared to the 2004 Mining Scorecard which used a yes/no to provide conformance feedback.

## **2.7 CONCLUSION**

Certainly, the regulations, statutory framework and the mining scorecards have provided an abundance of transformation goals that are expected from mining companies. Compliance targets are reflected in the 2004 and 2010 Mining Scorecards. These are in line with the objectives of the Mining Charter, the Chamber of Mines and the Minerals and Petroleum's Resources Development Act of 2002.

This literature study revealed that the mining industry is still faced with challenges in response to conformance with the requirements of the Mining Scorecard. The lack of conformance, specifically to the EE scorecard, was motivated by numerous factors, such as the lack of skills, experience and qualifications of HDSAs preventing them from occupying leadership or executive management positions, the unrealistic expectations of the initial 2004 Mining Scorecard, and the vagueness of the 2004 Mining Scorecard. Literature revealed that the term HDSA also needs clarification because it was described differently in the Mining Charters and the BBBEE Act. The next progress review in conformance to the revised mining scorecard targets will be measured by the government in 2014. The results will determine the status of transformation in the mining industry.

In closing, compliance with the charter objectives forms an important goal of governance within mining companies. Furthermore, compliance to codes of governance is associated with good governance and certainly good governance shows that an important part of the economic restructuring and transformation is improving the quality and transparency of all economic activity. As a result, EE scorecard implementation must be linked with and ensure the highest standards of corporate governance to ensure that the quality of corporate boards and governance is enhanced.

Chapter 3 will include a section on a Framework of Corporate Governance. This chapter will give insight on board composition, board diversity and the criteria for the appointment of directors at the executive level.

## **CHAPTER 3      CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS**

### **3.1    INTRODUCTION**

Past research and topical areas in board and governance research have focused on diverse boards in terms of gender, race and functional background (Carter, Simkins & Simpson, 2003; Krus, Morgan & Ginsberg, 2012). Directors of boards are responsible for providing strategic direction in the organisation. Therefore, understanding how directors are chosen is crucial, as the ones elected provide leadership (Hermalin & Weisbach, 1988:589). As a result, the choice of directors to serve on boards should be carefully implemented. This chapter investigates corporate governance in South Africa as a proposed guideline to guide the behaviour and practice of organisational boards. The focus is specifically on board composition, board diversity, the board appointment process, and HDSA representation on the board of directors.

In the review to follow, corporate governance is contextualised to provide a theoretical and a holistic understanding of its relevance, both globally and locally. This contextualisation includes the dominant theories on corporate governance and key themes that emerged from governance studies regarding board composition. Such theories include the agency theory, resource dependence theory, institutional theory, stakeholder theory, stewardship theory and the power perspective theory.

This review is followed by best practice governance systems whereby the universal and local codes on governance are presented. Global governance systems reviewed include the Cadbury Report, the Greenbury Report and the Hampel Report. Locally, the King codes of governance, namely, the King I, II and III reports are reviewed. The final part of the chapter covers the diversity characteristics of boards. It reviews board roles, board structure, board composition, the importance of board diversity, and the board selection or appointment processes. It is important to note that this chapter takes a holistic view on the corporate governance of all organisations, but guiding principles will be applied to the mining industry.

## **3.2 CONCEPTUALISATION OF CORPORATE GOVERNANCE**

Corporate governance is regarded as “the system by which companies are directed and controlled” (Rossouw, Watt & Malan, 2002:289). Shleifer and Vishny (1997) explain that corporate governance was developed to control managers’ self-interests in order to protect owner or shareholder interests. It therefore, serves as a formal system of accountability of the board of directors to guard the interests of shareholders (Ehlers & Lazenby, 2010). Others add that corporate governance is about the formal and informal relationships between the corporate sector and its stakeholders and the impact of the corporate sector on society in general (Louw & Venter, 2010). Similarly, the IoD (2002) views corporate governance as the “the goal of aligning as nearly as possible the interests of individuals, corporations and society through four pillars, i.e. fairness, accountability, responsibility and accountability (IoD, 2002). It involves the establishment of structures and processes with appropriate checks and balances that enable directors to discharge their legal responsibilities and oversee compliance with legislation” (IoD, 2009:6). Per se corporate governance concerns “the legal, institutional, and cultural mechanisms that help owners and stakeholders to exercise control over corporate insiders and management” (Randøy, Thomsen & Oxelheim, 2006:4). This research adopts the definition of Rossouw *et al.* (2002) that defines corporate governance as a system by which companies are directed and controlled. The conception of corporate governance is explained below in relation to the evolution of theories on corporate governance, namely, the agency theory, resource dependence theory, institutional theory, stakeholder theory, stewardship theory and the power perspective theory.

### **3.2.1 The agency theory**

The primary theory that dominates corporate governance thinking is the agency theory (Daily *et al.*, 2003; Dalton, Daily, Certo & Roengpitya, 2003). This theory can be used to structure relations between managers and owners (Yeh & Taylor, 2008), following the separation of ownership and control of organisation (Rossouw *et al.*, 2002). The agency theory views the organisation as an agency, owners as principals and managers as agents (Eisenhardt, 1989). It implies that managers would maximise the returns of shareholders, provided that the necessary governance structures are executed (Donaldson & Davis, 1991). The issue with management

control was the mistrust by owners (shareholders) that managers (executives) could take advantage of the control function of the corporation to serve their own needs (Daily, Dalton & Cannella, 2003). This means an agency loss based on the difficulty and high cost for the principal to verify how the agent/manager/executive has executed his/her responsibilities (Eisenhardt, 1989). Further, agency loss may be a result of issues on risk sharing that appears when the principal and agent have dissimilar approaches towards risk. This position views the agents as more risk unenthusiastic than the principals.

Through the Shareholder Activism Act (Daily *et al.*, 2003), the agency theory enables shareholders to pursue internal and external systems to dissuade managers' self-interest. Internal systems view the board of directors as a fundamental internal governance mechanism (Ruigrok, Peck & Tacheva, 2007; Yeh & Taylor, 2008) which includes, (1) having a structured board to assume the role of corporate control and monitoring (Carter *et al.*, 2003; Donaldson & Davis, 1991; Yeh & Taylor, 2008), (2) enhancing strong ownership holdings of shareholders that enable monitoring of the board of directors, and (3) putting in place compensation contracts that encourage shareholder orientation. Compensation contracts could include senior managers obtaining shares at a bargain value to match interests (Donaldson & Davis, 1991). In essence, agents are paid employees responsible for the running of the operations of the business, and the board of directors are the mechanism to ensure that the paid employees (agents) will act in a way that will satisfy shareholders in a control and monitoring role (Yeh & Taylor, 2008).

The limitations of the agency theory include the assumption that the organisation is made up of two parties, namely, the principals and agents, whilst it has other parties in the environment to consider (Daily *et al.*, 2003; Yeh & Taylor, 2008). Chelladurai (2005) supported this view, arguing that an organisation functions in an open system that impacts, or is impacted on, by occurrences in the external environment in which the organisation functions. Therefore, the board has to be in engagement with the external environment to keep the organisation in balance compared to the sole monitoring function of the agency theory. These limitations led to the development of other theories to describe the liaison between the organisation and the external environment, by suggesting that the board includes outside directors. These theories

include the resource dependence theory, the institutional theory and the stakeholder theory (Yeh & Taylor, 2008).

### **3.2.2 The resource dependence theory**

The resource dependence theory is regarded as a complementary theory to the agency theory. It states that the prosperity of the organisation depends on the ability of the organisation to obtain and preserve resources vital for the organisation (Randøy *et al.*, 2006; Yeh & Taylor, 2008) from the external environment (Ruigrok *et al.*, 2007). This theory provides hypothetical development of the role of directors as resources connecting the organisation and its external environment, expanding the primary administrative function of control and monitoring (Miller-Millesen, 2003). This theory aims to address the argument that the board of directors acts as restrictive and peripheral agents of the company and the environment in which it operates. It also recommends that directors' responsibilities are to connect the organisation with its external environment, to decrease external uncertainty, obtain access to crucial information, to gather resources such as networks and contacts (Randøy, *et al.*, 2006; Ruigrok *et al.*, 2007) and to represent organisations (Daily, Dalton & Rajagopalan, 2003; McNulty & Pettigrew, 1999; Yeh & Taylor, 2008). Other suggestions were the inclusion of outside directors on the board who also serve as executives from financial and legal institutions to provide legal and financial advice to the corporate board. These resources are viewed as contributors to organisational prosperity and performance (Daily *et al.*, 2003) as it would be less costly if companies need to seek external advice.

### **3.2.3 The institutional theory**

Complementary to both the agency and resource dependence theory, the institutional theory supports the organisation to be in connection with the external environment but takes it further. The institutional theory recognises the need for the organisation to be aware of the rules, regulations and restrictive organisational practices in the environments in which it operates (Lynall, Golden & Hillman, 2003). This theory appreciates that universal ways of doing things ultimately become acceptable practises that are adopted. In most instances, the organisations will have to change their ways and learn to adopt acceptable practices, rules and regulations. As such, board roles in institutional theory have evolved due to learned ways of

doing things (Miller-Millesen, 2003), such as attending board meetings, conforming to rules and regulations that affect the company, completing mandatory paperwork, maintaining good financial management systems, and keeping away from conflict of interests (Miller-Millesen, 2003; Yeh & Taylor, 2008). These roles further require the organisation to adapt to change due to political, and globalisation changes and changing rules and regulations thereof.

A limitation of the institutional theory is that it did not provide reasons why and how the organisations were prone to refuse or accept change (Yeh & Taylor, 2008). According to Slack and Parent (2006) refusal to accept change derive from the resistance of interest groups, high cost of change, and lack of understanding of change. In these circumstances, the board would have to come up with other strategies to replace, ignore, accept change or negotiate with parties involved (Yeh & Taylor, 2008 ). In most instances, government will require organisations to adapt and comply with change, as failure to conform to institutional expectations may result in punishments, fines, and a loss of government support. As a result, and because of resistance to change, the board may just fulfil the mandatory paperwork (Yeh & Taylor, 2008) and cosmetically present conformance (Luoma & Goodstein, 1999).

Similar to the institutional theory, are the internal and external drivers of corporate governance, developed by Mensah in 2003. Mensah (2003) reported that external drivers of good corporate governance are the laws, rules and initiatives that result in competitive performance that discipline the actions of directors or shareholders. Internal drivers represent shareholders, boards of directors, management and business operations. The internal drivers must be responsive to stakeholder needs and their actions must be ethically based. The essence of this view is that the ethical behaviour of the internal drivers should allow cooperation with the views and objectives of external stakeholders (Mensah, 2003; Young, 2010).

According to the United Nations Economic Commission for Africa (UNECA) (2002), governments are responsible for encouraging good governance and ensuring monitoring thereof. UNECA has highlighted that good corporate governance is characterised by the abilities of institutes to (1) have the competence to administer resources effectively, (2) be able to formulate, implement, and enforce sound policies and regulations, (3) be monitored and be held accountable, and (4) have respect for the norms and rules of economic interaction. All these factors will ensure

transparency in the private sector and ensure a favourable environment wherein the private sector can grow and develop institutional effectiveness (UNECA, 2002; Young, 2010).

### **3.2.4 The stakeholder theory**

Further to the institutional theory, the stakeholder theory identifies possible organisational stakeholders. This theory deems the organisation as a shared body that is responsible and accountable to a variety of stakeholders, such as owners or shareholders, suppliers, customers, employees, government and local communities (West, 2006:434). As a result, organisations have to find a way to meet the needs of all stakeholders' interests (Yeh & Taylor, 2008), and the basic role of the board of directors is to recognise, be aware of and meet the needs of each stakeholder (Carver, 1997).

### **3.2.5 The stewardship theory**

The stewardship theory gained popularity among researchers as an opposing and proponent theory to the agency theory. While the agency theory views the managers and the board of directors as self-serving and opportunistic, this theory suggests that their interests are the same but different from those of shareholders. This theory states that managers and the board of directors are also concerned with the strategic performance of the business and are dedicated to operate the company's business activities in a manner that increases the performance of the business (Daily *et al.*, 2003). Managers often possess the motivation to perform and be good stewards for the organisation (Barney, 1980; Donaldson & Davis, 1991). Particularly when the managers have worked for the organisation for a long time, they are more likely to have emotional bonds with the organisation and view its success as a reflection of their performance. This implies that the motivation to perform cannot be undermined. The stewardship theory also deduces that the structure in which the manager is placed plays a critical role, in that it determines whether the manager will be allowed to perform (Donaldson, 1985). This structure should facilitate the strategy of the business and allow transparent, reliable role expectations and empower top management (Donaldson & Davis, 1991). In this regard the stewardship theory recommends CEO duality supporting the notion that the CEO and the chairperson should be the same person, in order to have clear lines of authority with a focus of

authority and the influence of one person. The organisation benefits from this arrangement as there will be a unity of direction, strong command and control which will enhance facilitative and empowering structures for overall effectiveness (Donaldson & Davis, 1991).

### **3.2.6 The power perspective theory**

The power perspective theory recognises the prospective variance of interests between shareholders, directors and managers (Daily *et al.*, 2003). It led to studies that investigated the CEO succession and revealed the existence of power relationships between the CEO and the board of directors. Studies done by Shen and Canella (2003) suggest that CEOs can practise power over the progression process by eliminating potential successor candidates. The period of director appointment on the board may also have an influence on power relationships between the CEO and the board (Daily *et al.*, 2003). This relationship may stem from directors that may feel indebted to the CEO as they were appointed at the same time, or from fear of contesting the CEO (Monks & Minow, 1991).

For this study, these theories give the rationale for the existence and roles of the board of directors in companies, specifically South African companies, especially JSE listed, where the board of directors is seen as a focal governance mechanism. It is not only a requirement for companies to have the board of directors and to report on their proactive participation, but the board must constitute of appropriate and qualified candidates who will act in the best interest of the company. It implies directors who will take responsibility and account for the company's actions or their behaviour. This requires the appointment of directors to be a carefully executed task. It can therefore be argued that HDSA appointments should comprise of qualified and experienced candidates who will act in the best interest of the company.

Given the notion that the board of directors should act in the best interest of the company, the development of the above theories enabled for the development of the best practice governance codes which are discussed in the next section.

### **3.3 GLOBAL AND LOCAL BEST PRACTICE GOVERNANCE CODES**

Globally and locally, a range of codes and principles have been developed to guide corporate behaviour. The main objectives of most codes are to create best practices to guarantee accountability for behaviour; acting with responsibility and being transparent to stakeholders; to create and monitor checks and balances in organisations; and to create systems whereby risks are recognised and avoided (Burger & Goslin, 2005:2). Discussed below are the Cadbury Report, Greenbury Report and the Hampel Report which outline a background on global dominant corporate governance codes in terms of chronological importance. Locally, the King I, II, and III reports denote acceptable corporate practices for South African organisations and they are discussed thereafter.

#### **3.3.1 The Cadbury Report - 1992**

The Cadbury Report formalised corporate governance globally (Gaved, 1998). It provides a framework that individual companies could adopt and refer to, in terms of good practices based on individual circumstances (Cadbury Committee Report, 1992). It further provides appropriate measures for good governance. The Cadbury Report describes key concepts of governance, namely, transparent and ethical financial reporting and auditing. It also highlights the roles of the board, board composition, and auditing and reporting values (Steele, 1999). In support of the agency theory, it suggested that the role of the chairperson and the chief executive officer be separated to improve internal controls (Burger & Gosling, 2005; Reed, 2000).

#### **3.3.2 The Greenbury Report - 1995**

The Greenbury Report aims to increase good governance principles following unease over directors' remuneration, directors' severance packages, despite employee job loss and scale down procedures (Burger & Gosling, 2005; Greenbury Report, 1995). This transparent report aimed at initialising a code of practice for the transparent disclosure of information and remuneration of directors (Steele, 1999).

### **3.3.3 The Hampel Report - 1998**

After the Hampel Committee on Corporate Governance reviewed the Cadbury and the Greenbury reports, they produced the Hampel Report as a comprehensive code of corporate governance (Burger & Goslin, 2005; Reed, 2000; Steele, 1999). The Hampel Report proposes measures for supervising monetary and non-monetary threats and controls. The Hampel Report mainly addresses board performance, executive director's roles, the audit, nomination and remuneration committees, contracts of directors, remuneration, disclosure of information, conduct of meetings, and training of directors (Hampel Report, 1998; Steele, 1999). The Hampel Report was incorporated into the London's Stock Exchange for consideration as a means of self-regulation (Burger & Goslin, 2005:3).

It is of importance to note that South African companies are also governed by codes of conduct. As South Africa is considered to be the economic hub of Africa (Vaughn & Ryan, 2006; Young, 2010), it is therefore crucial for South African companies to conform to standards of good practice. Furthermore, the return of foreign investors, after the collapse of apartheid in 1994, commanded transformation of corporate compositions to incorporate practices of accountability, transparency, and fairness to all stakeholders (Kakabadse & Korac-Kakabadse, 2002; Vaughn & Ryan, 2006). As a result, Mervyn King, a retired judge, was appointed in 1994 to establish a commission under the guidance of the Institute of Directors (IOD) to draw up guidelines for acceptable governance practices for companies in South Africa (West, 2006).

### **3.3.4 The King I Report on Corporate governance - 1994 (King I)**

The King I Report which was issued in November 1994, institutionalised corporate governance in South Africa (IoD, 1994) King I was considered revolutionary as it promoted an advancement of good governance in the interest of a wide variety of stakeholders (Cliffe Dekker Attorneys, 2002). It was the first report to realise a comprehensive guide on good corporate governance and went beyond the financial and regulatory factors listed in international governance reports (Burger & Goslin, 2005). It laid out a guide of the codes of conduct for the corporate board, directors and different types of organisations. In addition to good corporate practices, King I emphasised the need for organisations to encompass national transformational

goals, such as supporting affirmative action programmes in their business plans. The developments in legislation such as the Labour Relations Act (No. 66 of 1995), Basic Conditions of Employment Act (No.75 of 1997), Employment Equity Act (No. 55 of 1998), the National Environmental Act (No.107 of 1998), and the listing requirements of the JSE and the statutory amendments to the Companies Act (No.61 of 1973) necessitated the revision of the King I.

### **3.3.5 The King II Report on Corporate Governance - 2002 (King II)**

Issued in March 2002, the King II Report was specially developed to incorporate the new legislation, global changes in corporate governance practices, developments in information technology, as well as the uncertainties in the economy and the political landscape (West, 2006). According to Cliffe Dekker Attorneys (2002), the King II report embraces the shift away from single bottom line (acting in the interests of shareholders) to a triple bottom line, to embrace the three aspects of company's actions, i.e. economic, environmental and social aspects. It recommends an organisation to adopt an inclusive approach (Rossouw *et al.*, 2002) and not an exclusive approach, by balancing conformance with good governance and the company's performance (IoD, 2002:19). It does so by recommending sustainability reporting for all companies and provides guidelines on how to tackle stakeholder concerns (West, 2006:487). This integrated sustainability reporting stipulates that each company should report no less than once per annum on its social, transformation, and ethics policies and practices. Reporting on these topics should include amongst other things:

- non-financial aspects of the business,
- transformation progress relating to the implementation of the EE and BEE targets and HDSA development to executive management positions,
- human capital development policies,
- safety and health concerns,
- organisational ethics,
- environmental impact, and
- social investment policies (Cliffe Dekker Attorneys, 2002).

The main aim of the King II was to promote improved economic efficiency for the company, to appeal to traditional African values (Ubuntu) and to focus on the current socio-economic conditions in South Africa (Burger & Gosling, 2005:3; Rossouw *et al.*, 2002; West, 2006). As such, it included the seven characteristics of good corporate governance, namely, discipline, transparency, independence, accountability, responsibility, fairness and social responsibility (IoD, 2002). The key parts of King II encompass the board and its directors, risk management, internal and external auditing, and integrated sustainability reporting (Burger & Gosling, 2005). Even though King II is considered to be still relevant, the worldwide economic environment, developments in legislation, global changes in corporate governance practices, as well as the uncertainty of the economy and the political landscape called for the revision of King II (Cliffe Dekker Attorneys, 2002).

### **3.3.6 Report on governance for South Africa - 2009 (King III)**

Issued in May 2009, the requirements for the new King III Report were justified because of the following reasons: the new companies act which was scheduled to be implemented in 2010, the availability of the King committee and subcommittee to compile a further report without remuneration, and the demanding forces to comply with comprehensive reporting. Similar to King II, King III views corporate governance as a requisite for global recognition, foreign capital flows, and domestic economic growth. Therefore, companies in South Africa are facing challenges to be relevant and to adhere to global governance practices without neglecting their commitment to African renaissance (Rossouw *et al.*, 2002: 301).

The King III requires companies to either comply with the guidelines, or if they don't comply, to explain their actions (IoD, 2009). This enables companies to function in their own unique way, without being bound to follow standards, which are considered by nature to be inflexible. King III states that the responsibilities of directors and management include a duty of care and skill, and fiduciary duty. The key principles of the King III are leadership, sustainability and corporate citizenship. It also emphasises integrated sustainability and social transformation, two factors which assess the impact of business activities on the economic life of the community surrounding business activities. It furthermore, comprehensively recommends appropriate board structure, composition and board roles. Relating to the study at

hand, King III hopes that the appropriate board structure and composition could play a role in providing good leadership, sustainability and social transformation in communities.

The global and local best practice codes of conduct reveal the appropriate behaviour for governance of companies. Relating to the study at hand, they recommend board composition, structures, and reporting. The King Reports of Governance in South Africa specifically recognises the need for social transformation and commitment to national transformation and sustainability goals. These include adhering to Employment Equity plans and uplifting the lives of previously disadvantaged individuals.

The following section characterises the attributes of good governance.

### **3.4 CHARACTERISTICS OF GOOD GOVERNANCE**

Burger and Gosling (2005) state that the responsibility for good governance relies on the governing team of the organisation displaying responsible leadership. Therefore, leaders are challenged to adapt current governance codes to direct company strategies in a transparent and accountable manner. The King III Report emphasises seven core characteristics of good governance, namely, discipline, transparency, independence, accountability, responsibility, fairness, and social responsibility (IoD, 2002; Young, 2010:140). These characteristics that were initially presented in the King II Report are in harmony with what UNECA wishes to achieve. Young (2010) furthermore referred to the elements of a sound African code of corporate governance as: transparency, accountability, ethical values and development. This is in accordance with Rossouw's (2005) conclusion that good corporate governance should essentially have the values of fairness, accountability, responsibility and transparency. These values and characteristics provide recommendations for board composition, director's duties, risk management and internal auditing procedures (Burger & Goslin, 2005).

#### **3.4.1 Accountability**

Accountability is the foremost pillar of good governance and depends upon parties and individuals who discharge decision-making responsibilities and who execute planning that relates to the management of the organisation. Accountability

necessitates that mechanisms be put in place and used efficiently to provide stakeholders with a platform to assess decisions that have been made by the board and its committees (IoD, 2009; Burger & Goslin, 2005). These mechanisms should be supported by the board and its committees to act in an accountable manner (Rossouw *et al.*, 2002).

### **3.4.2 Responsibility**

The characteristics of accountability and responsibility have been understood to be linked in the theories of corporate governance and are thus used interchangeably (Burger & Goslin, 2005). However, the King III Report distinguishes between these two characteristics by describing that with responsibility there should be a remedial enforcement or punishment for mismanagement and non-compliance. Thus, according to the IoD (2009) responsibility is concerned with the accountability of the board of directors who remain accountable to the company and must operate responsibly in the best interest of its stakeholders. Rossouw *et al.* (2002) state that operating responsibly implies giving the organisation a clear direction and taking care of both tangible and intangible assets of the organisation. Other measures include the commitment to respond to criticism and that all individuals are collectively responsible for the decisions taken by the organisation (Burger & Gosling, 2005).

### **3.4.3 Transparency**

Transparency relates to how a company presents information about itself that is a true reflection of the company, whether it is financial and non-financial information. Transparency and accuracy of information include aspects such as communication with stakeholders, strategy, decision making and decision-making principles, as well as reporting on financial and operational performance (Gaved, 1998; Rauter, 2001). The ability of the board to communicate with stakeholders on policy decisions, elections, selections, and other executive, legislative, judicial matters and other business matters is deemed as transparent behaviour (Burger & Goslin, 2005).

### **3.4.4 Social responsibility**

A well-governed company expresses a high precedence of ethical behaviour and attends to societal concerns. Corporate social responsibility holds that a company should recognise the interests of other stakeholders in the company. These

stakeholders include communities and environments in which the company operates (Burger & Goslin, 2005; IoD, 2002; Naidoo, 2002; Rossouw *et al.*, 2002). Such acts are seen in the involvement in social, economic and environmental issues. These include paying attention to social issues by adhering to ethical practices, ensuring sustainability of natural resources, and environmental protection and conservation; and finally, the company displaying non-discriminatory, non-exploitative behaviour towards human rights (Burger & Goslin, 2005).

#### **3.4.5 Independence**

Independence refers to the degree to which mechanisms have been executed to prevent possible conflicts of interest between the board of directors and board committees (IoD, 2009; Naidoo, 2002; Rauter, 2001). The IoD (2009) highlighted specific measures to avoid conflict, such as independent financial accountants, authentic procedures for resolving issues, objective judgment, and liberty from internal or external pressures (Burger & Goslin, 2005).

#### **3.4.6 Fairness**

This characteristic requires companies to treat internal and external stakeholders equally and with the same amount of respect. The priority should be to create a balanced transparent and equitable consideration for all stakeholders' needs (Naidoo, 2002) to enable the progression and growth of the company. Rossouw *et al.* (2002) raised concerns that an unbalanced mixture on the board of directors may affect the decision-making ability of the company because of biased information. The measurement of fairness can be deduced from the transparent company policies on income redistribution, election, appointment and selection processes and equitable representation of stakeholders on the board of directors (Burger & Goslin, 2005; IoD, 2009).

#### **3.4.7 Discipline**

Discipline entails a commitment by the company's executive management to conform to actions that are unanimously acceptable, accurate and appropriate (IoD, 2009; Naidoo, 2002). Behaving in such a manner ensures consciousness of and devotion to each characteristic of good governance which is reflected in an ethical policy (Burger & Goslin, 2005).

Relating to the study, the characteristics of corporate governance explained above could be adopted as director values and attributes in order to enhance good leadership. Directors who act in a transparent manner with regards to the company's actions are, for example, characteristics of good governance.

Understanding how directors are chosen is crucial to understanding corporate organisation and governance. The directors elected will affect the strategic direction of the firm (Hermalin & Weisbach, 1991).

In the next section, the board of directors is discussed with relevance to board composition, size, diversity and the criteria for director selection and appointment.

### **3.5 THE BOARD OF DIRECTORS**

From the holistic background on corporate governance that has been presented, it is apparent that the board of directors is a focal governance mechanism and an integral part of the governance structure (Baysinger & Butler, 1985; Campbell & Minguez-Vera, 2008; Malherbe & Segal, 2001). Board roles can be used to determine a suitable structure and composition for the board of directors. However, scholars of corporate governance have argued that no single theory can be used to effectively understand board roles but that a multi-theoretic approach should be used (Goodstein, Gautam & Boeker, 1994; Yeh & Taylor, 2008). The complexity lies in the uncertainty regarding the board's existence, namely whether the board's role is one of an effective management control mechanism, or a management tool, or a rubber-stamp for management initiatives, or as a decision-making authority on issues such as hiring and firing of employees, and the compensation of top management (Main, O'Reilly & Wade, 1995; Westphal & Zajac, 1995).

Given such complexities, it is consensual that the primary role of the board of directors is to resolve agency conflicts that arise between shareholders and managers (Daily *et al.*, 2003) and corporate control and monitoring (Baysinger & Hoskisson, 1990; Miller & Triana, 2009; Pearce & Zahra, 1992). Secondary roles include, but are not limited to, providing direction, measuring administrative performance, deciding on compensation levels, providing guidance, and supplying links to other organisations (Hanson & Song, 2000; IoD, 2009; Malherbe & Segal, 2001). Other roles include the participation in issues of strategy, performance, resources, including key board appointments, standards of conduct and the

evaluation of performance (Cliffe Dekker Attorneys, 2002; IoD, 2009). Additional critical roles of the board of directors are accountability, auditing, as well as relations with shareholders (IoD, 2002; Malherbe & Segal, 2001). Boards are also responsible for ensuring an optimal board size, demographics and diversity (IoD, 2009).

Given all these roles, it is indisputable that the knowledge, expertise and capabilities of board members to make sound decisions need to be established (Ruigrok *et al.*, 2007). As such, the board structure, process, composition, and selection of board members are of critical importance (Kakabadse, Kakabadse & Kouzmin, 2001).

To serve the purpose of the study, the next section will focus on board structure, board composition, and the board appointment/selection process.

### **3.5.1 Board structure**

Board structure has been the main point of discussion since corporate governance first received global attention (Goodstein *et al.*, 1994). The term board structure covers board organisation, the role of subsidiary boards in holding companies, board committees, the formal independence on one-tier and two-tier boards, and the flow of information between board structures. However, to date not much theoretical research has been done to address the effects of board structure on board performance (Linck, Netter & Yang, 2008; Raheja, 2005). To gain insight into board structure, the board organisation, board independence, board committees, CEO duality and flow of information between board structures will be reviewed.

#### **3.5.1.1 Board organisation**

The agency theory recommends that companies have a structured board to assume the role of corporate control and monitoring (Jensen & Meckling, 1976). The structure of the board can either be unitary (one-tier) or management and supervisory (two-tier). A one-tier board is a single board system that consists of executive and non-executive directors interrelating in a committee. This approach is adopted in some parts of Europe, such as the UK. A two-tier board provides for dualism, where one board is responsible for management and another is a separate supervisory board (Jungmann, 2006). The supervisory board consists of shareholders and labour agents, and their responsibilities are to appoint and terminate directors on the management board, to approve annual reports and

finances, to network with other stakeholders, and to intervene when the interests of shareholders are compromised. Two-tier boards are most evident in the Netherlands, Austria, Finland and Denmark (Jungman, 2006).

The IoD (2009) adopts a recommendation from the agency theory and suggests that a suitable description for the structure of the board is a unitary structure. King III argues that a unitary structure provides for good interface between board members when dealing with strategic planning, performance, allocation of resources, standards of conduct and communication with stakeholders (IoD, 2009). This structure also ensures that no single person or block of individuals dominate control in terms of decision making of the board. This structure ideally consists of a balance of power, in other words, a mixture of executive and non-executive directors interrelating in a committee as suggested by the resource dependence theory (Daily, Dalton & Rajagopalan, 2003; McNulty & Pettigrew, 1999; Yeh & Taylor, 2008). At a minimum, two executive directors should be appointed, this should include the Chief Executive Officer (CEO) and the Chief Financial Officer/ Director (IoD, 2009:11). In addition, the board should have at least two non-executive directors of good quality and competence to participate in effective decision making (IoD, 2002). This arrangement requires that the majority of positions be held by non-executive directors (Basinger & Butler, 1985; IoD, 2009). This is to ensure the guarding of the interests of the shareholders, including minority interests (Cliffe Dekker Attorneys, 2002). This ensures the affirmative interface and diversity of views among individuals of diverse expertise, knowledge, skills and background (IoD, 2009; Ruigrok *et al.*, 2007).

### **3.5.1.2 Board independence**

Board independence is motivated by the need to ensure effective monitoring of performance (Randøy *et al.*, 2006) and effective facilitation of strategy. This could be achieved by a mixture of executive and independent non-executive directors (Carter *et al.*, 2003; IoD, 2009; Ruigrok *et al.*, 2007). This mixture produces a best fit for financial value, and increases board independence (Basinger & Butler, 1985; Carter *et al.*, 2003). For this reason, a distinction on the typology of directors is presented.

Executive directors are involved in the day-to-day management and running of the business and are full-time salaried employees of the company and/or any of its

subsidiaries (Benjamin, Hermalin & Weisbach, 1988; Farrel & Hersch, 2005; IoD, 2009). Non-executive directors are not involved in the day-to-day management of the business, are not full-time salaried employees of the company and/or any of its subsidiaries, and have no executive responsibilities in the company ( Farrel & Hersch, 2005; Hermalin, 1988; IoD, 2009). Independent directors are non-executive directors who (1) are not representatives of any shareholders, (2) have not been employed by the company of which it currently forms part in any executive capacity for the past three financial years, (3) are not members of the immediate family of an individual who is, or has been employed by the company in an executive capacity in the past three financial years, (4) are not professional advisors to the company, (5) are not material suppliers to or customers of the company, (6) have no contractual relationship with the company, (7) are free from any business or other relationship with the company, (8) do not have a direct or indirect interest in the company, and (9) do not receive remuneration which is contingent upon the performance of the company (IoD, 2009).

### ***3.5.1.3 CEO duality***

Further to the case for board independence, is the debate for CEO duality or non-CEO duality. CEO duality implies that the CEO is also the chairperson of the board. There is agreement that one person should not concurrently hold the CEO and board chairperson positions (Daily & Dalton, 2003; Mallette & Fowler, 1992; Zahra & Pearce, 1989). The agency theory advocates for non-CEO duality by arguing that the interests of shareholders are protected when individual roles of the board are separated (Donaldson & Davis, 1991). This theory holds that when there is CEO duality, shareholder interests are compromised in favour of management and could constitute as agency hammering (Williams, 1985). In support of the agency theory, King III states that a distinction needs to be made between the appointment of the chairman and the CEO by distinguishing between the roles of the chairman and the CEO. The chairman runs the board, whilst the CEO runs the company's business. This arrangement seems to play a role in improving quality controls (Burger & Goslin, 2005). In agreement, Anderson and Anthony (1986) argued that separate positions are better, as such a structure enables a central point for leadership and reduces uncertainty about responsibilities. These views were validated by the studies of Rechner and Dalton (1991) when they proved that organisations with CEO

duality reported higher financial returns than non-CEO dual organisations. As a result, CEO duality remains a debatable aspect of board structure. Given the debate, King III concludes that the appointment of one candidate in the positions of both the CEO and chairman must be justified formally in writing, and approval must be granted for South African companies.

#### **3.5.1.4 Board committees**

Although board committees vary, the most common committees in a corporate setting are the nomination committee, audit committee, risk committee, remuneration committee and ethical committee (IoD, 2009). King III suggests that the board has the option to delegate other functions to well-structured committees without abandoning their responsibilities. As such, board committees with appropriate “Terms of References”, may be appointed. It also proposes that the board committees should consist only of directors. King III recommends that nomination committees only consist of non-executive directors of whom the majority must be independent. As a requirement, the chairman of such committees ought to be an independent non-executive director. Directors, who are not members of a committee, may attend meetings to gain information. Such directors, would however, not be entitled to a vote. The board is responsible for evaluating directors, its committees and the individual directors every year.

#### **3.5.1.5 The flow of information between board structures**

According to the IoD (2009) the board should have valuable information at their disposal in order to effectively assume their board roles. Delegations should be a formal process approved by the board and there should be an official and formalised process for appointing directors. Decision making should be based on the inputs from the balance of independent and non-independent directors. The board has the right to eliminate the CEO as the executive director, without the decision being endorsed by the shareholders.

### **3.5.2 Board composition**

Board composition is the responsibility of shareholders and directors (IoD, 2009) and plays an important role in board effectiveness (Raheja, 2005). The term board composition is used interchangeably with board characteristics (Carter *et al.*, 2003)

and refers to the size of the board, the mix of different directors' demographics (insider/outsider, male/female, foreign/local) and the degree of affiliations directors have with corporations (Basinger & Butler, 1985; Carter *et al.*, 2003; Kakabadse *et al.*, 2001). Board composition also includes the independence of individual directors, number and functions of board committees and the relative activism of the board in strategic direction (Basinger & Butler, 1985:102). Other research found the main variables of board composition as the percentage of outside directors on the board, the ownership positions of inside directors, the board committee structure and the number of meetings held annually (Carter *et al.*, 2003). Board diversity has also been acknowledged as an emerging facet in board composition (Carter *et al.*, 2010). This is influenced by the larger demands for diversity on corporate boards and the universal acceptance of diversity proposals (Daily & Dalton, 2003; Robinson & Dechant, 1997). Kosnik (1990) however suggests that diversity fragments the board and provides inside directors with greater control.

The section below focuses only on board size and board diversity as components of board composition.

### **3.5.2.1 Board size**

The ideal size of the board has long been debated by scholars and corporate governance specialists (Raheja, 2005; Yeh & Taylor, 2008). As stated previously, board members can be broadly classified into three categories, the CEO, inside directors and outside directors. Miller-Millesen (2003) argues that the size of the board should be sufficient to prevent managerial dominion. This is in support of the agency theory that regards the board's role to manage relationships between shareholders and managers. However, justifications for both large and small boards have been made. Most theorists argue that the higher the requirement for connection to external resources, the larger the board should be. This recognition was supported by Goodstein *et al.* (1994) when they re-affirmed that a large board has the ability to connect the organisation to its external resources, and could reduce external uncertainties. Furthermore, empirical studies by Zahra and Pearce (1989) revealed that companies with larger board sizes had higher financial returns than companies with smaller ones. However, in defence of small board sizes, an argument is made that large boards are weak, fragmented, are faced by team challenges, are less participative and cohesive and unlikely to reach consensus

(Goodstein *et al.*, 1994; Herman, 1981). Communication challenges reduce effective board contribution (Goodstein *et al.*, 1994). Other studies in favour of small board sizes suggested that small boards enhance organisational financial performance (Daily, Certo & Dalton, 1999; Jensen, 1993; Yermack, 1996) and are conducive for efficient decision making (Randøy *et al.*, 2006). Given the research available on board size, Raheja (2005) concluded that board size remains contentious and that the relative size of the board will depend on the type of the firm. This view is congruent to the recommendations made by the King III Report.

### **3.5.2.2 Board diversity**

Literally, the term diversity refers to differences (Arfken, Bellar & Helms, 2004). By definition, Arfken *et al.* (2004:179) state that diversity is reflected by age, physical appearance, culture, job function or experience, disability, ethnicity, personal style, gender and religion. Furthermore, in recent times differences in organisations have been increasingly appreciated as part of strategic direction (Daily & Dalton, 2003; Kahn, 2002). In terms of corporate organisations, Carter *et al.* (2003) define board diversity as the percentage of females, previously disadvantaged, and foreign nationals on the board of directors, and a highly visible effort to demonstrate the absence of discrimination (Erhardt, Werbel & Shrader, 2003:102). The most common criticism regarding board diversity state that it leads to longer, less efficient board meetings, and there are larger prospects for ambiguities, misunderstandings and decision errors (Randøy *et al.*, 2006). Nonetheless, it is accepted that diversity unifies directors from diverse backgrounds on corporate boards, and that directors with diverse backgrounds create fresh ideas and come up with different opinions. Yet, Strauss (2002) argued that alternative or minority board representation is a very susceptible and sensitive topic. This author is of the opinion that the board's make-up and mindset hinder diversity, as some board members fear diversity. Additionally, there is a debate about diversity being the right thing to do, or that it enhances shareholder value (Carter *et al.*, 2003).

Traditionally, board diversity referred only to task-related attributes such as educational, functional background, and board tenure (Golden & Zajac, 2001; Goodstein *et al.*, 1994). According to Ruigrok *et al.* (2007), board diversity is moving from task-related attributes to other significant attributes of board diversity (i.e. relations-related aspects) such as the race, age, and ethnicity of directors (Burke,

1997; Carter *et al.*, 2003; Erhardt *et al.*, 2003). Nationality is also increasingly becoming a major aspect of board diversity (Ruigrok, Owtsharov & Greve, 2005) along with gender diversity (Singh & Vinnicombe, 2004; Ruigrok *et al.*, 2007). As a result, there have been calls to consider various diversity attributes on the board simultaneously (Erhardt *et al.*, 2003; Jackson, Joshi & Erhardt, 2003) with the argument being that task-related attributes do not inform all aspects of diversity. Additionally, relations-oriented aspects can contribute to the effectual roles of directors on corporate boards (Hillman, Cannella & Harris, 2002), i.e. to connect organisations with its external environment as per the resource-dependence perspective. In the call for multiple diversity attributes simultaneously (Jackson *et al.*, 2003), there is a need to regard the director as a “bundle of attributes” (Carpenter, Geletkanycz & Sanders 2004), but also to study the interaction between different aspects of their personal characteristics to examine their cumulative impact on the board (Ruigrok *et al.*, 2007). From this background, this review accepts the classification of Jackson (2002) of board diversity attributes as task-related and relations-oriented attributes. Relations-oriented attributes relate to age, gender and nationality whilst educational background, functional background, and board tenure are task-oriented diversity attributes. Added to the relations-oriented attributes is the race aspect of board diversity (Carter *et al.*, 2003; Ruigrok *et al.*, 2007).

In relation to the study at hand, it would be interesting to show the relations-oriented attributes of diversity and task-related attributes of diversity on the board of directors of JSE listed mining companies. In JSE listed mining companies board size, different director demographics and board diversity are of critical importance. Specifically, director demographics and board diversity are not only a governance concern, but are monitored as part of the national transformation goals. The EE scorecard requires a 40% representation of HDSAs on the board of directors of each listed mining company by 2014.

### **Relations-oriented attributes of board diversity**

As discussed above, literature has classified board diversity as relations oriented and task oriented. This section focuses on the literature about relations-oriented attributes in more detail.

- **Gender**

Although females are increasingly being appointed as directors on the boards (Burke, 1997; Erhardt *et al.*, 2003; Farrel & Hersch, 2005), frequent reflection of male domination on corporate boards still exists (Miller & Triana, 2009; Simpson, Carter & D'Souza, 2010). A study done on board diversity in 2010 in the United States revealed that 72.9 per cent of all corporate seats were held by white men (Krus *et al.*, 2012). Likewise, earlier studies done in 2009 in specifically, the South African mining environment, reflect more or less the same statistics (DME, 2009). Widespread remarks on 'glass ceiling', a prevention of women rising above certain positions has been frequently reported as the rationale for the dominance of white men on boards of directors (Daily *et al.*, 1999; Karr, 1991; Powell & Butterfield, 1994). Burke (1997) also recognises the existence of a flawed board selection process that includes too much dependence on the "old boys' network". This has raised concerns about corporate governance composition, given the global recognition of the value in diversity, and the increased interest in the presence of women on corporate boards (Scherer, 1997). Furthermore, gender issues on boards have been insufficiently researched (Burke, 2003). Other areas of concern are disparities of income and growth prospects between males and women who are serving on the boards (Conyon & Mallin, 1997). Added are reports of sex bias, stereotyping and tokenism on boards where women serve (Erhardt *et al.*, 2003). Difficulties finding qualified women, few board vacancies and inadequate previous board experience have been used to justify low minority representation on the board.

On the other hand, Daily *et al.* (1999) differ and suggest that the pool of women with the ability and knowledge to serve on boards is larger than that reported, and accessibility and availability cannot be used as a defence (Sweetman, 1996). Although, the empirical studies of Pearce and Zahra (1991) revealed that high board representation of women led to more debates and more conflict, Ruigrok *et al.* (2007) argues that female representation on the board does not only bring different ideas but different skills, insight, principles, norms and understanding to the board.

Female board representation also improves the reputation of the company (Burke, 2003). It, furthermore, improves creativity and innovation, enhances

effective problem solving, and ensures effective corporate leadership and global relationships (Carter *et al.*, 2003). Another aspect that favours the progression of women on boards is that having them on boards makes practical sense (Daily *et al.*, 1999; Sweetman, 1996). This thinking recognises that women account for 60% of total purchases. They, therefore, have a better understanding of the marketplace (Carter *et al.*, 2003) and can provide strategic input on female product or market issues (Burke, 2003). This strategic input increases creativity and innovation in the organisation (Miller & Triana, 2009).

An issue that needs consideration as explained by Wahid (2010) is that gender diversity improves performance when it is viewed as a strategic effort, however, no results are realised if gender diversity is implemented to respond to external demands or regulation.

- **Race**

To date, no significant empirical studies have been reported regarding effects of racial (cultural) diversity on the board of directors except those that identify race as one of the considerable aspects of diversity (Erhardt *et al.*, 2003; Miller & Triana, 2009; Wahid, 2010). However, Miller and Triana (2009) state that racial minority, in other words, non-white males, continue to struggle to enter the boardroom. This dominance of white men on the board of director's surfaces recurrently on board diversity studies (Krus *et al.*, 2012). Similar to gender diversity, there is a reliance on the "old boys' network", and there is also a consensual view that minorities experience work difficulties compared to white males (Davidson, 2002). This is due to the higher expectation and qualifications that are needed from individuals, other than the "old boys' network", who have to outperform their white male counterparts to be promoted to the next level (Erhardt *et al.*, 2003). Similar to gender diversity, scholars have reported that racial diversity is an important resource to understanding the organisation's multiracial customer base (Richard, 2000). Additionally, racial diversity increases the number of ideas, promotes creativity and innovation (Miller & Triana, 2009:760). Most boards of the South African mining industry are reportedly still racially and ethnically defined (Shabangu, 2009). This representation is dominantly from the "old boys' network".

- **Age**

The average age of the director serving on the board is unknown due to limited research available on this attribute. Nonetheless, boards remain occupied by aging white men (Krus *et al.*, 2012; Strauss, 2002). Once more, the “old boys’ network” is used as a metaphor to describe the dominance of aging white men on the board of directors which hinder age diversity (Burke, 1997). Arfken *et al.* (2004:184) argue that diversity is not only required in gender and cultural composition, but also in age, educational experience, background, status, and income level. It is assumed that the benefits of age diversity could result in additional/new knowledge and opinions, innovative ideas, improved strategic planning and even additional diversity (Carter *et al.*, 2003; Daily *et al.*, 1999). However its impact on organisational performance is yet to be researched (Wahid, 2010).

- **Nationality diversity**

Nationality diversity, in this context, refers to the amount of representation from foreign nationals on the board of directors. Ruigrok *et al.* (2007) state that a foreigner’s entrance to the board of directors brings different views, skills and knowledge, values, norms and understanding to the board. Conversely, being trapped in a minority position on a board, a foreigner might not generally make effectual contributions to the board (Westphal & Milton, 2000). Due to a lack of previous international research on the effect of nationality diversity on the board (Ruigrok *et al.*, 2007), not much information is available. Though several recommendations have been made to improve board independence by the inclusion of foreigners on the board to erode the “old boys’ network” and ‘to improve transparency in serving shareholders (Randøy *et al.*, 2006).

Director diversity in terms of gender, race, age and nationality seems a rather slow progress internationally. This is no different from the report of Minister Susan Shabangu regarding South African mining companies. Thus, the change in board composition does not only enhance the diversity of corporate compositions but on the other hand, fulfils the Employment Equity scorecard goals of the representation of demographics in all levels of the company, including the board.

The gap that exists in the above literature study is whether board diversity attributes increase the performance of a firm.

### **Task-oriented attributes of board diversity**

It is no use appointing directors on the board without the relevant background, qualifications, experience and ability to provide direction to the company. Task-oriented attributes of board diversity ensure that relevant candidates serve on the board. These attributes are functional background, educational background and board tenure.

- **Functional background**

Functional background diversity refers to director background heterogeneity in areas of director expertise and specialisation (Wahid, 2010). According to Ruigrok *et al.* (2007) the main source of functional background diversity is reflected by the presence of outside directors on the board. Thus, boards with a high ratio of outside directors are assumed to represent higher degrees of board diversity in terms of functional, educational and industry experience, as outside directors differ from inside directors in terms of skills, knowledge and contacts (Ruigrok *et al.*, 2007). Functional background diversity increases innovation and creativity on the board due to diverse human capital (Bantel & Jackson, 1989) and is accordingly deemed a significant diversity attribute (Arfken *et al.*, 2004:184). Functional diversity also plays a critical role in complex issues that require skill-set diversity, such as strategic and partnership deals (Wahid, 2010). Consistently over the years, the prime rationale for being selected to partake in board membership is having a business background (Daily *et al.*, 1999; Kesner, 1988; Lear, 1994). Other desired backgrounds include the legal and finance backgrounds.

- **Educational background**

Similar to the functional background, the importance of diversity in the educational background on the board of directors has been recognised as critical for effectual monitoring (Arfken *et al.*, 2004; Bantel & Jackson, 1989; Campbell & Miguez-Vera, 2008). Similar to functional background, a business qualification is still one of the primary criteria for being invited for board participation (Daily *et al.*, 1999; Hillman *et al.*, 2002). This criterion is supported by research of Daily *et al.*

(1999) and Hillman *et al.* (2002) and Ruigrok *et al.* (2007). The study of Wiersema and Bantel (1992) furthermore, recognises some benefits of diversity in education level and specialisation (Daily *et al.*, 1999). Therefore, the importance of educational diversity can be motivated (Wiersema & Bantel, 1992).

- **Board tenure**

Board experience as a form of diversity is acknowledged by several scholars because of its ability to enhance quality improved board decisions (Arfken *et al.*, 2004; Wahid, 2010). According to Wahid (2010) boards with higher tenure are more performance sensitive and are more effective in CEO selection due to access to a wider network of resources, talent pool and increased independence. Board tenure is also a considerable criterion for the board appointment process. The average tenure of board experience is unknown, yet King III suggests that it should not exceed five years.

The task- and relations-oriented attributes of diversity need to be jointly considered for effective board performance. This requires the careful appointment and search for directors who have a number of these attributes.

### **3.5.3 Board selection process**

The selection process is of critical importance to ensure that the most suitable directors are chosen to serve on the board. This section reviews the literature on the board appointment process and director selection criteria for serving on the board.

#### ***3.5.3.1 Board appointments process***

Board appointment processes vary worldwide, therefore this section will consider the recommended board appointment practice in the South African context. It is important to understand how directors are chosen in order to understand the corporate organisation and governance (Hermalin & Weisbach, 1988). Previously, the selection of the board of directors has been the sole function of the CEO (Burke, 1997; Hermalin & Weisbach, 1988). As corporate governance progressed the use of nomination committees became popular and is still widely used (Conyon & Mallin, 1997; Krus *et al.*, 2012; The Cadbury Report, 1992). The nomination committee process includes director identification, evaluation, nomination and election (Burke, 2007; Lorsch & MacIver, 1989). Nomination committees clarify how directors are to

be appointed and assist the main board in this process (Conyon & Mallin, 1997; The Cadbury Report, 1992).

Conversely, King III does not recommend nomination committees. It recommends for the board of directors to assume the responsibility for the appointment of directors, CEO, chairperson (independent non-executive director), company secretary, the risk audit committee; as well as the appointment of the information and technology officer, and ensuring sustainability reporting and the overall management of such structures. It also recommends that the appointment term of any executive director should not exceed five years. However, if nomination committees are preferred, these committees should be used to assist in consideration for re-election (IoD, 2002; IoD, 2009). The board member may continue serving on the board, provided they are high performing, and are suitable for re-election. Furthermore, executive management positions should be differentiated, so that there are clearly defined responsibilities to certify a balance of power and authority. The process of board appointments and selection should be official and transparent and should involve every member of the board.

### ***3.5.3.2 Board appointment criteria***

Corporate governance reformers argue for the board of directors to be selected based on their abilities to endorse managerial decisions, monitor strategy implementation, and mete out rewards and penalties on the basis of managerial performance (Basinger & Butler, 1985). Previous studies revealed that the characteristics for attaining directorship include a strong track record, business networks, an understanding of the business arena and an advanced education. These characteristics should be coupled with skills such as leadership qualities, objectivity, diplomacy and tact, communication competence, intelligence and integrity (Burke, 1997; Gillies, 1992; Mattis, 1993). Surprisingly, studies of Sethi, Swanson, and Harrigan (1981) on women directors revealed that different criteria are used for the appointment of women directors. Their results indicate that prominent women leaders with national and international reputations and those who had extended family ties and social relationships with members of the board were selected. Moreover, they were only selected as token appointments to satisfy affirmative action requirements (Burke, 1997). Against this background a suggestion is made for each country to establish its own selection criteria policy (Krus *et al.*, 2012).

### **3.6 CONCLUSION**

Organisations, in general, and the board of directors in particular, as a focal governance mechanism, will increasingly have to attend to diversity on the board along aspects of race, age, gender, nationality, and so on. This requires the careful assessment of board make-up, board composition and the selection criteria for directors to serve on the board. The aim of this literature review was to improve the understanding of acceptable practice, specifically concerning the composition of the board of directors. This review provides evidence that representation from HDSAs on the board is not only a local concern but a global concern, too. Evidence was found that literature does not address the challenges and initiatives experienced by organisations to appoint directors to reflect diversity. At the same time, the effects of board diversity on board performance have not proved considerable gains for organisations. It is however, hoped that the research at hand will critically evaluate and report on the composition of boards in the South African mining industry. With an objective to understanding initiatives undertaken and challenges experienced to appoint diverse groups in terms of diversity attributes set out above. On the other hand, it assists with meeting the objectives of the EE scorecard. A diagram illustrating the literature review process followed in Chapters 2 and 3 concludes this chapter.

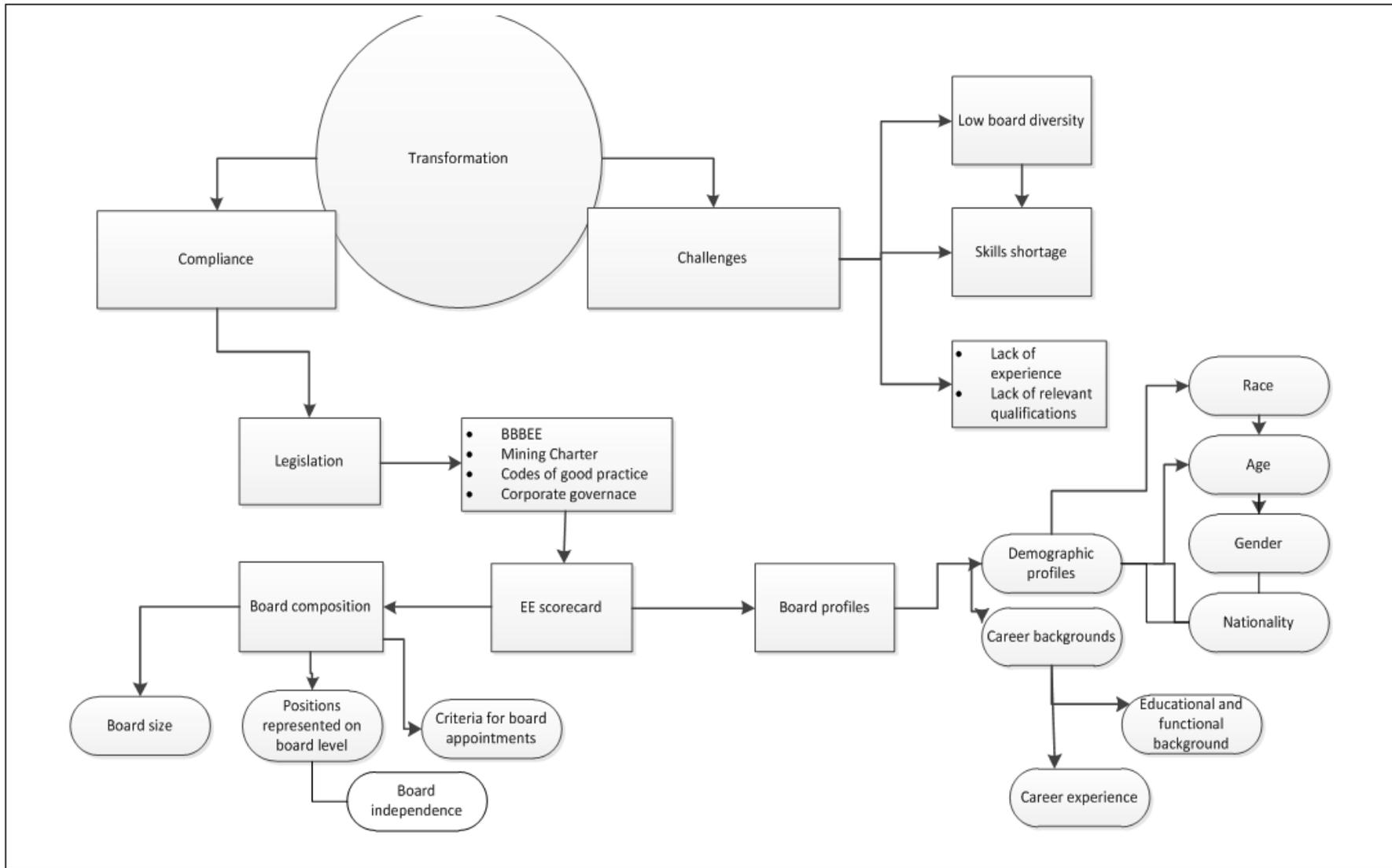


Figure 3.1: The literature review process

## DEFINITION OF TERMS

**Black Economic Empowerment** is defined as an integrated and coherent socio-economic process that aims to empower and advance historically disadvantaged South Africans in order to assume responsibilities in management and core positions in the mainstream industries to contribute directly to the economic transformation of South Africa.

**Board of directors** is a governing body comprised of a group of elected members whose members (directors) are elected normally by the shareholders of an organisation generally at an annual general meeting or AGM to govern the organisation and look after the shareholder interests.

**Board composition** refers to, the size of the board; the mix of different directors' demographics (insider/outsider, male/female, foreign/local) and the degree of affiliations directors have with corporations.

**Board diversity** is the varying director demographics on the board of directors. It can be demonstrated by a percentage of females, minorities or previously disadvantaged and foreign nationals on the board of directors

**Board structure** is how the board is organised in terms of size, board committees, decision making and the flow of information among board members.

**Broad-Based Black Economic Empowerment (BBBEE)** refers to the socio-economic empowerment of all black people, women, workers, youth, people living with disabilities, and people living in rural areas, through diverse but integrated socio-economic strategies.

**Chairman** is the highest standing executive on the board of directors whose primary role is to ensure that the board is effective in its task of setting and implementing the company's direction and strategy (IoD, 2009).

**Chief Executive Officer (CEO)** is a top executive responsible for the company's overall operations and performance.

**Corporate governance** is a formal system of accountability of the board of directors to guard the interests of shareholders. It involves the establishment of structures and processes with appropriate checks and balances that enable directors to discharge their legal responsibilities and oversee compliance with legislation (IoD, 2009:6)

**Diversity** refers to the inclusion of the mixture of individuals in institutions that reflects the demographics of the people of a population. It can be reflected by age, physical appearance, culture, job function or experience, disability, ethnicity, personal style, gender and religion in an organizational context.

**Employment Equity scorecard** is the scorecard that contains criteria for presentation of the HDSA on all the levels of an organisation.

**Executive Director** is the director that is a full-time salaried employee of an organisation. He or she has a specified decision-making role as the director of marketing, finance, operations, human resources etc.

**Historically Disadvantaged South Africans** refers to black people, women (black and white), youth, people living with disabilities, people living in rural areas, previously disadvantaged before the constitution took effect in 1994.

**Independent Non-Executive Director** is a director that is not full-time salaried employee of an organisation. He or she has not been involved with the company or any of its subsidiaries for the past 5 years. This director is not from any business or other relationship which could be seen materially to interfere with the individual's capacity to act in an independent manner.

**Mining Charter** is a broad-based socio-economic empowerment charter for the South African mining industry.

**Mining scorecard** is a measurement criterion that is designed to facilitate the application of the Mining Charter in terms of the Minerals and Petroleum Resources Development Act of 2002. It also allocates scores to the progress of individual companies in terms of the nine elements of the Mining Charter.

**Non-Executive Director** is a director that is not a full-time salaried employee of the organisation and is not involved in the day-to-day management of the organisation.

**Transformation** refers to political, social, and economic change processes, with the aim of redressing historical imbalances. It implies changing institutions to include diversity and democracy and ensuring equal rights for all South African citizens.

## **CHAPTER 4 RESEARCH DESIGN AND METHODOLOGY**

### **4.1 INTRODUCTION**

The main aim of research is not only to solve a specific problem, but also to identify gaps in knowledge, verify current knowledge and indicate past failures and limitations (Kumar, 2005). This chapter reports on the design of the methodology in an attempt to meet the objectives of the study at hand. Research design is defined by Mouton (2001:4) as the “blueprint of how the researcher intends conducting the research”. It is a road map specifying the methods and procedures for collecting and analysing collected data and reporting findings (Creswell, 2003; Zikmund, 2003). It is a complete research process of conceptualising a problem, writing research questions, collecting data, investigation, interpretation and report inscription (Emory & Cooper, 1991), including terms for enhancing the study’s integrity through ethical considerations (Polit & Beck, 2008). In this chapter, the research problem is stated and methods and procedures that are used to conduct this research in Phase 1 and Phase 2 are presented. The type of research chosen which forms part of the research design is also presented. It will also include the selected population, the unit of analysis, research methods adopted and information on how data was processed and analysed. It also justifies the methods of analysis applied in this research. This chapter will be concluded by reviewing ethical considerations and presenting a table summarising the research and methodology design.

### **4.2 RESEARCH PROBLEM**

It is generally accepted that the nature of the research problem determines the type of research to be adopted (Creswell, 2003). The research problem in this study was identified as the non-adherence of South African mining companies to conform to the EE scorecard targets. Evidence supporting this statement is illustrated by the low representation of HDSAs on board level. This notion is furthermore supported by reports of the slow progress of transformation in the mining industry as discussed in Chapter 2 of this dissertation.

A research problem further informs research objectives in which the research problem will be solved. The following research objectives were set in order to realise the main aim of this study, in other words, to provide insight into the current

transformation status in the South African mining industry with reference to EE scorecard targets and board representation of HDSAs.

#### **4.2.1 Objectives of the study**

The five main objectives of this study are:

1. To investigate board member's profiles and the board composition of JSE listed companies in the South African mining industry.
2. To report on the criteria employed to appoint members serving on boards of mining companies listed on the JSE.
3. To report on the progress towards and determine the current status of transformation within the South African mining industry measured against EE scorecard targets.
4. To investigate current challenges experienced and initiatives undertaken in this industry in terms of transformation.
5. To identify barriers to transformation in the mining industry.

Typically, the research problem, objectives and questions can give insight into the type of research design to be chosen. The following section explains the different types of research design available, as well as descriptions of the type of research relevant for the study at hand.

#### **4.3 TYPES OF RESEARCH**

Generally, research can either be exploratory, descriptive or causal. Exploratory research is conducted to clarify and define the nature of the problem, which could arise from a lack of basic information. Descriptive research is used to describe characteristics of certain groups and estimate the proportion of people in a population who behave in a certain way to make specific predictions (Cant, Gerber-Nel, Nel & Kotze, 2003), it can be quantitative or qualitative in nature. Causal research is research conducted to identify cause-and-effect relationships among variables when the research problem has been narrowly identified.

In this study, both descriptive and exploratory researches are adopted and are discussed next.

### **4.3.1 Descriptive research**

In an attempt to describe the profiles of the board members and board composition, this study uses the descriptive research technique. Descriptive research involves describing a phenomenon as it exists without manipulation or control of any elements involved in the phenomenon (Page & Meyer, 2000:22). Descriptive research also describes the specific details of a position, situation, participants or phenomenon. It thus uses description as a tool to organise data into patterns that emerge during analysis. In essence, the researcher reports on and interprets the experiences of others (Page & Meyer, 2000:22).

There are two types of descriptive research, that is, the longitudinal study and the cross-sectional study (Gilbert & Churchill, 2001). Longitudinal study involves time series analyses that make recurring measurements on the same individuals that permit monitoring of actions. The cross-sectional study of descriptive research involves a study to make measurements at a particular point in time (Churchill, 2001). For the purposes of the study, the cross-sectional study was selected for analysis of the state of board composition and board member's profiles during 2011 in the South African mining industry. Although this study considered previous compliance the scope of the study is to report on a specific period, given the time and resources limitation. The period under investigation, that is, 2011 was informed by the availability of published annual reports at the time of analysis.

### **4.3.2 Exploratory research**

Exploratory research is adopted for investigating the status of transformation in the South African mining industry, initiatives undertaken, challenges experienced, criteria employed for appointing board members and barriers faced with transformation. Exploratory research is conducted to clarify and define the nature of the problem, which could arise from a lack of basic information. It is hoped that information will be gained through structured personal interviews with the appropriate respondents in the mining industry. The study was therefore broken down into two phases in relation to the methodological choices taken, and are discussed next.

#### **4.4 RESEARCH METHODS**

Research method indicates the research process and tools and procedures to be used to collect and analyse data. Research methods can either be quantitative, qualitative or mixed methods (both quantitative and qualitative). In this research, a mixed method approach is pursued as data was obtained from annual reports and by means of structured interviews. This means that both quantitative and qualitative research methods were undertaken. Quantitative research is defined as the “research that places greater value upon information that can be numerically manipulated in a meaningful way, and this is the traditional scientific approach to research” (Page & Meyer, 2000:17). Data gathered by means of annual reports was used to capture the profiles of the directors on the board and board composition and was quantified during data analysis.

On the other hand, qualitative research is defined as a research focused on words and feelings; its research data is not “subjected to quantification and refers to an understanding of concepts” (Cant *et al.*, 2003:4). According to Visagie (2012) qualitative research has three dimensions, it is:

- Descriptive in nature (what happened).
- Concerned with process (what happened over time) and
- Interpretive (what was the meaning to people of what happened).

Interviews were used as a second phase of research to get insight on the EE scorecard target achievements, progress and barriers to transformation from executives in the mining industry.

#### **4.5 POPULATION SAMPLING**

Population refers to all objects from which the information can be gathered. The population selected for the study includes all the mining companies within South Africa as well as directors of those listed companies. The mining industry was chosen for analysis because it is considered as the major provider of employment for South African citizens. This industry is also associated with a lack of transformation as described in Chapter 2 of this dissertation.

A population parameter was imposed, to limit the population to include all 59 mining companies that were listed on the Johannesburg Stock Exchange (JSE) during

2011. This decision was taken as each listed mining company is required to submit an annual report with information suitable for further analysis aligned to the research objectives and questions. These companies also report on transformation and sustainability on an annual basis as part of the listing requirement. Additionally, listed companies are also required to fulfil the objectives of the Mining Charter and comply with the EE scorecard by submitting an employment equity plan on an annual basis. This sample frame offers an accessible sample and it could be argued that listed companies are considered to be the leaders in the mining industry and adherence to the Mining Charter, the MPRDA Act and the Mining Scorecard creates a sound source of information.

As mentioned earlier, this research is comprised of two phases. During Phase 1 annual reports were gathered as sources of information. All 59 listed companies will be included in this phase. Phase 2 of the research comprises of ten interviews with directors who are mainly responsible for transformation or Human Resources related issues. These participants were chosen by means of purposive sampling. Purposive sampling is a non-probability sampling technique whereby the researcher makes judgement on persons to be selected for data collection. In this research instance, it was important to obtain information from participants who monitor and oversee transformation in mining companies. These individuals are usually Human Resources executives or heads of transformation in mining companies. It was also important for the researcher to carefully select participant in different company sizes, e.g. to obtain different views from individuals from large to micro companies.

#### **4.6 UNITS OF ANALYSIS**

A unit of analysis refers to the source of information. In qualitative terms, it's a basic entity of text to be classified during content analysis (Graham, 2012). Two units of analysis are used in the research following the mixed method approach adopted.

The first unit of analysis constituted of the 2011 annual reports of the mining companies listed on the JSE. Annual reports were used to gain information about board members' profiles and the board compositions. This information will assist in achieving the first objective of this study, namely, to investigate the board of director profiles and board composition of companies in the mining industry.

The second unit of analysis constituted of Human Resources Executive Directors of the companies in the mining industry who are responsible for human resources, employment equity and transformation in those companies. Information was gained through interviews based on individual insights and experiences in respective companies in terms of EE scorecard implementation. These units of analysis will contribute to achieving the last four objectives of the study, namely, to report on the progress towards and determine the current status of transformation within the South African mining industry, to investigate current challenges and initiatives experienced in this industry in terms of transformation, and to identify barriers to transformation in the mining industry in terms of the EE scorecard targets.

## **4.7 DATA COLLECTION**

Data is a recorded measure of a certain phenomenon (Zikmund, 2003). Although the most usual method for gathering data is using surveys or questionnaires; interviews, telephonic conversations and observations could also be used (Maree, 2007:55). In this research, two types of data was collected, namely, narrative of data collected from the 2011 annual reports (Phase 1) and transcribed interviews (Phase 2).

### **4.7.1 Phase 1: Annual reports**

Concerning narrative data, the JSE and Bureau van Dijk (Orbis database) supplied a database of all companies that were listed on the JSE during 2011. According to the databases supplied by the JSE and Bureau van Dijk, a total number of 59 mining companies were listed on the JSE during 2011. Only 56 mining companies produced 2011 annual reports and they were included in the research. The other three companies were excluded from the research due to the finding that two of these three companies last published their annual reports in 2010, and the other one company did not have a website from which an annual report could be sourced. However, for these three companies, a request for the 2011 annual reports was made telephonically to the secretaries of the company and they confirmed that the companies had not produced the 2011 report at that time. By the end of October 2012, these companies had not produced these annual reports and were thus eliminated from the study. Each mining company's annual reports listed on the JSE and Bureau van Dijk (Orbis) database were downloaded online from the companies' websites.

#### **4.7.2 Phase 2: Transcribed interviews**

Interviewed participants varied in terms of their positions, but were mainly members of executive or senior management who oversee transformation, sustainability, human resources, people management or employment equity for the entire company. See Appendix A for the interview schedule.

A letter requesting an interview appointment was sent to each respondent, followed by a telephonic follow-up. See Appendix B for a letter in request for the interview. Foster (2004:230) suggests for interviews to be conducted at the respondent's area of work to reduce fragmentation and enhance contextual richness. As such, interviews were conducted at the premises of the respondents.

A formulated semi-structured interview guide was used to facilitate interviews and gain insight about transformational issues experienced by the respondents. This interview guide was formulated using the objectives of the study as the guiding principle. Interviews were selected as a method for data collection because it permits for deeper questioning into the individual experiences. The method also provides the researcher with the opportunity to probe answers and allow respondents to explain, build on or elaborate their responses (Saunders *et al.*, 2012). Using semi-structured interviews allows the researcher to have a list of themes and key questions to be asked. Some questions may be omitted, or the order of the questions re-arranged given the organisational context and the flow of the interview (Saunders *et al.*, 2012). A semi-structured interview guide allowed the researcher to formulate questions that may have arisen during the interviews. It also allowed participants to express their views and experiences in their own words (Esterberg, 2002). A total of ten interviews were conducted. Given the schedules of executives in the mining industry, each interview was scheduled for approximately 45 minutes and a questionnaire was sent to respondents beforehand, so they could familiarise themselves with the questions. Appendix C contains the questionnaire distributed. Each interview was recorded using a technical recording device. After the interview was concluded, each interview was transcribed using the professional services of Southern Transcription Services.

## **4.8 DATA ANALYSIS AND PROCESSING**

Due to the two types of data collected, data analysis was conducted through both qualitative and quantitative content analysis. Content analysis is described by White and Marsh (2006: 22) as a “systematic, rigorous approach to analysing documents obtained or generated in the course of research”. It is further expressed as a family of analytic approaches ranging from intuitive, interpretive analyses to systematic, strict textual analyses (Rosengren, 1981). Content analysis method may be used with either qualitative or quantitative data, or with either inductive or deductive content analysis (Elo & Kyngas, 2007:107).

### **4.8.1 Inductive content analysis**

Inductive content analysis is used in cases where there are no previous studies dealing with the phenomenon or when it is fragmented. Graham (2012) states that qualitative content analysis is mainly inductive, grounding the examination of topics and themes, as well as the inferences drawn from them, in the data.

### **4.8.2 Deductive content analysis**

Deductive content analysis is used when the aim of the research is to test previous theory in a different situation or to compare categories at different time periods. Graham (2012) also states that quantitative content analysis is deductive, when findings are intended to test hypotheses or to address questions generated from theories or previous empirical research.

For qualitative data analysis, inductive coding was used as codes were generated during the coding process. In the next section, both qualitative and quantitative content analysis as adopted, are explained and justified.

### **4.8.3 Phase 1: Quantitative content analysis**

For the first unit of analysis, namely, annual reports, quantitative content analysis was used to analyse the profiles of board members and the board compositions. Quantitative content analysis is defined by Weber (1990) as a way to count manifest textual elements; an aspect of this method that is often criticised is missing syntactical and semantic information embedded in the text. It is considered to be a

quantitative method as it entails creating themes and then counting the number of instances in which they are used in text or image (Graham, 2012).

Quantitative content analysis was conducted from the information of the board of director's content pages of the annual reports. Data on the profiles of the board of directors was captured in a Microsoft Excel spread sheet. These profiles were of directors who are serving in the board in several capacities, for example, the CEO, Chairperson, Chief Operating Officer, Financial Directors, Executive Directors, Non-Executive Directors, Lead Independent Non-Executive Directors and Independent Non-Executive Directors. The board member's profiles were analysed according to demographic profiles and career backgrounds. Demographic profiles considered the age, race, gender and nationality of the directors, whilst the career backgrounds considered their qualifications, mining experience and board experience and the number of years they have been with the company. The board composition considered the size of the board, the positions represented at board level, as well as the criteria for designating Directors as Executive, Non-executive or Independent Non-Executive Directors.

#### ***4.8.3.1 Data capturing***

All annual reports were first loaded into a researcher's folder on the desktop. Data was captured electronically from the annual reports into Microsoft Excel before it was loaded into SPSS for analysis.

#### ***4.8.3.2 Data editing***

According to Blumberg, Cooper and Schindler (2011:492), data editing is considered as the foremost step in data analysis for detecting errors and omissions and, if possible, to confirm that the minimum data quality standards were met. The data of director's profiles was carefully examined and edited with the aim of detecting, reducing and fixing errors and other incoherencies. Checks were done on the Excel spread sheets and SPSS to ensure that numerical values assigned to each director and the information on each director was accurate and applicable. This process was necessary to ensure that the data was clean and validated, thus correct and meaningful. Basic statistics like frequencies and means, as well as maximum and minimums were collected on each variable to look for errors or abnormalities in the data.

All the steps mentioned above referred to data processing of information in the annual reports. The next step explains how data was analysed during Phase 1.

#### **4.8.3.3 Data analysis**

Data analysis was conducted through statistical analysis in terms of descriptive statistics. Descriptive statistics enclose the portrayal of the data acquired for a detailed group of individual units of analysis (Welman, Kruger & Mitchell, 2009: 231). Hallebone and Priest (2009) gathered that general descriptive statistics adopted in most research studies are frequency tables and variation tables. As presented in the results, frequency counts, express how often a particular characteristic occurs. These statistics also provide a number of board members and percentages belonging to each category of the variable tested. To meaningfully summarise the demographics and backgrounds of board members, graphs and tables were used to present frequency counts in a rational and logical manner.

#### **4.8.3.4 Reliability and validity for quantitative research (Phase 1)**

Cooper and Schindler (2008:289) define validity as the extent to which a test measures what the researcher actually wishes it to measure, whilst reliability refers to the accuracy and precision of a measurement procedure. Reliability dictates whether data collection techniques and methodical procedures would generate consistent results if they were repeated on another event or by a different researcher (Saunders *et al.*, 2012). This section discusses validity and reliability for quantitative data analysis. Reliability and validity for qualitative research (phase 2) is discussed in section 4.8.4.4.

Eriksson and Kovalainen (2008:102) affirm that the annual reports are reliable sources of information for business researchers which can be found from company websites or specialist websites. Data extracted from the annual reports is considered secondary data as it is published by companies and provided to the JSE as part of the listing requirement. Also this data has been validated in the Orbis database of Bureau van Dijk. This data is presumed valid and reliable as biographical data of directors and board compositions are able to be verified and validated. Also, data collection method and methodical procedures would produce reliable and consistent findings if they were duplicated another year or by a different researcher.

#### **4.8.4 Phase 2: Qualitative content analysis**

Qualitative content analysis was used to analyse the data of transcribed interviews for the second unit of analysis. Qualitative content analysis is defined as a research method for subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns (Hsieh & Shannon, 2005).

It can also be described as an approach of empirical, methodological controlled analysis of texts within their contexts of communication, following content analytic rules and step-by-step models, without rash quantification (Mayring, 2000). Others define qualitative research as any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings (Patton, 2002:453).

The researcher has adopted the first definition of the study at hand, as text transcribed data was subjectively interpreted by a process of coding and identifying themes and patterns for EE scorecard implementation for mining companies.

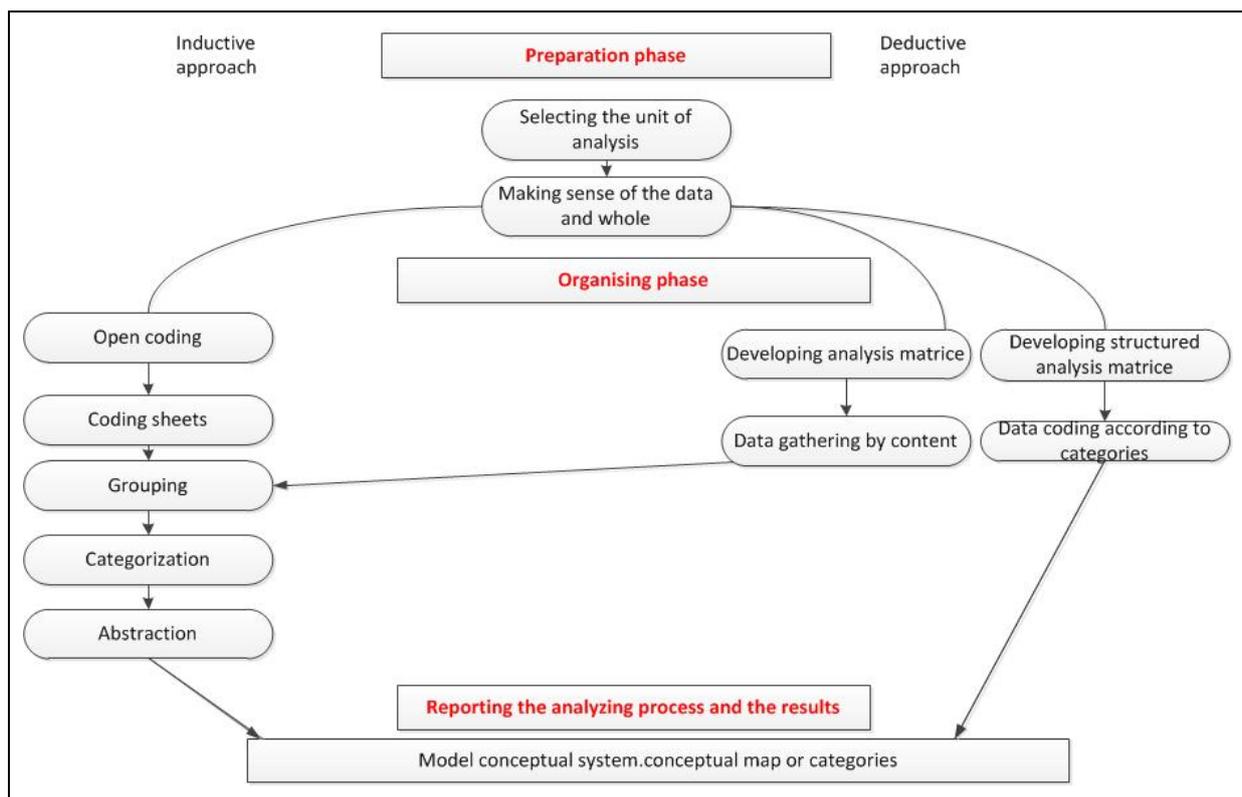
The next discussion reviews the approach followed for qualitative content analysis.

##### ***4.8.4.1 Approaches to qualitative content analysis***

Hsieh and Shannon (2005) presented the three approaches to qualitative content analysis, namely, conventional, directed or summative. Although these three approaches are used to interpret meaning from the context of data, they differ in coding schemes, origins of codes, and threats of trustworthiness. Using conventional approach means that coding categories are derived directly from text data. A direct approach means that analysis of data begins with a theory or relevant research findings as guides to initial codes. A summative approach entails counting and comparing keywords or paragraphs followed by the interpretation of the underlying context. According to Weber (1990) the specific type of content analysis approach selected by the researcher differs with the hypothetical and substantive interests of the researcher and the problem investigated. This study will use a summative approach meaning that codes names and categories will emerge from the data and keywords or paragraphs will be counted and compared followed by the interpretation of the underlying context.

#### 4.8.4.2 Process of qualitative content analysis

Whether using inductive or deductive approach, Elo and Kyngas (2007) recommended a three stage process of analysis of qualitative content analysis namely; preparation, organising and reporting the analysing process and the results. Preparation involves selecting the unit of analysis, deciding what to analyse in detail and sampling considerations. The organising phase includes making sense of the data and to learn what is happening, and to make sense of everything. Dey (1993) notes that the researcher must ask the following questions when reading the data, Who is telling? Where is this happening? When did it happen? What is happening and why? The last step involves data analysis using deductive or inductive approach. The following diagram presents the three stages used in the qualitative content analysis used in the study.



Source: Adapted from Elo & Kyngas (2008)

Figure 4.1: Stages of qualitative content analysis

#### **4.8.4.3 Process of coding**

As a point of departure, data from audio files was transcribed into written texts. Interviews were transcribed verbatim and typed in a Microsoft Word document. These documents were prepared to be analysed with the creation of a transferable folder with the necessary subfolders on the C:/ drive on the researcher's computer to allow for easy transfer. Each document was edited and pseudonyms were created. All grammar and spelling was checked. Editing was checked for auto-coding, in order to ensure that questions and answers follow closely on one another. The demographic information such as venue, date and company details were formatted in capitals to allow for auto coding. The margins were changed to suit the recent Atlas.ti version (For Atlas.ti 7.x). Spacing and font size were checked. A descriptive file name for the documents was entered and each of the edited files was saved under a new descriptive name in the folder and changed into a rich text format (RTF). Transcribed interview data, as well as each company's annual report was imported into Atlas.ti. Atlas.ti is a qualitative data analysis software package that offers support involving the interpretation of text. "It has the capacity to deal with large amounts of text, as well as the management of annotations, concepts and complex structures, including conceptual relationships that emerge in the process of interpretation" (Muhr, 1991:349). These transcripts and annual reports were inserted as primary documents in hermeneutic units. Therefore, Atlas.ti software was used to code data, retrieve text, efficient unification of codes, generating network views to create developing code visualisations and their relationships to each other.

All transcripts were studied and specific relevant texts from data were selected. Texts were unitised and the thoughts were highlighted and categorized. Categories were identified and coded according to issues of relevance to research questions. Categories and coding scheme were developed from rich texts and conclusions from the coded data were made (Graham, 2012). The above step consisted of creating logic of identified categories by exploring dimensions of categories, identifying relations between categories, revealing patterns, and testing categories against a full range of data (Bradley, 1993). Thus, qualitative content analysis is descriptive, systematic and replicable (Graham, 2012). A comprehensive electronic data analysis summary from Atlas.ti in an html format is attached as CD Annexure to this dissertation.

Chapter 6 reports on some verbatim data extracts that are used, for example, (10:5:59) means primary document 10, quotation number 5 and line 59.

#### **4.8.4.4 Reliability and validity for qualitative research (Phase 2)**

In the perspective of qualitative research, validity is described as the ability of the researcher to gain access to the participants' insight and experience, and whether they are able to deduce the participants' intended meaning (Saunders *et al.*, 2007:319). Reliability is concerned with the ability of the measuring instrument to generate consistent findings at different times and under varying conditions (Cooper & Schindler, 2008:292-293). Miles and Huberman (1994) offer a view that validity and reliability depends on the ability of the researcher who is conducting the interviews whilst recording them, to possess the following behaviours or skills:

- a) be familiar with the subject and the field of research,
- b) have a multidisciplinary knowledge,
- c) good research and interviewing skills.

During the course of this research, the author attempted to establish validity and reliability by rich descriptions, comprehensive analysis, and peer review.

According to Saunders *et al.* (2012) others have formulated new terms to accommodate qualitative research by substituting reliability and validity with "measures of trustworthiness". These measures include dependability, credibility, transferability and conformability (Lincoln & Guba, 1985). The following definitions are offered by Eriksson and Kovalainen (2008:294).

Dependability refers to "the researcher's responsibility for offering information to the reader, that the research process has been logical, traceable, and documented. All these activities establish the trustworthiness of research". All interview audios and transcribed interview data are made available on the CD as an annexure. Hard copies of signed ethical consent forms were also scanned and saved as part of documentary evidence.

Credibility refers to the key questions to ask from your research when evaluating your research which are: whether you are familiar with the topic and whether the data is sufficient to merit your claims? Whether you have made strong logical links between observations and your categories? Whether any other research can, on the

basis of your materials, come relatively close to your interpretations or agree with your claims? The data obtained from interviews were linked to the research objectives and research questions. It was also relevant and contained solid and rich descriptions. Professional peer review and consultation were sought during the process of coding, analysis and final report writing to assist the judgment of the researcher. Professional peer review and consultation ensured that content and face validity of coding process was observed. During this process, research objectives were in cognisant.

Transferability is concerned with the researcher's responsibility to show the degree of similarity between the research or parts of it, and other research, in order to establish some form of connection between the current research and previous results. Transferability is thus not about replication, but rather whether some sort of similarity could be found in other research contexts. As stated above, the analysis of data was provided through rich and solid descriptions to satisfy the concerns for transferability.

Conformability refers to the ideas that the data and interpretations of an inquiry are not just imagination. Conformability is about linking findings and interpretations to the data in ways that can be easily understood by others. In order to ensure conformability, the requirement for transparency will be met. Primary documents of original transcripts, complete electronic assessment trace of coding, code families, memos, and networks will be made available to augment the dependence in the conformability of data.

#### **4.9 ETHICAL CONSIDERATIONS**

Ethical clearance approval was obtained from the Department of Business Management Research Ethics Committee, see Appendix D. The participants selected for the interview process were sent the ethics consent form, together with the invitation letter to participate in the study. A brief background and objectives of the study were explained. Respondents were furthermore informed that their participation is voluntary, their identities will be treated with confidentiality and results of the study can be made available to them on request. Confidentiality contracts were reached with each company which participated in the study. Consent for the results of individual viewpoints to be published was received, but all the participants

requested the anonymity of their individual identities. All ethical considerations required for this type of study were met.

#### **4.10 PRESENTATION OF FINDINGS**

The last step of the research process is to present the findings of the research by interpreting the results of the data analysed. Chapter 5 and 6 deal with the interpretation of data, the presentation of results and findings by means of both qualitative and quantitative analysis.

#### **4.11 CONCLUSION**

This chapter provided an overview of the research design and methodology for the study. The research problem was stated along with the research objectives. Both qualitative and quantitative designs were seen as most appropriate in addressing the objectives of the study. It was then decided that the research process would be conducted in two phases. In terms of data gathering and processing, both qualitative and quantitative approaches were followed. Similarly, for data analysis, both qualitative and quantitative content analyses were conducted. Information on how data was analysed and ethical considerations concludes this chapter.

**Table 4.1: Data analysis**

Research objective (s)	Population sampling	Unit of analysis	Data collection	Data analysis										
To investigate board members profiles and board composition of listed companies in the South African mining industry.	JSE listed mining companies	Annual reports  <b>1.Profiles (Board members)</b> <table border="1"> <thead> <tr> <th><i>Demographic profiles</i></th> <th><i>Career backgrounds</i></th> </tr> </thead> <tbody> <tr> <td>-Age</td> <td>Educational &amp; functional background</td> </tr> <tr> <td>-Race</td> <td></td> </tr> <tr> <td>-Gender</td> <td>-Career experience</td> </tr> <tr> <td>-Nationality</td> <td></td> </tr> </tbody> </table>	<i>Demographic profiles</i>	<i>Career backgrounds</i>	-Age	Educational & functional background	-Race		-Gender	-Career experience	-Nationality		Download online from company websites, or obtain directly from mining companies or JSE	Microsoft Excel/SPSS
<i>Demographic profiles</i>		<i>Career backgrounds</i>												
-Age	Educational & functional background													
-Race														
-Gender	-Career experience													
-Nationality														
To report on the criteria employed to appoint members serving on boards of mining companies listed on the JSE.	<b>2. Board composition</b> -Size of the executive team -Positions represented on board level -Criteria used for board appointments, i.e. executive, non-executive and independent non-executive Human Resources Executive Directors	Semi-structured interviews	Atlas.ti- Content analysis											
To report on the progress towards and determine the current status of transformation within the South African mining industry measured against EE scorecard targets	10 Directors of JSE listed mining companies		Semi-structured interviews	Atlas.ti- Content analysis  JSE Reporting Annual Reports										
To investigate current challenges experienced and initiatives undertaken in this industry in terms of transformation.	10 Directors of JSE listed mining companies	Human Resources Executive Directors	Semi-structured interviews	Atlas.ti- Content analysis										
To investigate barriers to transformation in the mining industry	10 Directors of JSE listed mining companies	Human Resources Executive Directors	Semi-structured interviews	Atlas.ti- Content analysis										

# CHAPTER 5 REVIEW OF SOUTH AFRICAN MINING COMPANY BOARDS

## 5.1 INTRODUCTION

This chapter reports on the findings of the analysis of data by presenting the results of the first phase of the research. Phase 1 of the research sought to address the first objective of this study, namely to investigate the board member's profiles and the board composition of JSE listed companies in the South African mining industry. The board composition analysis is presented in the form of board size and positions represented on board level. Board members' profiles were analysed according to demographic profiles and career backgrounds. The demographic profiles of the directors are presented according to race, gender, nationality and age. The career backgrounds are presented in the form of educational background and career experience. The educational background considers the qualification type and qualification levels. The career background considers board experience, mining experience and years of experience on the current board as shown in Figure 5.1.

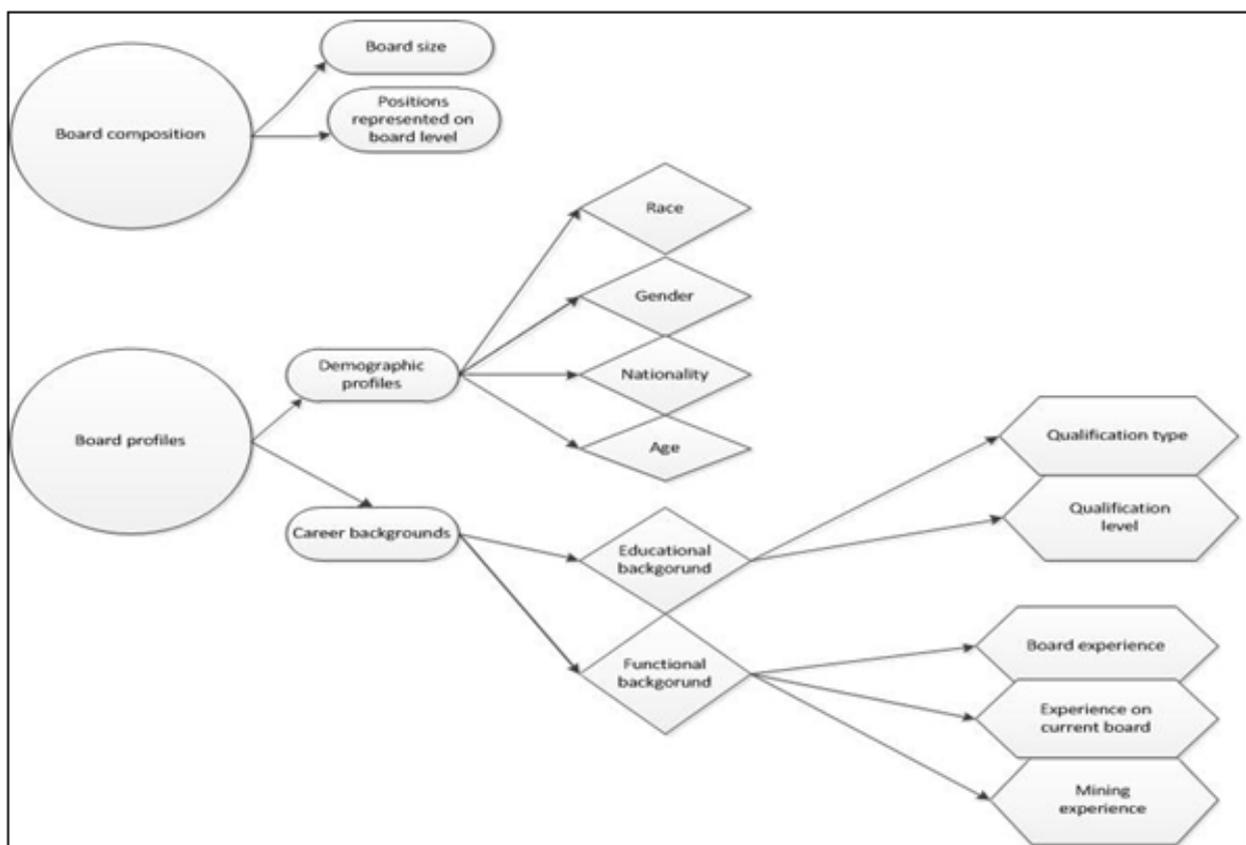


Figure 5.1: Summary of statistical analysis

For the analysis of Phase 1, descriptive statistics using frequencies and cross-tabulations was used to report the findings. Descriptive statistics describe the board composition and the profiles of board members of mining companies listed on the JSE during 2011. The purpose of cross-tabulations was to compare variables against a selected defined category. IBM SPSS 22 and Microsoft Excel 2007 were used to perform statistical analysis and to tabulate graphs, charts and tables.

As discussed in the previous chapter, a data analysis process was followed for data cleaning and validation.

## **5.2 PRESENTATION OF RESULTS**

The data comprised of 56 mining companies listed on the JSE during 2011. Each company's board composition, as well as the profiles of 506 directors was recorded. Data was recorded in the following variable names in Excel and SPSS:

- a) Name of the company
- b) Title, name and surname of each director
- c) Race, gender, nationality and age per director
- d) Position of the director in the company
- e) Qualification of each director (e.g. B.Sc: Electrical Engineering)
- f) Qualification level of each director (e.g. Undergraduate or postgraduate)
- g) Qualification field of each director (e.g. Commerce or Science)
- h) Functional background per director (e.g. Finance or Mining)
- i) Board experience in years per director
- j) Mining experience in years
- k) Years of experience on the current board per director

The following positions were represented across all boards as reported in the annual reports: Chief Executive Officer (CEO), Executive Chairman (EC), Deputy Chairman (DC), Company Secretary (CS), Financial Director (FD), Executive Director (ED), Non-Executive Director (NED), Independent Non-Executive Director (INED) and Lead Independent Non-Executive Director (LINED). Some of these positions were denoted in different titles but were subsequently reclassified as reported in Table 5.1.

**Table 5.1: Positions with similar meaning**

Chairperson Chairman	= Executive Chairman (including female or males)
Managing Director	= Chief Executive Officer
Chief Financial Officer Finance Director	= Financial Director
Independent Director	= Independent Non-Executive Director
Inside Director	= Executive Director
Outside Director	= Non-Executive Director

Companies in the mining industry can be classified into size by means of their turnover (JSE, 2009). The StatsSA (2009) has classified companies in the mining industry into four categories namely Large (turnover exceeding R39 000 000), Medium (turnover between R10 000 000 and R39 000 000), Small (turnover between R4 000 000 and R10 000 000) and Micro (less than R4 000 000 turnover).

Although the researcher tried to adopt the classification criteria of StatsSA to classify JSE listed companies. However, the process was discarded as more than 98% of companies were classified in the “large” category. Instead, this research employed the turnover or revenue figures shown in Table 5.2 below.

**Table 5.2: Classification of mining companies to size using turnover**

Industry size	Turnover
<b>Mega</b>	≥30 000 000 000
<b>Large</b>	1 000 000 0000 ≥29 999 000 000
<b>Medium</b>	500 000 000 ≥ 999 999 000
<b>Small</b>	100 000 000 ≥ 499 999 000
<b>Micro</b>	≤ 99 999 000

For the purpose of this research, Table 5.2 above, shows that JSE listed companies in the South African mining industry were classified into five categories. A company with a turnover exceeding 30 billion was classified as a mega company, a company

with a turnover between 1 billion and 29 billion was classified as a large company, a company with a turnover between 500 million and 999 million was classified as a medium company, a company with a turnover between 100 million and 499 million was classified a small company, and lastly a company of turnover of less than 99 million was classified as a micro company.

The process of classifying JSE listed mining companies to size, showed that five companies were classified under the mega category, whilst 23 companies were classified under the large category, only six companies were classified in the medium category, 11 companies in the small category and another 11 companies in the micro category as shown in Table 5.3.

**Table 5.3: Number of mining companies in each industry category**

Industry size	Number of mining companies
Mega	5
Large	23
Medium	6
Small	11
Micro	11

The next section depicts the statistics of board composition of JSE listed mining companies in 2011.

### **5.3 BOARD COMPOSITION OF MINING COMPANIES LISTED ON THE JSE IN 2011**

Board composition analysis is presented in the form of board size and positions represented on board level. Criteria for board appointments are covered in Phase 2 of data analysis reporting (Chapter 6). Table 5.4 lists each company in a classified category, it also provides the turnover for the 2011 financial year, positions represented on board level and the board size. Table 5.5 provides a cumulative summary across the industry categories.

**Table 5.4: Board size and positions represented on board level per company**

Company	Turnover (2011)	CEO	EC	NEC	DC	FD	CS	ED	NED	INED	LINED	Board size
<b>Mega companies</b>												
Anglo American Platinum	51 584 000 000	1	0	1	1	1	0	0	3	6	1	14
AngloGold Ashanti	47 849 000 000	1	0	1	0	1	0	0	0	8	0	11
BHP Billiton	482 803 470 000	1	0	1	0	0	1	0	0	10	0	13
Goldfields	41 877 000 000	1	0	1	0	1	0	0	0	10	0	13
Impala Platinum	33 132 000 000	1	0	1	0	1	0	1	2	7	1	14
<b>Total</b>		<b>5</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>41</b>	<b>2</b>	<b>65</b>
<b>Large companies</b>												
African Rainbow Minerals	15 357 000 000	1	1	0	0	1	0	5	1	8	0	17
Anglo American PLC	6 000 000 000	1	0	1	0	1	0	0	7	1	0	11
Aquarius Platinum	4 596 032 100	1	0	0	0	0	1	2	0	0	0	4
Assore	10 000 000 000	1	0	1	1	0	0	1	1	4	0	9
Coal of Africa	1 758 892 050	1	0	1	1	2	0	1	3	3	0	12
Diamond Corp	4 140 756 000	1	0	1	0	0	0	0	2	2	0	6
DRDGOLD	2 565 000 000	1	0	1	0	1	1	2	1	2	0	9
Exxaro	21 305 000 000	1	1	0	0	1	0	3	6	0	0	12
GoldOne	1 259 600 000	1	0	1	0	1	0	0	5	0	0	8
Goliath Gold	1 250 537 268	1	0	1	1	1	0	0	0	2	0	6
Harmony	12 000 000 000	1	0	1	0	1	0	1	0	11	1	16
Lonmin	13 600 000 000	1	0	1	0	0	0	1	2	6	0	11
Merafe Resources	2 426 755 000	1	0	1	0	1	0	1	0	8	0	12
Mvelaphanda Group	1 886 000 000	0	0	1	0	1	0	0	0	3	0	5
Northam Platinum	3 571 048 000	1	0	1	0	1	0	1	1	6	2	13
Omnia Holdings	9 368 000 000	0	0	1	0	0	1	2	1	6	0	11
Optimum Coal	5 289 000 000	1	0	1	1	1	0	0	4	4	0	12
Palabora Mining Company	9 092 000 000	0	0	1	0	1	0	1	6	0	1	10
RandGold & Exploration company Limited	1 826 000 000	1	0	1	0	1	0	0	0	2	0	5
Resource Generation	8 274 500 000	1	0	1	0	0	1	0	2	0	0	5
Royal Bafokeng Platinum	2 974 900 000	1	0	1	0	1	0	1	1	5	0	10
Sentula Mining	2 402 375 000	1	0	1	0	1	0	1	0	4	0	8
Tawana Resources	1 167 069 490	0	0	1	0	0	0	1	4	0	0	6
<b>Total</b>		<b>19</b>	<b>2</b>	<b>20</b>	<b>4</b>	<b>17</b>	<b>4</b>	<b>24</b>	<b>47</b>	<b>77</b>	<b>4</b>	<b>218</b>
<b>Medium companies</b>												

Company	Turnover (2011)	CEO	EC	NEC	DC	FD	CS	ED	NED	INED	LINED	Board size
Afrimat	854 500 000	1	0	1	0	1	0	2	3	2	0	10
Eastern Platinum Limited	761 512 650	1	0	1	0	1	0	5	0	0	0	8
Pan African Resource	730 297 760	1	0	1	1	1	0	0	2	1	0	7
Petmin	641 467 000	1	1	0	1	1	0	1	3	3	1	12
Transhex	657 998 000	1	0	1	0	1	0	1	1	1	0	6
Wescoal	557 598 179	1	0	1	0	1	0	0	1	2	0	6
<b>Total</b>		<b>6</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>49</b>
<b>Small companies</b>												
Bauba Platinum	410 000 000	1	0	1	0	1	0	0	2	3	1	9
Firestone Energy Ltd	390 150 560	0	0	1	0	0	1	0	3	0	0	5
Great Basin Gold	162 271 000	1	1	0	0	0	0	0	4	2	0	8
Hwange Colliery	107 895 986	0	0	1	0	0	0	1	3	4	0	9
Infrassors	239 400 000	1	0	1	0	0	0	2	4	0	0	8
Kumba Iron Ore	485 530 000	1	0	1	0	1	0	0	3	4	0	10
Miranda Mineral Holdings	268 000 000	1	0	1	0	1	0	0	1	4	0	8
Rockwell Diamonds	294 578 686	1	1	0	0	0	0	5	0	0	0	7
Simmer & Jack Mines	104 510 000	0	1	0	0	1	0	0	0	2	1	5
South African Coal Mining	374 338 000	1	0	1	0	1	0	0	2	0	0	5
Thabex Limited	409 011 000	1	0	1	0	1	0	1	1	2	0	7
<b>Total</b>		<b>8</b>	<b>3</b>	<b>8</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>9</b>	<b>23</b>	<b>21</b>	<b>2</b>	<b>81</b>
<b>Micro companies</b>												
Chrometco	15 371 000	0	0	1	0	1	0	1	1	0	0	4
JCI Limited	17 450 000	1	0	1	0	1	0	0	0	3	0	6
Jubilee Platinum	5 503 000	1	0	1	0	1	0	1	2	0	0	6
Keaton Energy Holdings	35 200 000	0	0	1	0	1	0	3	3	2	0	10
Platfields Limited	19 707 461	1	0	1	0	1	0	1	2	1	0	7
SACoil Limited	35 143 119	1	0	1	0	1	0	2	0	3	0	8
Sallies	56 071 000	1	0	1	0	0	0	0	2	2	1	7
Sephaku Holdings	5 759 678	1	1	0	0	1	0	1	5	1	2	12
Village Main Reef	17 552 000	1	0	0	0	1	0	2	3	4	0	11
Wesizwe	-393 000 000	1	0	1	1	1	0	0	6	2	0	12
Wits Gold	24 645 363	1	0	1	1	1	0	3	0	3	0	10
<b>Total</b>		<b>9</b>	<b>1</b>	<b>9</b>	<b>2</b>	<b>10</b>	<b>0</b>	<b>14</b>	<b>24</b>	<b>21</b>	<b>3</b>	<b>93</b>
<b>Grand Total</b>		<b>47</b>	<b>7</b>	<b>47</b>	<b>9</b>	<b>43</b>	<b>6</b>	<b>57</b>	<b>109</b>	<b>169</b>	<b>12</b>	<b>506</b>

**Table 5.5 : Cumulative industry distribution of positions represented on board level**

Industry category	Positions represented on board level										
	CEO	EC	NEC	DC	FD	CS	ED	NED	INED	LINED	Total %
Mega	7.7%	0.0%	7.7%	1.5%	6.2%	1.5%	1.5%	7.7%	63.1%	3.1%	100.0%
Large	8.7%	0.9%	9.2%	1.8%	7.8%	1.8%	11.0%	21.6%	35.3%	1.8%	100.0%
Medium	12.2%	2.0%	10.2%	4.1%	12.2%	0.0%	18.4%	20.4%	18.4%	2.0%	100.0%
Small	9.9%	3.7%	9.9%	0.0%	7.4%	1.2%	11.1%	28.4%	25.9%	2.5%	100.0%
Micro	9.7%	1.1%	9.7%	2.2%	10.8%	0.0%	15.1%	25.8%	22.6%	3.2%	100.0%
<b>Valid %</b>	<b>9.3%</b>	<b>1.4%</b>	<b>9.3%</b>	<b>1.8%</b>	<b>8.5%</b>	<b>1.2%</b>	<b>11.3%</b>	<b>21.5%</b>	<b>33.4%</b>	<b>2.4%</b>	<b>100.0%</b>

The agency theory and the King Report recommend for companies to have a structured board to assume the role of corporate control and monitoring (Jensen & Meckling, 1976). All mining companies in the study followed a structured one-tier single board system that consists of a balance of power; a mixture of executive and non-executive directors interrelating in a committee.

To illustrate board independence, Table 5.5 shows how positions are distributed in each industry category. Board independence is reflected by a mixture of independent and non-executive independent directors to produce best fit for financial value (Carter *et al.*, 2003; IoD, 2009; Ruigrok *et al.*, 2007). Table 5.5 shows that the majority (33.4%) of positions were held by independent non-executive directors, followed by non-executive directors (21.5%). It also shows that in mega companies the majority of positions were held by independent non-executive directors (63.1% of board composition). In large companies the majority of positions were held by independent non-executive directors with a 35.3% representation. In medium companies the majority of positions were held by non-executive directors (20.4%) followed by executive directors and independent non-executive director each with an 18.4% representation. In small companies the majority of positions were held by non-executive directors (28.4%) followed by independent non-executive directors with 25.9%. In micro companies, the majority of positions were held by non-executive directors (25.8%) followed by independent non-executive director with a representation of 22.6%. This shows a balance of power on the boards of JSE listed mining companies and also proves that boards in the mining industry are independent.

The literature review in Chapter 3 demonstrated that there is general agreement that one person should not concurrently hold the CEO and board chairperson positions (Daily & Dalton, 2003; IoD, 1994; IoD, 2009; Mallette & Fowler, 1992; Zahra & Pearce, 1989). All the mining companies made a distinction between the CEO and chairman position. However, it was concerning that nine companies did not have a CEO, one company did not have a chairman, 13 companies did not have a financial director and 50 companies did not have a company secretary on their board. It was also an important finding that 47 out of 54 (87%) of chairman positions were non-executive, whilst seven (13%) of chairman positions were executive.

**Table 5.6: Cumulative summary of board size in each industry category**

<b>Industry size</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>
Mega	11	14	13
Large	4	17	9
Medium	6	12	8
Small	5	10	7
Micro	4	12	8
<b>Total</b>	<b>6</b>	<b>13</b>	<b>9</b>

Table 5.6 provides a consolidated view of board sizes in all categories. Board size is calculated by the total number of directors serving on the board. According to the results tabulated in Table 5.6 in mega companies, the board with the most board members had 14 members and the board with the lowest number had 11 members. Thus, the average board size in a mega company was 13 members. In large companies the largest board had 17 members, whilst the smallest board had four members. The average board size in a large company was nine members. In medium companies the largest board had 12 members and the smallest board had six members. The average board size in medium companies was eight members. In small companies the largest board had 10 members and the smallest board had five members. The average board size in a small company was seven members. In micro companies the largest board had 12 members and the smallest board had only four directors. The average board size in micro companies was eight members.

Using the mean scores, it is thus deduced from Table 5.6 that on average a board of a mining company has a minimum of seven directors and a maximum of 13 directors. On average, the board size in a JSE listed mining company has nine members.

Studies of Zahra and Pearce (1989) revealed that companies with larger board sizes had higher financial returns than companies with smaller ones. In contrary, other studies suggested that small boards enhance organisational financial performance (Daily *et al.*, 1999; Jensen, 1993; Yermack, 1996) and are conducive for efficiency in decision making (Randøy *et al.*, 2006). Cumulative results of board size in the mining industry show there is a correlation between board size and financial performance, as that the largest board size was found in a mega company with a mean of 13. The second largest board size was found in a large company with a mean of 9. The smallest board size was found in a small company with a mean of 7. The second smallest board size was found in a micro company with a mean of 8.

#### **5.4 PROFILES OF DIRECTORS ON THE BOARD**

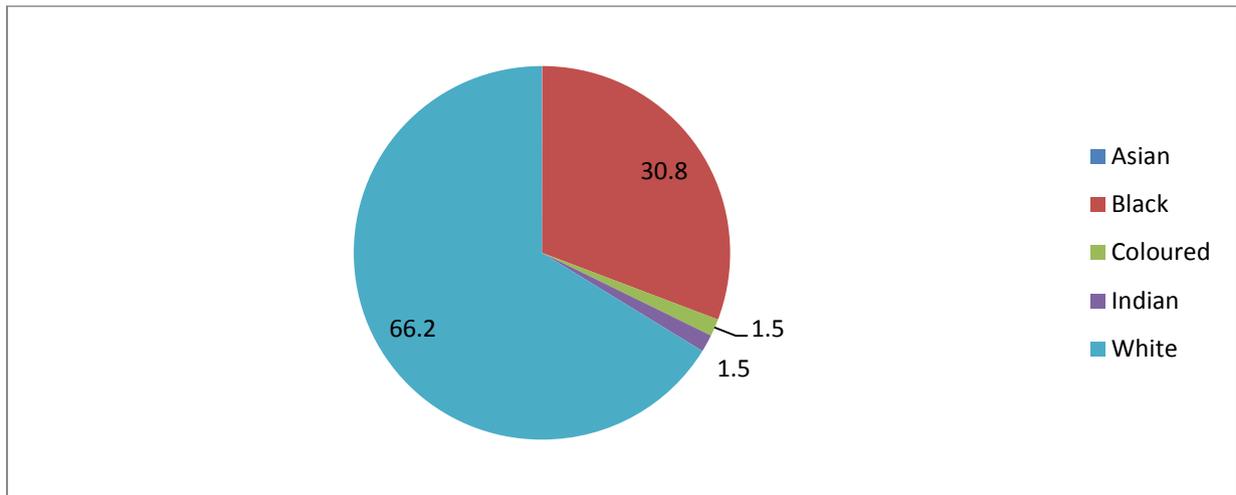
Firstly, the demographical presentation of board members from mega to micro companies is presented in terms of race, gender and nationality. Also, the demographical statistical analysis of different director positions is included. Lastly, cumulative statistics of demographics, age, educational and functional background of director positions are presented.

The five racial groups were recorded as Asian, Black, Coloured, Indian and White. The Black race includes foreigners in Africa and does not include Indians, Asians and Coloureds. The Chinese ethnic group was categorised under the Asian racial group. Nationality can either be South African, Foreign or Dual. Those with dual nationality hold both South African and British citizenship. The racial characters can be described as follows:

- A = Asian
- B = Black
- C = Coloured
- I = Indian
- W = White

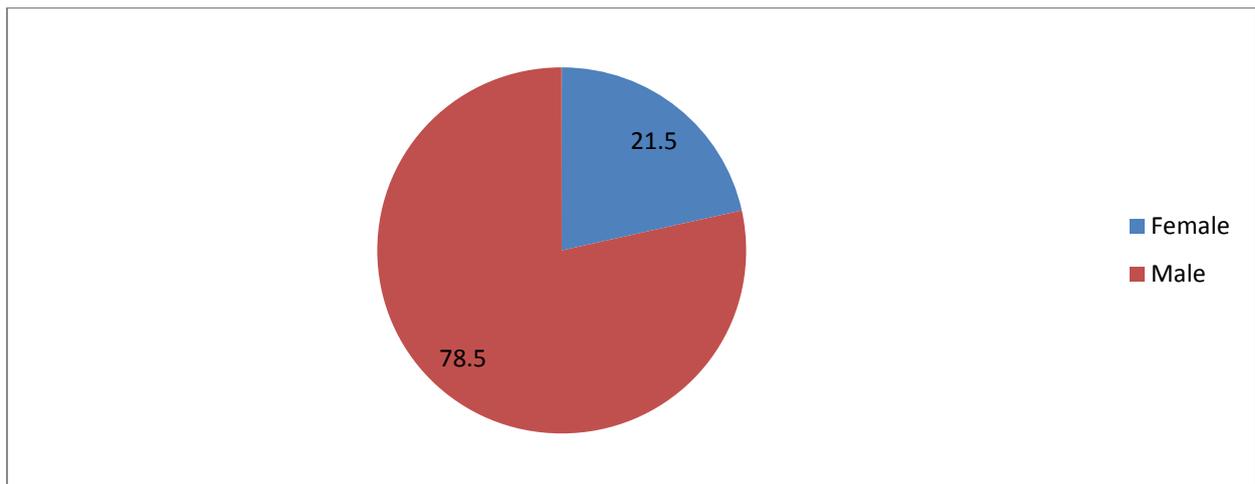
### 5.4.1 Demographical presentation of results in mega companies

Figure 5.2 shows the racial profile of directors in mega companies. It reveals that the majority (66.2%) of board positions were held by the White racial group, followed by Blacks (30.8%), followed by Indians and Coloureds with 1.5% representation each. A concerning finding was that there was no representation of Asians (female or male) represented on the boards of mega companies.



**Figure 5.2: Racial profile of directors in mega companies**

To determine the disparities between male and female in mega companies, Figure 5.3 shows that mega companies were dominated by male board members with a 78.5% representation whilst 21.5% of board positions were held by females.



**Figure 5.3: Gender profile of directors in mega companies**

Table 5.7 in the next page shows how gender is distributed in each racial group.

**Table 5.7: Racial and gender profile of directors in mega companies**

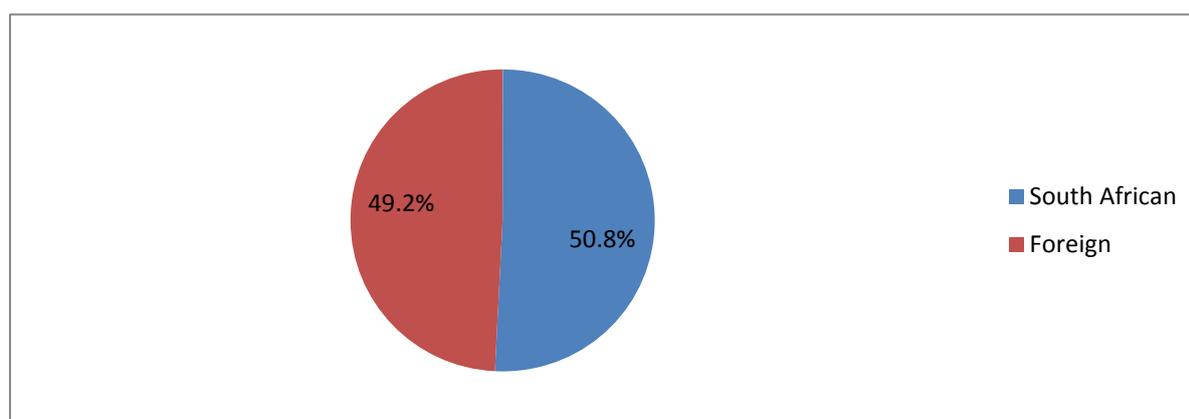
Mega companies	Gender per race								Grand Total
	Female			Female Total	Male			Male Total	
	B	C	W		B	I	W		
Anglo American Platinum	14.3%	0.0%	14.3%	28.6%	21.4%	7.1%	42.9%	71.4%	100.0%
AngloGold Ashanti	9.1%	0.0%	0.0%	9.1%	36.4%	0.0%	54.5%	90.9%	100.0%
BHP Billiton	0.0%	0.0%	23.1%	23.1%	0.0%	0.0%	76.9%	76.9%	100.0%
Goldfields	7.7%	7.7%	7.7%	23.1%	23.1%	0.0%	53.8%	76.9%	100.0%
Impala Platinum	14.3%	0.0%	7.1%	21.4%	28.6%	0.0%	50.0%	78.6%	100.0%
<b>Grand Total</b>	<b>9.2%</b>	<b>1.5%</b>	<b>10.8%</b>	<b>21.5%</b>	<b>21.5%</b>	<b>1.5%</b>	<b>55.4%</b>	<b>78.5%</b>	<b>100.0%</b>

This comparison in Table 5.7 of the distribution of race, per gender, in each company in the mega category, shows that cumulatively White males carried a larger proportion of board seats with 55.4%, compared to Black males with 21.5% with a dismal 1.5% for Indian males. Only one company (BHP Billiton) had over 75% board positions representing White males, the other companies had less than 55% representation of White males. Furthermore, there was almost an equal distribution of Black females (9.2%) to White females (10.8%). It is rather alarming that the following racial groups were non-existent in mega companies: Indian females, Asian males and females, and Coloured males. Table 5.8 below, shows how board positions were demographically distributed in mega companies.

**Table 5.8: Gender and racial profile of board positions in mega companies**

Board position	Gender per race								Grand Total
	Female			Female Total	Male			Male Total	
	B	C	W		B	I	W		
CEO	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
NEC	20.0%	0.0%	20.0%	40.0%	40.0%	0.0%	20.0%	60.0%	100.0%
DC	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%	100.0%
FD	0.0%	0.0%	0.0%	0.0%	25.0%	0.0%	75.0%	100.0%	100.0%
CS	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
ED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
NED	0.0%	0.0%	0.0%	0.0%	60.0%	0.0%	40.0%	100.0%	100.0%
INED	12.2%	2.4%	12.2%	26.8%	19.5%	0.0%	53.7%	73.2%	100.0%
LINED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
<b>Grand Total</b>	<b>9.2%</b>	<b>1.5%</b>	<b>10.8%</b>	<b>21.5%</b>	<b>21.5%</b>	<b>1.5%</b>	<b>55.4%</b>	<b>78.5%</b>	<b>100.0%</b>

Table 5.8 presents the demographic profiles of different director positions in mega companies. It reveals that CEO positions in mega companies were exclusively occupied by White males. Also exclusive positions held by White males were those of executive directors and lead independent non-executive directors. However, independent non-executive director positions were distributed among different races with Black females accounting for 12.2%, Coloured females accounting for 2.4%, White females at 12.2%, Black males at 19.5% and White males at 73.2%. The financial director positions were distributed exclusively to males, White males (75%) and Black males (25%). Only one company in the mega company category had a deputy chairman, this position was occupied by an Indian candidate accounting for the total Indian representation in mega companies.



**Figure 5.4: Nationality profile of directors in mega companies**

Figure 5.4 illustrates that mega companies almost have an equal distribution of foreign nationals (49.2%) and South Africans (50.8%) on its boards.

Table 5.9 shows how the nationality aspect was distributed in each gender.

**Table 5.9: Nationality profile of directors in mega companies**

Company	Nationality per gender					SA Total	Grand Total
	Foreign		Foreign Total	South African			
	Female	Male		Female	Male		
Anglo American Platinum	7.1%	42.9%	50.0%	21.4%	28.6%	50.0%	100.0%
AngloGold Ashanti	0.0%	54.5%	54.5%	9.1%	36.4%	45.5%	100.0%
BHP Billiton	23.1%	69.2%	92.3%	0.0%	7.7%	7.7%	100.0%
Goldfields	0.0%	46.2%	46.2%	23.1%	30.8%	53.8%	100.0%
Impala Platinum	0.0%	7.1%	7.1%	21.4%	71.4%	92.9%	100.0%
<b>Grand Total</b>	<b>6.2%</b>	<b>43.1%</b>	<b>49.2%</b>	<b>15.4%</b>	<b>35.4%</b>	<b>50.8%</b>	<b>100.0%</b>

It was of interest to note the nationality profile of BHP Billiton (a South African company); in this company 92.3% of the board positions were held by foreign nationals. Conversely, in Impala Platinum almost 93% of the board seats were occupied by South Africans. Table 5.9 shows that 6.2% of females were classified as foreign, compared to 43.1% of the males in this category. It also shows that local females held 15.4% of board positions compared to males that held 35.4% of the South African total (50.8%). This indicates that most board positions held by foreign nationals were held by males.

#### 5.4.2 Demographical presentation of results in large companies

Racial statistics in Figure 5.5 below, reveal that in large companies the Asian racial group held 0.5% (only males) of racial representation, Indians and Coloured racial groups each held 2.3%, Blacks accounted for the second majority of 31.7% and the White racial group accounted for the majority of 63.3% of board positions.

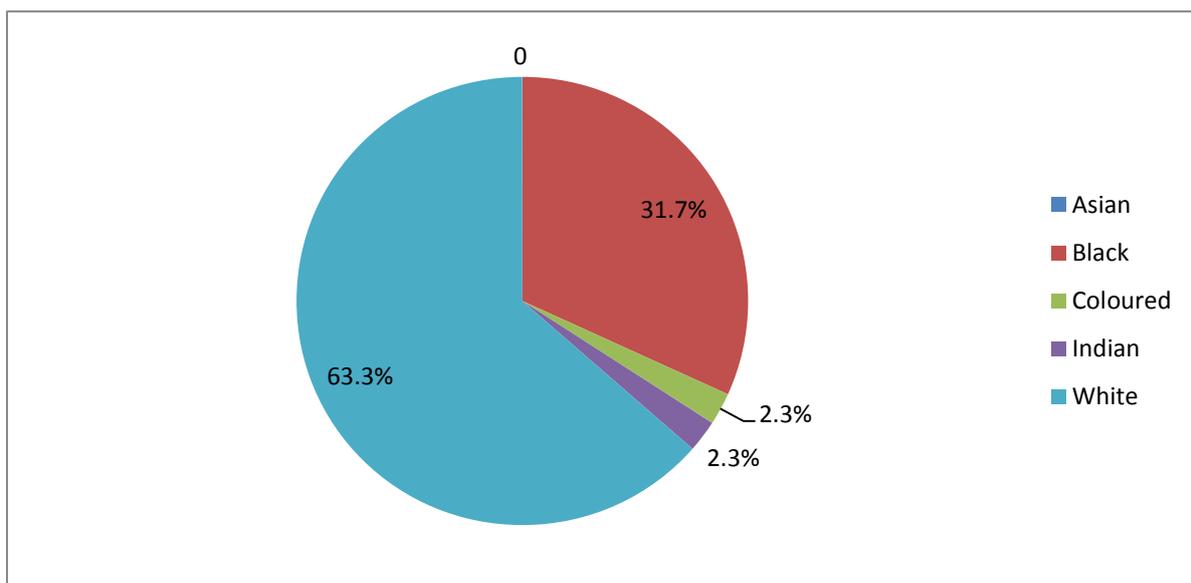
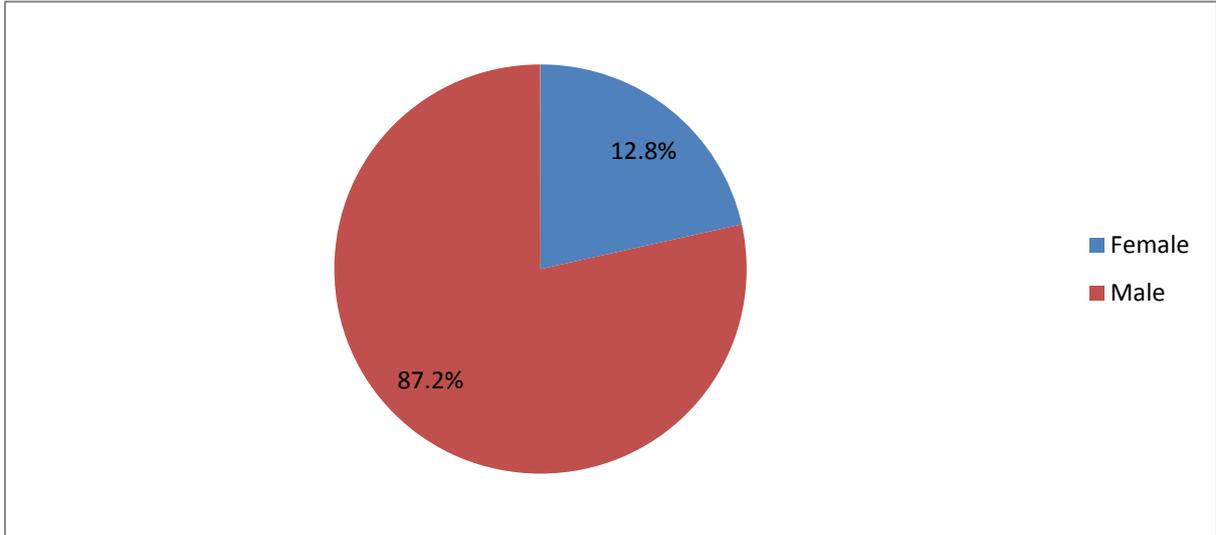


Figure 5.5: Racial profile of directors in large companies

Figure 5.6 below shows that in large companies, females held 12.8% and males held 87.2% of board positions.



**Figure 5.6: Gender profile of directors in large companies**

Table 5.10 below shows how races are distributed across males and females.

**Table 5.10: Racial and gender profile of directors in large companies**

Mega companies	Gender per race											Grand Total
	Female				Female Total	Male					Male Total	
	B	C	I	W		A	B	C	I	W		
African Rainbow Minerals	11.8%	0.0%	0.0%	0.0%	11.8%	0.0%	29.4%	0.0%	0.0%	58.8%	88.2%	100.0%
Anglo American PLC	9.1%	0.0%	0.0%	9.1%	18.2%	9.1%	9.1%	0.0%	0.0%	63.6%	81.8%	100.0%
Aquarius Platinum	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Assore	11.1%	0.0%	0.0%	0.0%	11.1%	0.0%	11.1%	0.0%	0.0%	77.8%	88.9%	100.0%
Coal of Africa	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%	75.0%	100.0%	100.0%
Diamond Corp	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
DRDGOLD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.2%	11.1%	0.0%	66.7%	100.0%	100.0%
Exxaro	8.3%	0.0%	0.0%	0.0%	8.3%	0.0%	41.7%	0.0%	0.0%	50.0%	91.7%	100.0%
GoldOne	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	0.0%	0.0%	87.5%	100.0%	100.0%
Goliath Gold	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	83.3%	100.0%	100.0%
Harmony	6.3%	0.0%	0.0%	6.3%	12.5%	0.0%	43.8%	0.0%	0.0%	43.8%	87.5%	100.0%
Lonmin	0.0%	0.0%	0.0%	9.1%	9.1%	0.0%	9.1%	0.0%	18.2%	63.6%	90.9%	100.0%
Merafe Resources	41.7%	0.0%	0.0%	0.0%	41.7%	0.0%	33.3%	0.0%	0.0%	25.0%	58.3%	100.0%
Mvelaphanda Group	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	60.0%	0.0%	0.0%	40.0%	100.0%	100.0%
Northam Platinum	15.4%	0.0%	0.0%	0.0%	15.4%	0.0%	30.8%	0.0%	15.4%	38.5%	84.6%	100.0%
Omnia Holdings	0.0%	9.1%	9.1%	9.1%	27.3%	0.0%	9.1%	0.0%	0.0%	63.6%	72.7%	100.0%
Optimum Coal	16.7%	0.0%	0.0%	0.0%	16.7%	0.0%	33.3%	8.3%	0.0%	41.7%	83.3%	100.0%
Palabora Mining Company	10.0%	0.0%	0.0%	10.0%	20.0%	0.0%	20.0%	10.0%	0.0%	50.0%	80.0%	100.0%
RandGold & Exploration company	20.0%	0.0%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%	0.0%	80.0%	80.0%	100.0%
Resource Generation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Royal Bafokeng Platinum	20.0%	0.0%	0.0%	10.0%	30.0%	0.0%	20.0%	10.0%	0.0%	40.0%	70.0%	100.0%
Sentula Mining	12.5%	0.0%	0.0%	0.0%	12.5%	0.0%	25.0%	0.0%	0.0%	62.5%	87.5%	100.0%
Tawana Resources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
<b>Grand Total</b>	<b>9.2%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>2.8%</b>	<b>12.8%</b>	<b>0.5%</b>	<b>22.5%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>60.6%</b>	<b>87.2%</b>	<b>100.0%</b>

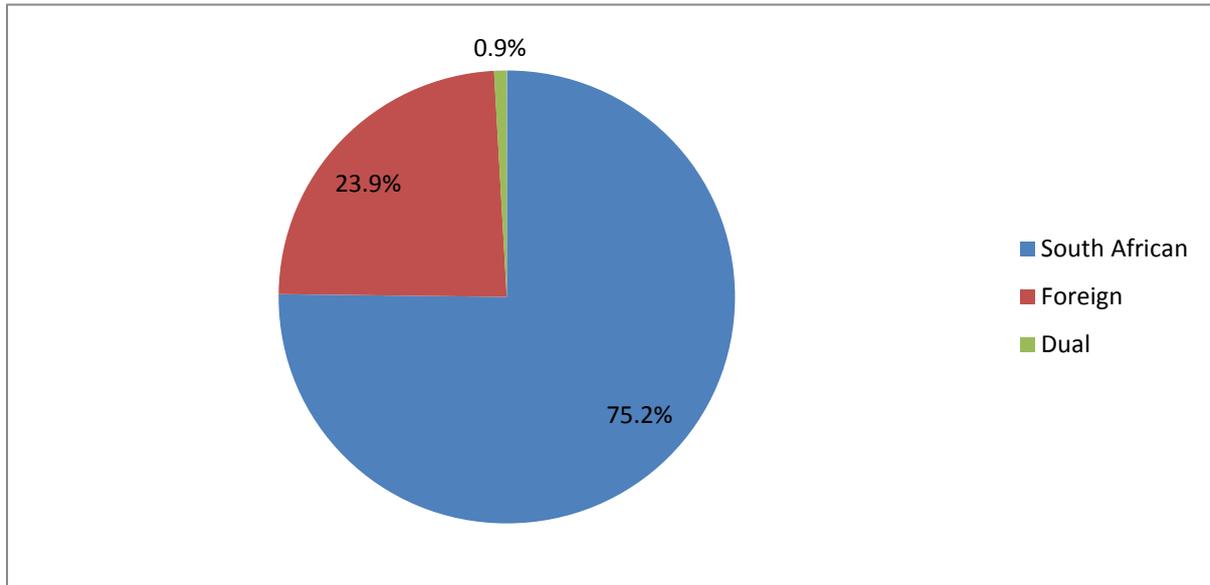
It is shown in Table 5.10 that a total of nine out of 23 (40% of large companies) had 100% of board representation by males. This table also shows that amongst those nine companies, four companies (Aquarius Platinum, Diamond Corp, Resource Generation, and Tawana Resources) had a 100% White male domination on their board. Furthermore, six companies had 75%, or higher, representations of White males on their boards, namely, Assore (77.8%), Coal of Africa (75%), Goldone (87.5%), Goliath Gold (3.3%), RandGold & Exploration Company (80%) and Sentula Mining (87.5%). Considering total male representation (i.e. 87.2%), it was found that White males held the majority of board seats (60.6% of board positions) and Black males held only 22.5%, the remaining positions. Asian males (0.5%), Indian males 1.8% and Coloured males (1.8%) accounted for only a few seats. It was also interesting to note that Black females held 9.2% of board seats, compared to White females who held 2.8%. Asians females were non-existent in large companies whilst Coloureds (male and female) held 1% of board positions.

**Table 5.11: Racial and gender profile of board positions in large companies**

Board position	Gender per race											Grand Total
	Female				Female Total	Male					Male Total	
	B	C	I	W		A	B	C	I	W		
CEO	0.0%	0.0%	0.0%	5.3%	5.3%	0.0%	10.5%	5.3%	0.0%	78.9%	94.7%	100.0%
EC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	0.0%	0.0%	50.0%	100.0%	100.0%
NEC	5.0%	0.0%	0.0%	0.0%	5.0%	0.0%	25.0%	0.0%	0.0%	70.0%	95.0%	100.0%
DC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%	75.0%	100.0%	100.0%
FD	11.8%	0.0%	0.0%	0.0%	11.8%	0.0%	5.9%	0.0%	0.0%	82.4%	88.2%	100.0%
CS	0.0%	25.0%	0.0%	0.0%	25.0%	0.0%	25.0%	0.0%	0.0%	50.0%	75.0%	100.0%
ED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	29.2%	0.0%	0.0%	70.8%	100.0%	100.0%
NED	4.3%	0.0%	0.0%	2.1%	6.4%	2.1%	25.5%	2.1%	2.1%	61.7%	93.6%	100.0%
INED	18.2%	0.0%	1.3%	5.2%	24.7%	0.0%	24.7%	2.6%	2.6%	45.5%	75.3%	100.0%
LINED	25.0%	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	25.0%	50.0%	75.0%	100.0%
<b>Grand Total</b>	<b>9.2%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>2.8%</b>	<b>12.8%</b>	<b>0.5%</b>	<b>22.5%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>60.6%</b>	<b>87.2%</b>	<b>100.0%</b>

The demographic distribution per director position in large companies as shown in Table 5.11, demonstrates that almost 94% of CEO positions were held by males and that females accounted for just about 5% of the total. The most prominent demographic group appointed as CEOs was White males who accounted for almost 79%, followed by Black males (10.5%), Coloured males (5.3%) and White females

(5.3%). The financial director positions were held mostly by White males (82.4%), while the remaining 11.8% were held by Black females.



**Figure 5.7: Nationality profile of directors in large companies (n = 218)**

Figure 5.7 shows that in large companies, 164 (more than 75%) of the board positions were held by South Africans, while 52 foreign nationals accounted for almost 24%. Two board members held both South African and British citizenship.

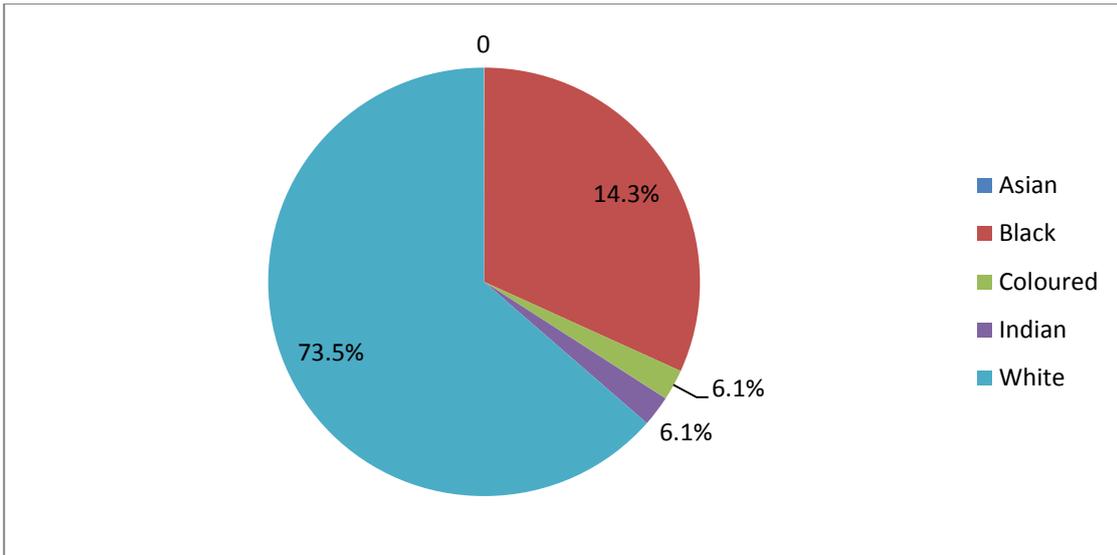
As can be seen from Table 5.12 below, 11 of the 22 companies employed only South African board members. However, it is alarming that three companies (Diamond Corp, Resource Generation and Tawana Resources) had 100% foreign representation on its board. Lonmin had two directors with dual (British and South African) citizenship.

**Table 5.12: Nationality and gender profile of directors in large companies**

Large companies	Nationality per gender							Grand Total	
	Dual	Dual Total	Foreign		Foreign Total	South African			SA Total
	Male		Female	Male		Female	Male		
African Rainbow Minerals	0.0%	0.0%	0.0%	0.0%	0.0%	11.8%	88.2%	100.0%	100.0%
Anglo American PLC	0.0%	0.0%	9.1%	72.7%	81.8%	9.1%	9.1%	18.2%	100.0%
Aquarius Platinum	0.0%	0.0%	0.0%	75.0%	75.0%	0.0%	25.0%	25.0%	100.0%
Assore	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%	88.9%	100.0%	100.0%
Coal of Africa	0.0%	0.0%	0.0%	58.3%	58.3%	0.0%	41.7%	41.7%	100.0%
Diamond Corp	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%
DRD GOLD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Exxaro	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%	91.7%	100.0%	100.0%
GoldOne	0.0%	0.0%	0.0%	37.5%	37.5%	0.0%	62.5%	62.5%	100.0%
Goliath Gold	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Harmony	0.0%	0.0%	0.0%	6.3%	6.3%	12.5%	81.3%	93.8%	100.0%
Lonmin	18.2%	18.2%	9.1%	36.4%	45.5%	0.0%	36.4%	36.4%	100.0%
Merafe Resources	0.0%	0.0%	0.0%	0.0%	0.0%	41.7%	58.3%	100.0%	100.0%
Mvelaphanda Group	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Northam Platinum	0.0%	0.0%	0.0%	15.4%	15.4%	15.4%	69.2%	84.6%	100.0%
Omnia Holdings	0.0%	0.0%	0.0%	0.0%	0.0%	27.3%	72.7%	100.0%	100.0%
Optimum Coal	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	83.3%	100.0%	100.0%
Palabora Mining Co.	0.0%	0.0%	0.0%	40.0%	40.0%	20.0%	40.0%	60.0%	100.0%
RandGold & Exploration company Limited	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	80.0%	100.0%	100.0%
Resource Generation	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%
Royal Bafokeng Platinum	0.0%	0.0%	0.0%	10.0%	10.0%	30.0%	60.0%	90.0%	100.0%
Sentula Mining	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	87.5%	100.0%	100.0%
Tawana Resources	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%
<b>Grand Total</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>22.9%</b>	<b>23.9%</b>	<b>11.9%</b>	<b>63.3%</b>	<b>75.2%</b>	<b>100.0%</b>

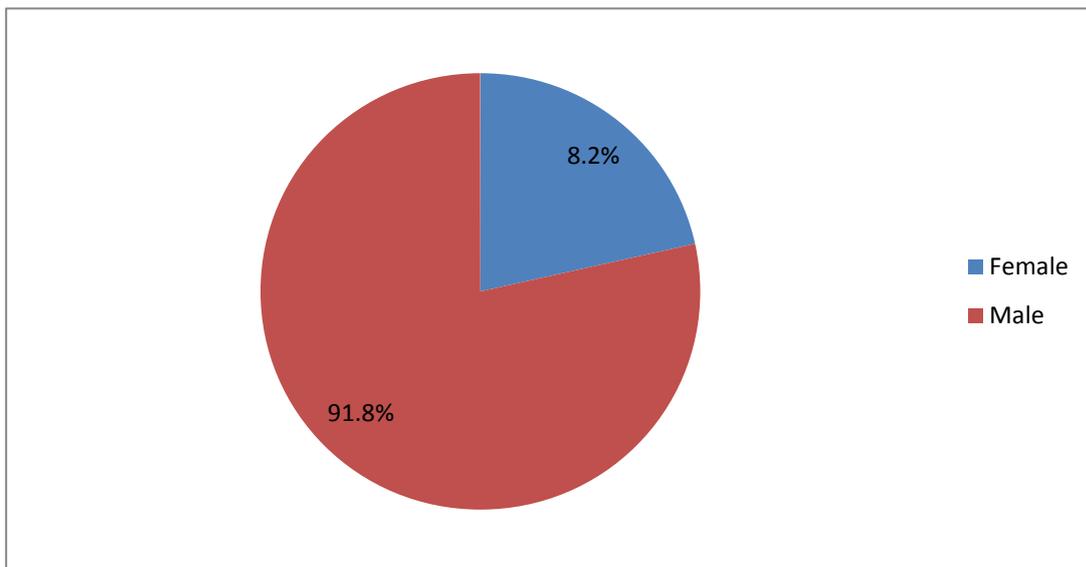
### 5.4.3 Demographical presentation of results in medium companies

The overall racial profile of medium companies shown in figure 5.8 below, shows that the White racial group held the majority of positions (73.5%), whilst the Black racial group held 14.3% and Indians and Coloureds each held 6.1% of the positions on boards. No Asians were represented in the category of medium companies.



**Figure 5.8: Racial profile of directors in medium companies (n = 49)**

The gender profile of directors, as depicted in Figure 5.9, shows that in medium companies, 45 board positions (91.8%) were held by males and the remaining four positions (8.2%) were held by females.



**Figure 5.9: Gender profile of directors in medium companies (n = 49)**

Table 5.13 below, shows the racial and gender distribution per company in medium companies.

**Table 5.13: Racial and gender profile of directors in medium companies**

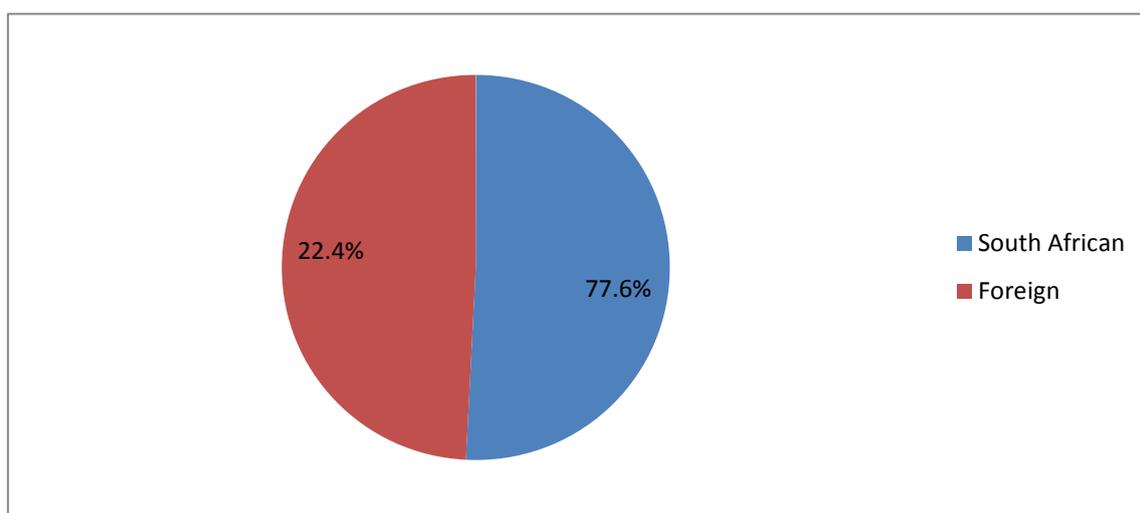
Medium companies	Gender per race								Grand Total
	Female		Female Total	Male				Male Total	
	B	C		B	C	I	W		
Afrimat	10.0%	0.0%	10.0%	10.0%	0.0%	0.0%	80.0%	90.0%	100.0%
Eastern Platinum Limited	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Pan African Resource	14.3%	0.0%	14.3%	14.3%	0.0%	0.0%	71.4%	85.7%	100.0%
Petmin	8.3%	0.0%	8.3%	0.0%	0.0%	16.7%	75.0%	91.7%	100.0%
Transhex	0.0%	0.0%	0.0%	0.0%	33.3%	16.7%	50.0%	100.0%	100.0%
Wescoal	0.0%	16.7%	16.7%	33.3%	0.0%	0.0%	50.0%	83.3%	100.0%
<b>Grand Total</b>	<b>6.1%</b>	<b>2.0%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>4.1%</b>	<b>6.1%</b>	<b>73.5%</b>	<b>91.8%</b>	<b>100.0%</b>

It is interesting to note that no White and Indian females were appointed as board members in medium companies. However, there was one Coloured female (2% representation) and three Black females (6.1% representation). Four out of six companies in the medium category had more than 75% White male representation on their boards. The Afrimat board constituted of 80.0% White males, Eastern Platinum's board had 100% White males representation, Pan African Resource's board constituted of 71.4% White males and 75% of Petmin's board members were White males.

**Table 5.14: Racial and gender profile of board positions in medium companies**

Board positions	Count	Gender per race								Grand Total
		Female		Female Total	Male				Male Total	
		B	C		B	C	I	W		
CEO	6	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	83.3%	100.0%	100.0%
EC	1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
NEC	5	0.0%	0.0%	0.0%	40.0%	0.0%	0.0%	60.0%	100.0%	100.0%
DC	2	50.0%	0.0%	50.0%	0.0%	0.0%	0.0%	50.0%	50.0%	100.0%
FD	6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
ED	9	0.0%	0.0%	0.0%	0.0%	11.1%	0.0%	88.9%	100.0%	100.0%
NED	10	10.0%	0.0%	10.0%	10.0%	0.0%	10.0%	70.0%	90.0%	100.0%
INED	9	11.1%	11.1%	22.2%	11.1%	0.0%	22.2%	44.4%	77.8%	100.0%
LINED	1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
<b>Grand Total</b>	<b>49</b>	<b>6.1%</b>	<b>2.0%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>4.1%</b>	<b>6.1%</b>	<b>73.5%</b>	<b>91.8%</b>	<b>100.0%</b>

As shown in Table 5.14, all companies in the medium category did not have a company secretary. The CEO positions in medium companies were distributed between White males (83.3% of positions) and Coloured males (16.7% of positions). All executive chairman, financial director and lead independent non-executive director positions were exclusively held by the White males. White males showed less dominance on independent non-executive position with a 44% representation.



**Figure 5.10: Nationality profiles of directors in medium companies**

In medium companies, South African nationals held 77.6% representation whilst foreign nationals held only 22.4% representation. Table 5.15 shows how nationality was distributed in each gender.

**Table 5.15: Nationality and gender profile of directors in medium companies**

Medium companies	Nationality per gender					Grand Total
	Foreign	Foreign Total	South African		South African Total	
	Male		Female	Male		
Afrimat	0.0%	0.0%	10.0%	90.0%	100.0%	100.0%
Eastern Platinum Limited	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%
Pan African Resource	0.0%	0.0%	14.3%	85.7%	100.0%	100.0%
Petmin	25.0%	25.0%	8.3%	66.7%	75.0%	100.0%
Transhex	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Wescoal	0.0%	0.0%	16.7%	83.3%	100.0%	100.0%
<b>Grand Total</b>	<b>22.4%</b>	<b>22.4%</b>	<b>8.2%</b>	<b>69.4%</b>	<b>77.6%</b>	<b>100.0%</b>

It is shown in the table above that only one company (Eastern Platinum Limited) had 100% foreign representation on their board, and four companies had 100% South African citizens on their board.

#### 5.4.4 Demographical presentation of results in small companies

As can be seen in the figure below, the racial profiles of small companies show that 54.3% of board positions were held by the White racial group followed closely by the Black race (40.7% of representations) and the remaining 3.7% of positions were held by Indians. It is also revealed in figure 5.11 that no Asians and Coloureds were represented on boards of small mining companies.

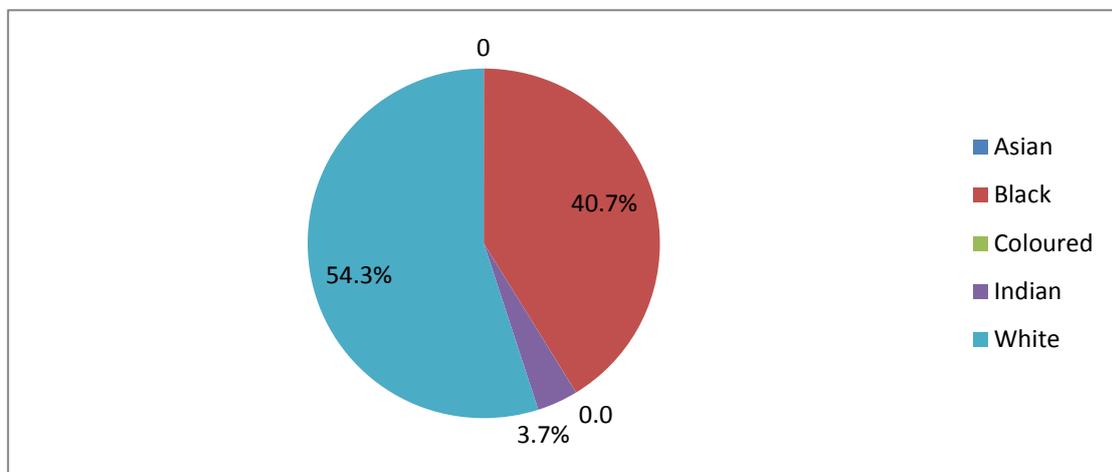


Figure 5.11: Racial profile of directors in small companies (n = 81)

Figure 5.12 below, illustrates that in small companies 72 out of 81 board members are male whilst females held only 11.1% (nine out of 81) board positions.

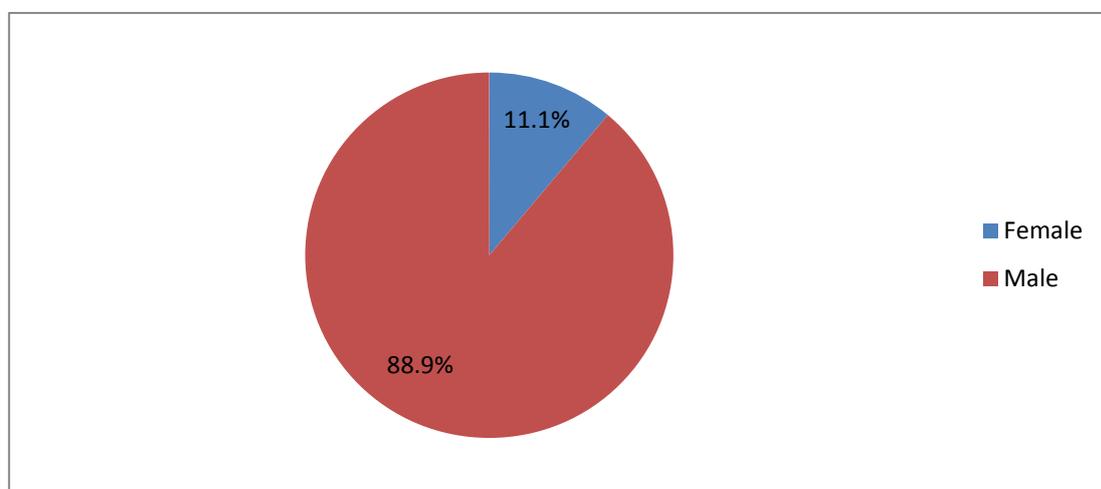


Figure 5.12: Gender profile of directors in small companies (n = 81)

**Table 5.16: Racial and gender profile of directors in small companies**

Small companies	Gender per race									Grand Total
	Female			Female Total	Male				Male Total	
	B	I	W		A	B	I	W		
Bauba Platinum	11.1%	0.0%	0.0%	11.1%	0.0%	33.3%	0.0%	55.6%	88.9%	100.0%
Firestone Energy Ltd	0.0%	0.0%	0.0%	0.0%	0.0%	60.0%	0.0%	40.0%	100.0%	100.0%
Great Basin Gold	12.5%	0.0%	12.5%	25.0%	0.0%	12.5%	0.0%	62.5%	75.0%	100.0%
Hwange Colliery	11.1%	0.0%	0.0%	11.1%	0.0%	88.9%	0.0%	0.0%	88.9%	100.0%
Infrassors	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	0.0%	75.0%	100.0%	100.0%
Kumba Iron Ore	10.0%	10.0%	0.0%	20.0%	0.0%	30.0%	0.0%	50.0%	80.0%	100.0%
Miranda Mineral Holdings	12.5%	0.0%	12.5%	25.0%	0.0%	25.0%	0.0%	50.0%	75.0%	100.0%
Rockwell Diamonds	0.0%	0.0%	0.0%	0.0%	14.3%	14.3%	0.0%	71.4%	100.0%	100.0%
Simmer & Jack Mines	20.0%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%	80.0%	80.0%	100.0%
South African Coal Mining	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	40.0%	40.0%	100.0%	100.0%
Thabex Limited	0.0%	0.0%	0.0%	0.0%	0.0%	42.9%	0.0%	57.1%	100.0%	100.0%
<b>Grand Total</b>	<b>7.4%</b>	<b>1.2%</b>	<b>2.5%</b>	<b>11.1%</b>	<b>1.2%</b>	<b>33.3%</b>	<b>2.5%</b>	<b>51.9%</b>	<b>88.9%</b>	<b>100.0%</b>

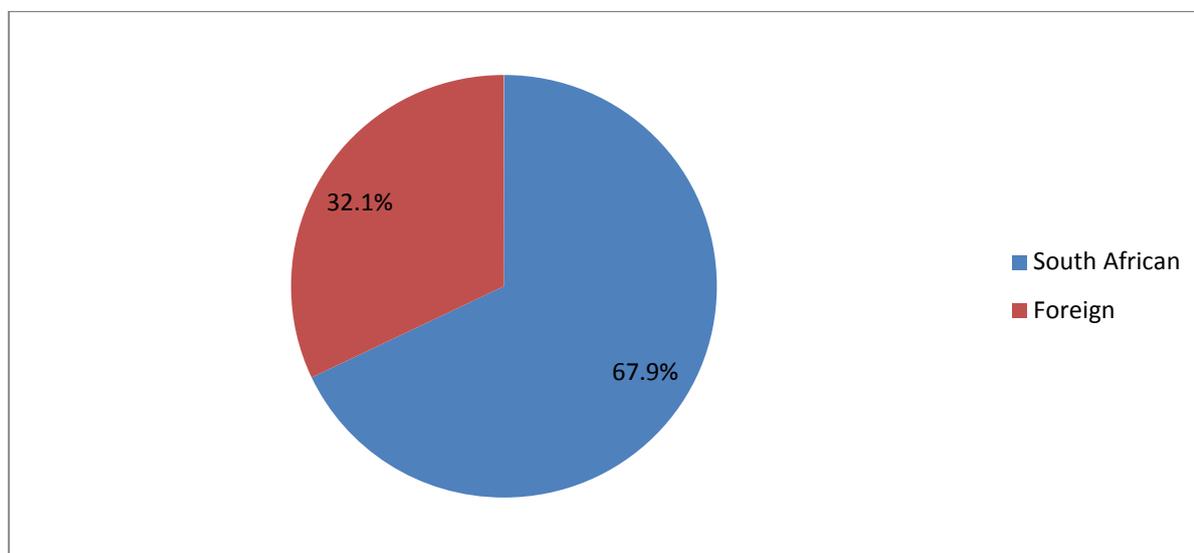
Table 5.16 shows that all small companies had more than 80% male representation on their boards with five companies having 100% male domination (Firestone Energy Limited, Infrassors, Rockwell Diamonds, South African Coal Mining and Thabex Limited). White males dominated board positions with 51.9% representation, followed by Black males representing 33.3% and Black females 7.4%, the remaining 7.4% was shared by other racial groups.

Table 5.17 below shows the racial and gender profile of board positions in small companies. As can be seen from this table, the position demographics in small companies reveal that 100% of CEO and executive chairman positions were held by the White males. Independent non-executive directors were distributed across race and gender groups but the majority were held by White and Black males, each accounting for 38.1%, followed by Black females (19% of representation), and with Indian females holding the remaining 4.8% board positions. Results show that no independent non-executive directors were represented by White females.

**Table 5.17: Racial and gender profile of board positions in small companies**

Board position	Gender per race									Grand Total
	Female			Female Total	Male				Male Total	
	B	I	W		A	B	I	W		
CEO	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
EC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
NEC	0.0%	0.0%	0.0%	0.0%	0.0%	62.5%	0.0%	37.5%	100.0%	100.0%
FD	0.0%	0.0%	16.7%	16.7%	0.0%	16.7%	0.0%	66.7%	83.3%	100.0%
CS	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	100.0%
ED	0.0%	0.0%	0.0%	0.0%	11.1%	33.3%	0.0%	55.6%	100.0%	100.0%
NED	8.7%	0.0%	4.3%	13.0%	0.0%	34.8%	8.7%	43.5%	87.0%	100.0%
INED	19.0%	4.8%	0.0%	23.8%	0.0%	38.1%	0.0%	38.1%	76.2%	100.0%
LINED	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	0.0%	50.0%	100.0%	100.0%
<b>Grand Total</b>	<b>7.4%</b>	<b>1.2%</b>	<b>2.5%</b>	<b>11.1%</b>	<b>1.2%</b>	<b>33.3%</b>	<b>2.5%</b>	<b>51.9%</b>	<b>88.9%</b>	<b>100.0%</b>

Figure 5.13 presents the nationality distribution in small companies and shows that 55 positions, namely 67.9% were held by South Africans and the remaining 26 positions (32.1%) were held by foreign nationals.



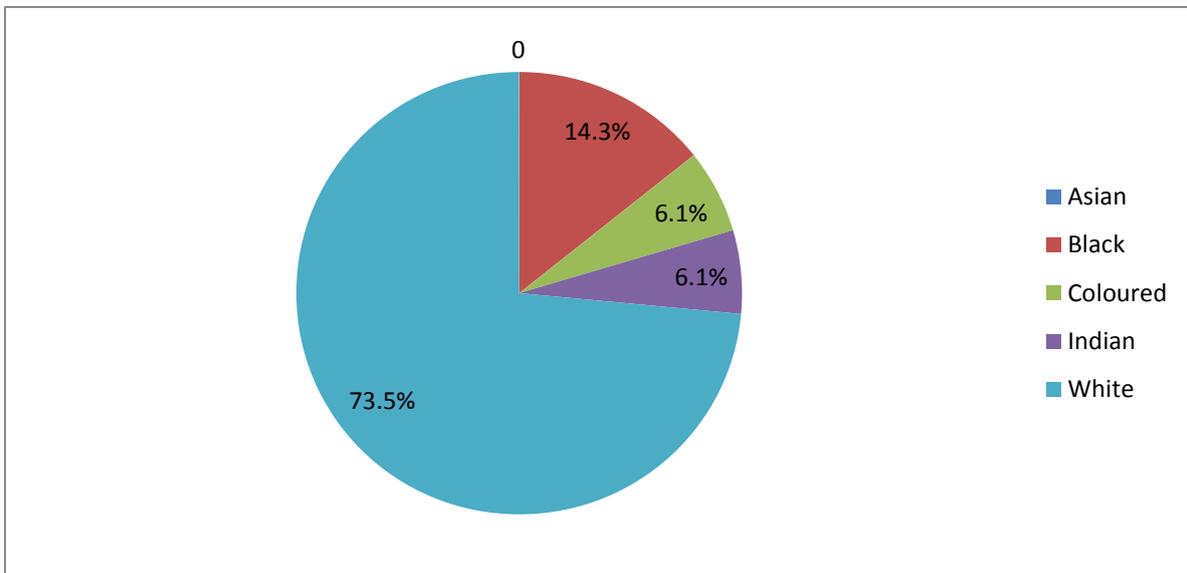
**Figure 5.13: Nationality distribution of directors in small companies (n =81)**

Table 5.18 below, shows that only one company, Hwange Colliery, had 100% foreign nationals representation on their board, whilst Simmer and Jack Mines had 100% South African citizens on the board. Nine out of 11 small companies had more than 60% South African citizens on their boards.

**Table 5.18: Nationality and gender profile of directors in small companies**

Small companies	Nationality per gender						Grand Total
	Foreign		Foreign Total	South African		SA Total	
	Female	Male		Female	Male		
Bauba Platinum	0.0%	11.1%	11.1%	11.1%	77.8%	88.9%	100.0%
Firestone Energy Ltd	0.0%	40.0%	40.0%	0.0%	60.0%	60.0%	100.0%
Great Basin Gold	12.5%	12.5%	25.0%	12.5%	62.5%	75.0%	100.0%
Hwange Colliery	11.1%	88.9%	100.0%	0.0%	0.0%	0.0%	100.0%
Infrassors	0.0%	12.5%	12.5%	0.0%	87.5%	87.5%	100.0%
Kumba Iron Ore	0.0%	20.0%	20.0%	20.0%	60.0%	80.0%	100.0%
Miranda Mineral Holdings	0.0%	12.5%	12.5%	25.0%	62.5%	87.5%	100.0%
Rockwell Diamonds	0.0%	71.4%	71.4%	0.0%	28.6%	28.6%	100.0%
Simmer & Jack Mines	0.0%	0.0%	0.0%	20.0%	80.0%	100.0%	100.0%
South African Coal Mining	0.0%	40.0%	40.0%	0.0%	60.0%	60.0%	100.0%
Thabex Limited	0.0%	14.3%	14.3%	0.0%	85.7%	85.7%	100.0%
<b>Grand Total</b>	<b>2.5%</b>	<b>29.6%</b>	<b>32.1%</b>	<b>8.6%</b>	<b>59.3%</b>	<b>67.9%</b>	<b>100.0%</b>

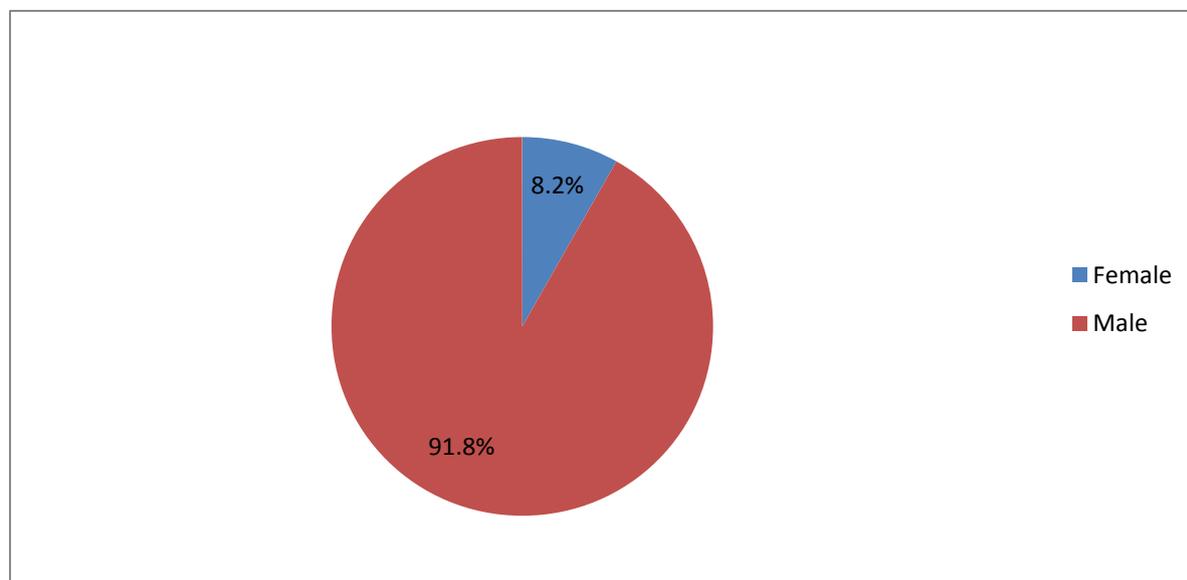
**5.4.5 Demographical presentation of results in micro companies**



**Figure 5.14: Racial profile of directors in micro companies (n = 93)**

The racial profile of micro companies, as depicted in Figure 5.14, shows that the majority of board positions were held by the White racial group (64.5% of representation), followed by Blacks (26.9% of representation), followed by the Indians and Coloureds racial groups with 6.1% each. Asians were not represented on the boards of micro companies at all.

As shown in Figure 5.15 below, males held 83 positions on boards, accounting for 91.8% representation, whilst females held 10 positions, accounting for 8.2% of the board positions.



**Figure 5.15: Gender profile of directors in micro companies (n = 93)**

The racial and gender distribution in micro companies is shown in Table 5.19 below.

**Table 5.19: Racial and gender profiles of directors in micro companies**

Micro companies	Gender per race								Grand Total
	Female		Female Total	Male				Male Total	
	B	C		B	C	I	W		
Afrimat	10.0%	0.0%	10.0%	10.0%	0.0%	0.0%	80.0%	90.0%	100.0%
Eastern Platinum Limited	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Pan African Resource	14.3%	0.0%	14.3%	14.3%	0.0%	0.0%	71.4%	85.7%	100.0%
Petmin	8.3%	0.0%	8.3%	0.0%	0.0%	16.7%	75.0%	91.7%	100.0%
Transhex	0.0%	0.0%	0.0%	0.0%	33.3%	16.7%	50.0%	100.0%	100.0%
Wescoal	0.0%	16.7%	16.7%	33.3%	0.0%	0.0%	50.0%	83.3%	100.0%
<b>Grand Total</b>	<b>6.1%</b>	<b>2.0%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>4.1%</b>	<b>6.1%</b>	<b>73.5%</b>	<b>91.8%</b>	<b>100.0%</b>

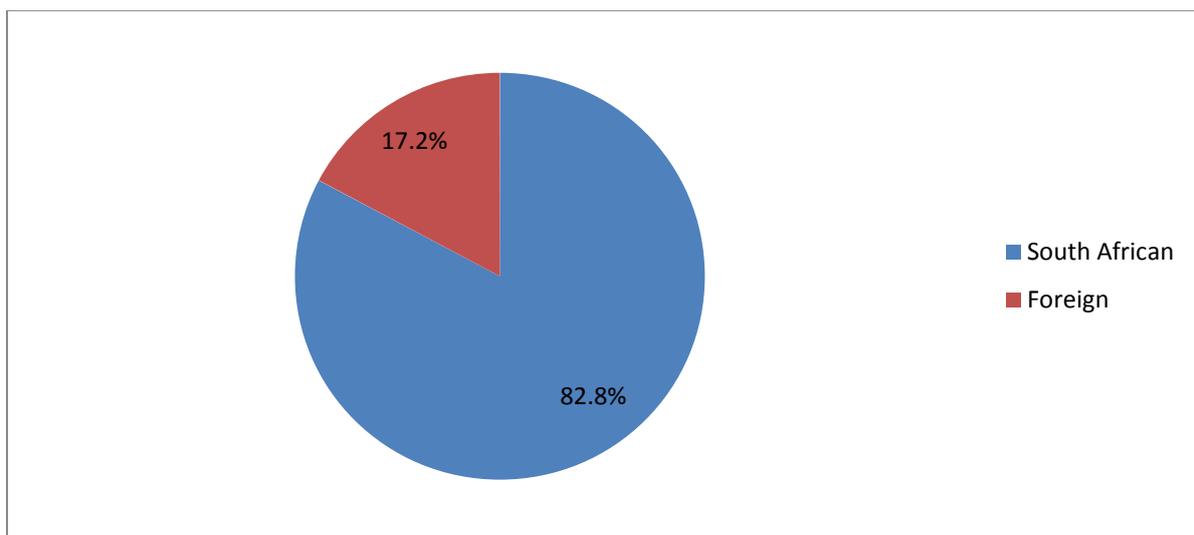
Table 5.19 shows that there were only two representatives of Black (6.1%) and Coloured (2.0%) females. No White or Indian females served on the boards of micro companies. Indian males held 6.1% of board positions, which were equal to Coloureds (female and male combined) and Black females. The position demographics are shown in Table 5.20.

**Table 5.20: Racial and gender profile of board positions in micro companies**

Board position	Gender per race								Grand Total
	Female			Female Total	Male			Male Total	
	B	C	W		A	B	W		
CEO	0.0%	0.0%	0.0%	0.0%	11.1%	11.1%	77.8%	100.0%	100.0%
EC	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%	100.0%
NEC	11.1%	0.0%	0.0%	11.1%	0.0%	11.1%	77.8%	88.9%	100.0%
DC	0.0%	0.0%	0.0%	0.0%	50.0%	50.0%	0.0%	100.0%	100.0%
FD	0.0%	0.0%	20.0%	20.0%	10.0%	0.0%	70.0%	80.0%	100.0%
ED	7.1%	0.0%	7.1%	14.3%	7.1%	14.3%	64.3%	85.7%	100.0%
NED	8.3%	0.0%	0.0%	8.3%	12.5%	37.5%	41.7%	91.7%	100.0%
INED	0.0%	4.8%	4.8%	9.5%	0.0%	23.8%	66.7%	90.5%	100.0%
LINED	0.0%	0.0%	33.3%	33.3%	0.0%	33.3%	33.3%	66.7%	100.0%
<b>Grand Total</b>	<b>4.3%</b>	<b>1.1%</b>	<b>5.4%</b>	<b>10.8%</b>	<b>7.5%</b>	<b>22.6%</b>	<b>59.1%</b>	<b>89.2%</b>	<b>100.0%</b>

In terms of demographical statistics relating to micro companies, CEO positions were distributed between White males (77.8% of CEO positions), Black males (11.1% of CEO positions) and Asian males (one CEO representing 11.1% of CEO positions).

Figure 5.16 illustrates that 82.8% of board seats were occupied by South Africans, with just 17.2% allocated to foreign nationals.



**Figure 5.16: Nationality profile of board of directors in micro companies**

Table 5.21 shows that three companies had 100% South African nationals on their boards, and the remaining companies had a mixture of foreign nationals and local candidates on their boards.

**Table 5.21: Nationality and gender profile of directors in micro companies**

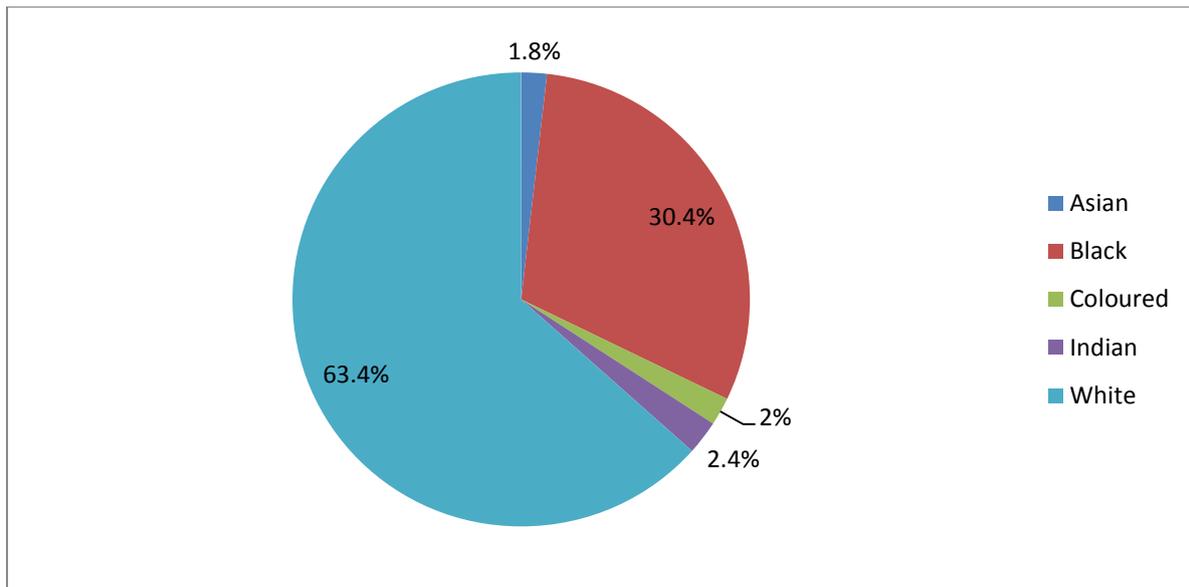
Micro companies	Nationality per gender					Grand Total
	Foreign	Foreign Total	South African		South African Total	
	Male		Female	Male		
Chrometco	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
JCI Limited	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Jubilee Platinum	33.3%	33.3%	0.0%	66.7%	66.7%	100.0%
Keaton Energy Holdings	10.0%	10.0%	20.0%	70.0%	90.0%	100.0%
Platfields Limited	14.3%	14.3%	14.3%	71.4%	85.7%	100.0%
SACoil Limited	37.5%	37.5%	12.5%	50.0%	62.5%	100.0%
Sallies	42.9%	42.9%	0.0%	57.1%	57.1%	100.0%
Sephaku Holdings	0.0%	0.0%	16.7%	83.3%	100.0%	100.0%
Village Main Reef	9.1%	9.1%	18.2%	72.7%	90.9%	100.0%
Wesizwe	25.0%	25.0%	8.3%	66.7%	75.0%	100.0%
Wits Gold	20.0%	20.0%	10.0%	70.0%	80.0%	100.0%
<b>Grand Total</b>	<b>17.2%</b>	<b>17.2%</b>	<b>10.8%</b>	<b>72.0%</b>	<b>82.8%</b>	<b>100.0%</b>

## 5.5 CUMULATIVE ANALYSIS AND DISCUSSION OF RESULTS

This section presents a cumulative analysis of demographic and career experience profiles of directors on the board. The criteria that were considered included age, qualifications, qualification levels, as well as any relevant mining and board experience.

### 5.5.1 Racial profiles in the South African mining industry

Figure 5.17 depicts the overall collective racial demographics of board members in the mining industry and Table 5.22 describes the racial distribution in each industry category.



**Figure 5.17: Cumulative racial profile in the mining industry**

Figure 5.17 shows the cumulative racial demographics, and displays that the majority of board positions (63.4%) were occupied by the White group, followed by the Black group at 30.4% representation. The remaining 6.2% was distributed among Indians (2.4%) and Coloureds (2%), with Asians the minority with 1.8% representation.

**Table 5.22: Cumulative industry racial demographic profiles**

Industry category	Race					Grand Total
	A	B	C	I	W	
Mega	0.0%	30.8%	1.5%	1.5%	66.2%	100.0%
Large	0.5%	31.7%	2.3%	2.3%	63.3%	100.0%
Medium	0.0%	14.3%	6.1%	6.1%	73.5%	100.0%
Small	1.2%	40.7%	0.0%	3.7%	54.3%	100.0%
Micro	7.5%	26.9%	1.1%	0.0%	64.5%	100.0%
<b>Grand Total</b>	<b>1.8%</b>	<b>30.4%</b>	<b>2.0%</b>	<b>2.4%</b>	<b>63.4%</b>	<b>100.0%</b>

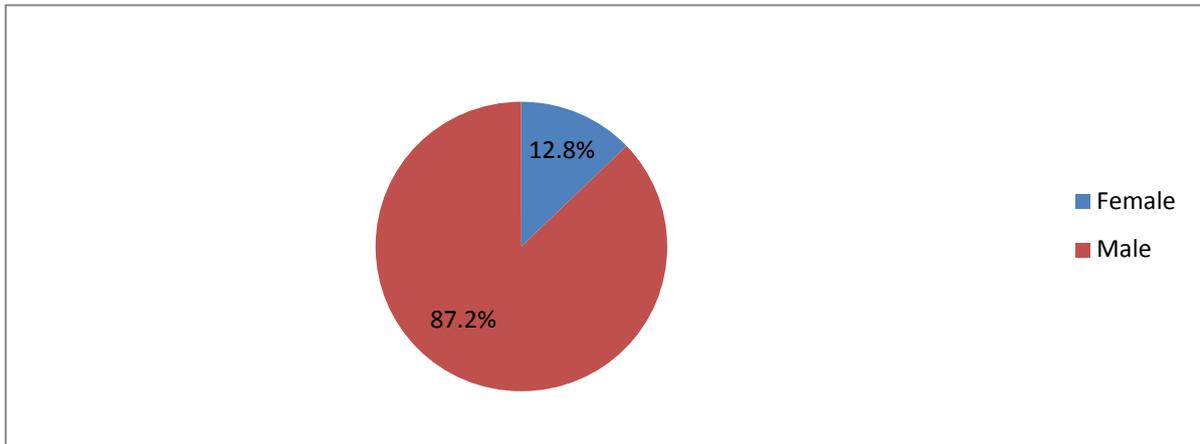
As far as the racial profiles are concerned, the mining industry has made some strides in achieving racial parity. From a general base of 81% in 2002, representation by the White race was 64% in 2011. This means that there has been a 17% distribution from the White racial group to other races between 2002 and 2011. Representation by the Black race group showed second dominance on the board by 30% in 2011. However, progress remains slow for other racial groups, namely, Indians, Coloureds and Asians.

The data contained in Table 5.22 illustrates that mega companies are still dominated by the White racial group (62.2% of board representation), followed by the Black racial group with 30.8% representation. Indians and Coloureds, collectively accounted for the remaining 3%. No Asians were represented in mega companies. In large companies, Whites dominated with 63.3% representation, followed by Blacks representing 31.7% of board memberships. Asians, Indians and Coloureds collectively accounted for the remaining 5.1%. In medium companies, Whites dominated with a 73.5% representation, followed by the Black group occupying 14.3% of board positions. Asians, Indians and Coloureds collectively accounted for the remaining 12.2%. In small companies, Whites dominated with 54.3% representation, followed by Blacks with 40.7% representation. Asians and Indians collectively accounted for the remaining 4.9% of positions on boards. No Coloureds were serving on the boards of small companies. In micro companies, the same trend was observed, with Whites dominating representation on boards (64.5%), followed by Blacks (26.9%), and with Asians and Coloureds collectively accounting for the remaining 8.6%.

From Table 5.22 and the exposition above, it can be deduced that Asians were better represented in micro companies (7.5% of board positions) followed by their representation in small companies (1.2%). Black board members were best represented in small companies (40.7%), followed by large companies (31.7%) and mega companies (30.8%). Coloured groups were better represented in medium companies (6.1%), followed by large companies (2.3%). Indian groups were best represented in medium companies (6.1%), and small companies (3.7%). Overall representation in the various sized companies was dominated by the White race.

### **5.5.2 Gender profile in the South African mining industry**

Figure 5.18 illustrates the overall collective gender demographics and Table 5.23, below, displays the racial distribution in each industry category.



**Figure 5.18: Cumulative gender profile in the mining industry (n = 506)**

Figure 5.18 shows that males occupied the majority of board positions (87.2%), compared to females representing 12.8% of board positions. Although racial disparities are improving in the mining industry, gender disparities in the mining industry remain a concern. Results show the continued dominance of men on the board of directors.

**Table 5.23: Cumulative industry gender demographic profiles**

Industry category	Gender		Count
	Female	Male	
Mega	21.5%	78.5%	65
Large	12.8%	87.2%	218
Medium	8.2%	91.8%	49
Small	11.1%	88.9%	81
Micro	10.8%	89.2%	93
<b>Grand Total</b>	<b>12.8%</b>	<b>87.2%</b>	<b>506</b>

Table 5.23, however, suggests that mega companies have made great strides in addressing gender challenges with a 21.5% representation by females. Large, medium, micro and small companies were showing slow transformational progress by 2011 with less than 13% female representation. Findings furthermore highlighted that 13 out of 56 companies had 100% male domination on their boards. Not one company had more than 30% female representation on its board.

Table 5.24 (below) presents data about races of different genders. Findings indicate that White male representation amounted to 59.5% in 2011. Though it was concerning that White female representation accounted for only 4% in 2011, it was

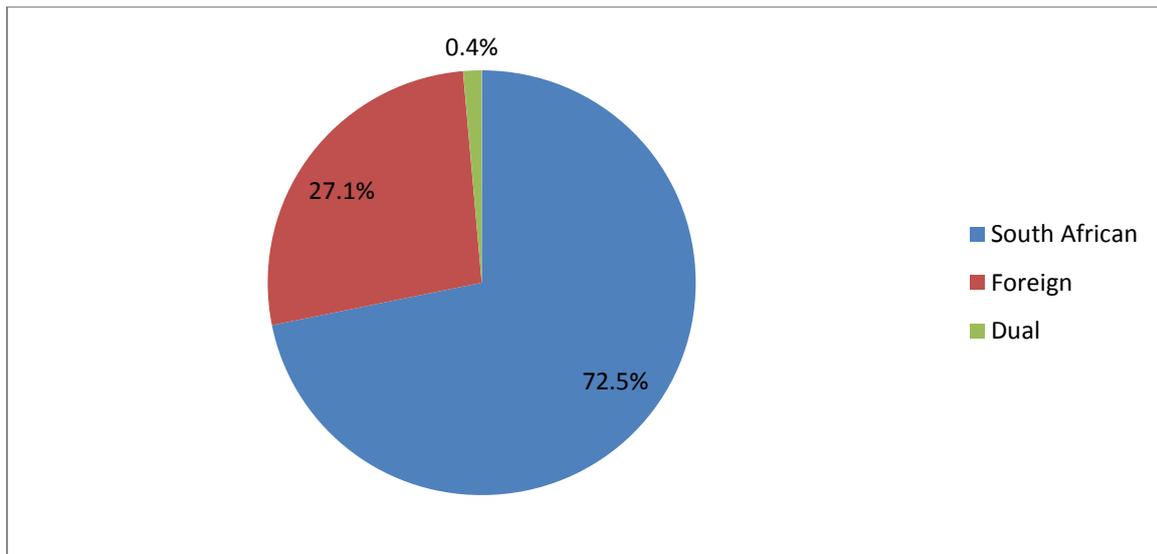
encouraging that Black male representation accounted to 22.7% in 2011. Black female representation demonstrated a 7.7% representation in 2011, but no Asian females were represented on boards. Indians and Coloureds (combined genders) each had less than 5% representation.

**Table 5.24: Cumulative gender per race profile in the mining industry**

Industry category	Female				Female Total	Male					Male Total	Grand Total
	B	C	I	W		A	B	C	I	W		
Mega	9.2%	1.5%	0.0%	10.8%	21.5%	0.0%	21.5%	0.0%	1.5%	55.4%	78.5%	100.0%
Large	9.2%	0.5%	0.5%	2.8%	12.8%	0.5%	22.5%	1.8%	1.8%	60.6%	87.2%	100.0%
Medium	6.1%	2.0%	0.0%	0.0%	8.2%	0.0%	8.2%	4.1%	6.1%	73.5%	91.8%	100.0%
Small	7.4%	0.0%	1.2%	2.5%	11.1%	1.2%	33.3%	0.0%	2.5%	51.9%	88.9%	100.0%
Micro	4.3%	1.1%	0.0%	5.4%	10.8%	7.5%	22.6%	0.0%	0.0%	59.1%	89.2%	100.0%
<b>Grand Total</b>	<b>7.7%</b>	<b>0.8%</b>	<b>0.4%</b>	<b>4.0%</b>	<b>12.8%</b>	<b>1.8%</b>	<b>22.7%</b>	<b>1.2%</b>	<b>2.0%</b>	<b>59.5%</b>	<b>87.2%</b>	<b>100.0%</b>

### 5.5.3 Cumulative nationality profile in the South African mining industry

Figure 5.19 shows the overall nationality demographics and Table 5.24 below shows nationality distribution in industry categories.



**Figure 5.19: Cumulative nationality profile in the mining industry**

Figure 5.19 illustrates that 72.5% of board positions were filled by South Africans, whilst 27.1% were held by foreign nationals, and the remaining 0.4% by those with dual nationality. Table 5.25 (below) shows that mega companies had almost equal distribution between foreign (49.2%) and local (50.8%) nationals represented on boards. This was anticipated as the majority of mega companies are foreign-owned companies.

**Table 5.25: Cumulative industry nationality profiles**

Industry category	Nationality			Grand Total
	Dual nationality	Foreign	South African	
Mega	0.0%	49.2%	50.8%	100.0%
Large	0.9%	23.9%	75.2%	100.0%
Medium	0.0%	22.4%	77.6%	100.0%
Small	0.0%	32.1%	67.9%	100.0%
Micro	0.0%	17.2%	82.8%	100.0%
<b>Grand Total</b>	<b>0.4%</b>	<b>27.1%</b>	<b>72.5%</b>	<b>100.0%</b>

## 5.6 CUMULATIVE DEMOGRAPHIC BOARD POSITION RESULTS

Tables 5.26 to 5.28 present the overall board demographics in terms of race and gender.

**Table 5.26: Racial profiles of board positions in the mining industry**

Board position	Race					Count
	Asian	Black	Coloured	Indian	White	
CEO	2.1%	6.4%	4.3%	0.0%	87.2%	47
EC	0.0%	28.6%	0.0%	0.0%	71.4%	7
NEC	0.0%	38.3%	0.0%	0.0%	61.7%	47
DC	11.1%	33.3%	0.0%	11.1%	44.4%	9
FD	2.3%	11.6%	0.0%	0.0%	86.0%	43
CS	0.0%	33.3%	16.7%	0.0%	50.0%	6
ED	3.5%	22.8%	1.8%	0.0%	71.9%	57
NED	3.7%	36.7%	0.9%	3.7%	55.0%	109
INED	0.0%	38.5%	3.0%	3.6%	55.0%	169
LINED	0.0%	25.0%	0.0%	8.3%	66.7%	12
<b>Grand Total</b>	<b>1.8%</b>	<b>30.4%</b>	<b>2.0%</b>	<b>2.4%</b>	<b>63.4%</b>	<b>506</b>

Table 5.27 below, depicts cumulative board positions according to gender.

**Table 5.27: Gender profiles of board positions in the mining industry**

Board position	Gender		Count
	Female	Male	
CEO	2.1%	97.9%	47
EC	0.0%	100.0%	7
NEC	8.5%	91.5%	47
DC	11.1%	88.9%	9
FD	11.6%	88.4%	43
CS	33.3%	66.7%	6
ED	3.5%	96.5%	57
NED	8.3%	91.7%	109
INED	23.1%	76.9%	169
LINED	16.7%	83.3%	12
<b>Grand Total</b>	<b>12.8%</b>	<b>87.2%</b>	<b>506</b>

The findings indicate that CEO positions (n = 47) in the South African mining industry were occupied by 97.9% males and only 2.1% females in 2011. As shown in Tables 5.27 and 5.28, Whites were appointed in the majority of cases (females = 2.1% and males = 85.1%), followed by Black males (6.4%) and Coloured males (4.3%). Only 2.1% of positions were held by Asian males. No Indian (female or male) was appointed in a CEO position in the mining industry during 2011. Table 5.28 further shows that there was no Asian, Black, or Indian female CEO in the mining industry during 2011.

A 100% of executive chairman positions (n = 7) were held by males. White males held the majority (71.4%) of positions and Black males accounted for the rest (28.6%). Non-executive chairman positions (n= 47) were dominated by males (91.5%). White racial group accounted for 61.7% (females 2.1%, males = 59.6%) and Black racial group held the remaining 38.3% (females 6.4%, males = 31.9%) of non-executive chairman positions.

Deputy chairman positions (n=9) were also dominated by males (88.9%). In terms of racial distribution, it was found that 11.1% of the identified positions were respectively occupied by Asian and Indian males, 33.3% by Blacks (female = 11.1%, male =22.2%) and 44% by White males. No Asian, Indian or White females acted as a deputy chairperson.

Most companies appointed male financial directors (n = 43; 88.4% = male, 11.6% = female). Asians account for 2.3% (female = 0%, male = 2.3%), the Black racial group for 11.6% (female = 4.7%, male = 7.0%) and White racial group held the majority 86% (female = 7%, male =79.1%) of these positions. No Coloureds and Indians were appointed as financial directors.

Even company secretary positions (n=6) were dominated by males (66.7%). Blacks account for 33% (only males), Coloureds 16.7% (one female), and Whites for 50% (female = 16.7%, male =33.3%) of appointments. No Asians or Indians occupied this position on the boards investigated.

Findings indicated that most companies appointed executive directors (n = 57; males = 96.5%, females = 3.5%). Asians held 3.5% (two males) of these positions, Blacks held 22.8% (female = 1.8%, male =21.1%), Coloureds accounted for only 1.8 % (one

male), and Whites held the majority 71.9% (female = 1.8%, male = 70.2%) of appointments. No Indians were appointed in this position.

Non-executive director positions (n = 109) were also dominated by males (91.7%). Asians held 3.7% (only males), whilst Blacks held 36.7% (female = 6.4%, male = 30.3%), and Coloureds accounted for the minority 0.9% (one male), and Indians held 3.7% (only males), whilst Whites accounted for the majority 55 % (female = 1.8%%, male = 53.2%). No Asian, Coloured and Indian females held non-executive director positions in the mining industry.

Independent non-executive director positions (n = 196; males = 76.9%. females = 23.1%) were occupied by 38.5% Blacks (female =14.2%, male =24.3%), 3% Coloureds (female =1.8%, male =1.2%), 3.6% Indians (female =1.2%, male =2.4%), and 55% Whites (female =5.9%, male =49.1%).

Not surprisingly, lead independent non-executive directors (n = 12) were also dominated by males (83.3%). The Black racial group accounted for 25% (female =8.3%, male =16.7%), whilst Indians occupied the minority of 8.3% (female =0%, male =8.3%), with Whites holding the majority of 66.7% (female = 8.3%, male =58.3%) of these positions. No Coloured or Asian directors were found within this position.

**Table 5.28: Cumulative race and gender demographic profiles of board positions**

Board positions	Female				Female Total	Male					Male Total	Grand Total
	B	C	I	W		A	B	C	I	W		
CEO	0.0%	0.0%	0.0%	2.1%	2.1%	2.1%	6.4%	4.3%	0.0%	85.1%	97.9%	100.0%
EC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	28.6%	0.0%	0.0%	71.4%	100.0%	100.0%
NEC	6.4%	0.0%	0.0%	2.1%	8.5%	0.0%	31.9%	0.0%	0.0%	59.6%	91.5%	100.0%
DC	11.1%	0.0%	0.0%	0.0%	11.1%	11.1%	22.2%	0.0%	11.1%	44.4%	88.9%	100.0%
FD	4.7%	0.0%	0.0%	7.0%	11.6%	2.3%	7.0%	0.0%	0.0%	79.1%	88.4%	100.0%
CS	0.0%	16.7%	0.0%	16.7%	33.3%	0.0%	33.3%	0.0%	0.0%	33.3%	66.7%	100.0%
ED	1.8%	0.0%	0.0%	1.8%	3.5%	3.5%	21.1%	1.8%	0.0%	70.2%	96.5%	100.0%
NED	6.4%	0.0%	0.0%	1.8%	8.3%	3.7%	30.3%	0.9%	3.7%	53.2%	91.7%	100.0%
INED	14.2%	1.8%	1.2%	5.9%	23.1%	0.0%	24.3%	1.2%	2.4%	49.1%	76.9%	100.0%
LINED	8.3%	0.0%	0.0%	8.3%	16.7%	0.0%	16.7%	0.0%	8.3%	58.3%	83.3%	100.0%
<b>Grand Total</b>	<b>7.7%</b>	<b>0.8%</b>	<b>0.4%</b>	<b>4.0%</b>	<b>12.8%</b>	<b>1.8%</b>	<b>22.7%</b>	<b>1.2%</b>	<b>2.0%</b>	<b>59.5%</b>	<b>87.2%</b>	<b>100.0%</b>

Tables 5.29 and 5.30 show that South Africans accounted for 72.5% of the board positions in the mining industry, while foreigners accounted for 27.1% of the board positions. The majority of foreign nationals were found in the positions of company secretary and non-executive director position.

**Table 5.29: Cumulative nationality demographic profile of board positions**

Board Position	Nationality			Count
	Dual nationality	Foreign	South African	
CEO	2.1%	25.5%	72.3%	47
EC	0.0%	14.3%	85.7%	7
NEC	2.1%	31.9%	66.0%	47
DC	0.0%	11.1%	88.9%	9
FD	0.0%	16.3%	83.7%	43
CS	0.0%	50.0%	50.0%	6
ED	0.0%	28.1%	71.9%	57
NED	0.0%	33.0%	67.0%	109
INED	0.0%	26.0%	74.0%	169
LINED	0.0%	16.7%	83.3%	12
<b>Grand Total</b>	<b>0.4%</b>	<b>27.1%</b>	<b>72.5%</b>	<b>506</b>

**Table 5.30: Cumulative positions relating to gender and nationality**

Board position	Dual nationality	Dual nationality Total	Foreign		Foreign Total	South African		SA Total	Grand Total
	Male		Female	Male		Female	Male		
CEO	2.1%	2.1%	2.1%	23.4%	25.5%	0.0%	72.3%	72.3%	100.0%
EC	0.0%	0.0%	0.0%	14.3%	14.3%	0.0%	85.7%	85.7%	100.0%
NEC	2.1%	2.1%	2.1%	29.8%	31.9%	6.4%	59.6%	66.0%	100.0%
DC	0.0%	0.0%	0.0%	11.1%	11.1%	11.1%	77.8%	88.9%	100.0%
FD	0.0%	0.0%	0.0%	16.3%	16.3%	11.6%	72.1%	83.7%	100.0%
CS	0.0%	0.0%	16.7%	33.3%	50.0%	16.7%	33.3%	50.0%	100.0%
ED	0.0%	0.0%	0.0%	28.1%	28.1%	3.5%	68.4%	71.9%	100.0%
NED	0.0%	0.0%	1.8%	31.2%	33.0%	6.4%	60.6%	67.0%	100.0%
INED	0.0%	0.0%	1.8%	24.3%	26.0%	21.3%	52.7%	74.0%	100.0%
LINED	0.0%	0.0%	0.0%	16.7%	16.7%	16.7%	66.7%	83.3%	100.0%
<b>Grand Total</b>	<b>0.4%</b>	<b>0.4%</b>	<b>1.6%</b>	<b>25.5%</b>	<b>27.1%</b>	<b>11.3%</b>	<b>61.3%</b>	<b>72.5%</b>	<b>100.0%</b>

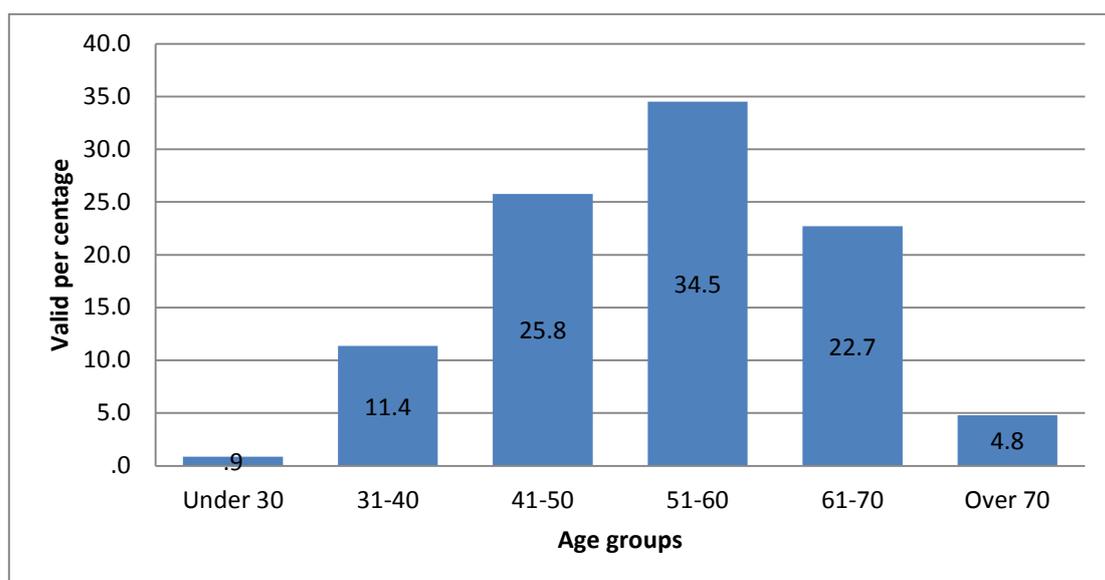
## 5.7 PROFILING THE AGE OF DIRECTORS IN THE SA MINING INDUSTRY

Table 5.31 shows statistics of 458 directors' ages that was captured from the 2011 annual reports and the Orbis system. Figure 5.20 illustrates the distribution of the directors' ages. Then Table 5.32 contains the overall demographic profiles of directors in terms of position, race, gender, age and nationality. A total of 48 directors' ages could not be recorded due to unavailability.

**Table 5.31: Cumulative age of directors**

<b>N = 458 Missing values = 48</b>	<b>Mean</b>	<b>Standard deviation (SD)</b>	<b>Minimum</b>	<b>Maximum</b>
Director Age	53.82	10.231	28	78

As tabulated in Table 5.31, the average age for directors in the mining industry was 53.82 (SD =10.2) in 2011. The youngest board member, a 28-year-old foreign White male, held a non-executive director position at a large company, Tawana Resources. He possesses a postgraduate degree in finance and had only two years' both mining and board experience. The oldest board member in the mining industry was a 78-year-old South African White male who held an executive director position at a large company, Northam Platinum. This candidate possesses an undergraduate law degree and had 12 years' mining experience and 13 years' board experience.



**Figure 5.20: Age distribution of board of directors in the mining industry (n=458)**

As seen in Figure 5.20 (above), six scales were used to report the ages of directors: younger than 30 years, 31 to 40 years, 41 to 50 years, 51 to 60 years, 61 to 70 years and older than 70 years. Figure 5.20 shows that four directors (almost 1%) were younger than 30 years and 276 directors (60% of directors) were aged between 41 and 60 years. Only 22 directors (4.8% of directors) were older than 70 years.

**Table 5.32: Age distribution of board of directors in the mining industry**

Position	Age distribution of board members						Count
	Below 30	31-40	41-50	51-60	61-70	Over 70	
Count	4	52	118	158	104	22	Total = 458
CEO	0.0%	6.7%	40.0%	46.7%	6.7%	0.0%	45
EC	0.0%	0.0%	28.6%	71.4%	0.0%	0.0%	7
NEC	0.0%	4.7%	14.0%	37.2%	41.9%	2.3%	43
DC	0.0%	22.2%	0.0%	44.4%	33.3%	0.0%	9
FD	2.7%	21.6%	56.8%	16.2%	2.7%	0.0%	37
CS	0.0%	25.0%	50.0%	25.0%	0.0%	0.0%	4
ED	0.0%	14.3%	26.5%	38.8%	16.3%	4.1%	49
NED	2.2%	16.1%	22.6%	34.4%	20.4%	4.3%	93
INED	0.6%	7.5%	17.4%	33.5%	31.7%	9.3%	161
LINED	0.0%	20.0%	70.0%	0.0%	10.0%	0.0%	10
<b>Total count %</b>	<b>0.9%</b>	<b>11.4%</b>	<b>25.8%</b>	<b>34.5%</b>	<b>22.7%</b>	<b>4.8%</b>	<b>100%</b>

Table 5.33 (below) summarises the average age per position and provides data about the gender and nationality of the youngest and oldest member per category. The table furthermore indicates the standard deviation per position.

As can be seen in Table 5.33, the youngest CEO in the mining industry was a 37-year-old Black male South African. This candidate was employed at a micro company (Platfields Limited) and has an undergraduate degree in law. This CEO had ten years board and mining experience. The oldest CEO in the mining industry was 64-year-old White male South African. This candidate was also appointed at a micro company (Jubilee Platinum) and holds an undergraduate BSc Chemical Engineering degree and had three years' board experience and 20 years' mining experience.

**Table 5.33: Overall demographic profile of directors (according to age)**

Director position		Age	Mean	Std. Deviation	Race	Gender	Nationality
CEO	Min	37.00	50.9130	6.19615	Black	Male	South African
	Max	64.00			White	Male	South African
EC	Min	42.00	53.5714	6.05137	White	Male	South African
	Max	59.00			White	Male	South African
NEC	Min	31.00	58.0000	8.82367	White	Male	Foreign
	Max	77.00			White	Male	South African
DC	Min	40.00	55.4444	9.73539	Black	Female	South African
	Max	69.00			Asian	Male	South African
FD	Min	30.00	44.6757	7.37885	White	Male	South African
	Max	64.00			White	Male	South African
CS	Min	40.00	47.5000	6.55744	Coloured	Female	South African
	Max	56.00			White	Male	Foreign
ED	Min	32.00	52.7083	10.20421	Black	Male	South African
	Max	78.00			White	Male	South African
NED	Min	28.00	52.7312	10.72901	White	Male	Foreign
	Max	76.00			White	Male	Foreign
INED	Min	29.00	57.1739	10.21798	Black	Male	South African
	Max	75.00			Black White	Male Male	Foreign South African
LINED	Min	37.00	45.6000	7.51591	White	Male	South African
	Max	64.00			White	Male	South African

The average age for an executive chairperson position in the mining industry was 53 years (SD = 6.5). The youngest executive chairperson in the mining industry was a 42-year-old White South African male. This candidate was from a small company (Simmer and Jack Mines) and has a postgraduate qualification in both business and science. This candidate had one year board and 12 years' mining experience. The oldest executive chairperson in the mining industry was a 59-year-old White South African male. This candidate was appointed at a small company (Great Basin Gold) and holds an undergraduate finance degree and had 19 years' board experience and 26 years' mining experience.

The average age for a non-executive chairperson position in the mining industry was 58 years (SD = 8.8). The youngest non-executive chairperson in the mining industry was a 31-year-old foreign White male. This candidate was from a micro company

(Sallies Limited) and has an undergraduate business qualification. This candidate had three years' board and two years' mining experience. The oldest non-executive chairperson in the mining industry was a 77-year-old White South African male. This candidate was appointed at a medium company (Transhex) and he holds an undergraduate law degree and had 12 years' board experience and 18 years' mining experience.

The average age for a deputy chairperson position in the mining industry was 55 years (SD = 9.8). The youngest deputy chairperson in the mining industry was a 40-year-old Black South African female. She was from a medium company (Petmin) and has a postgraduate business qualification. This candidate had eight years' board experience. The oldest deputy chairperson was a 69-year-old White South African male. This candidate was appointed at a large company (Assore) and holds an undergraduate law degree and had two years' board experience and two years' mining experience.

The average age for a financial director position in the mining industry was 44 years (SD = 7.3). The youngest financial director in the mining industry was a 30-year-old White South African female. This candidate was appointed at a small company (Simmer & Jack Mines) and possesses an undergraduate business qualification. This candidate had six years' board experience and six years' mining experience. The oldest financial director in the mining industry was a 64-year-old White South African male. He was with a micro company (JCI Limited) and holds an undergraduate finance degree and had 19 years' board experience and five years' mining experience.

The average age for a company secretary position in the mining industry was 47 years (SD = 6.5). The youngest company secretary in the mining industry was 40 years old and the oldest was 56 years old. The 40-year-old was a Coloured South African female. This candidate was appointed at a large company (Omnia Holdings) and has an undergraduate law qualification. The career experience of this board member was not recorded. The oldest company secretary in the mining industry was a 56-year-old foreign White male. This candidate was with a large company (Resource Generation) and holds a postgraduate qualification in finance and had three years' board experience and 15 years' mining experience.

The average age for an executive director position in the mining industry was 53 years (SD = 10.20). The youngest executive director in the mining industry was a 32-year-old Black South African male. This candidate was with a micro company (Village Main Reef) and has a postgraduate engineering and business qualification. This candidate had four years' board experience and four years' mining experience. The oldest executive director in the mining industry was a 78-year-old White South African male at a large company (Northam Platinum). This candidate has an undergraduate law degree and had 12 years' board experience and 13 years' mining experience.

The average age for a non-executive director position in the mining industry was 53 years (SD = 10.72). The youngest non-executive director in the mining industry was a 28-year-old foreign White male who held a non-executive director position at a large company (Tawana Resources). It was recorded that he possesses a postgraduate degree in finance and had two years' both mining and board experience. The oldest non-executive director in the mining industry was a 76-year-old foreign White male at a large company (Resource Generation). This candidate holds an undergraduate engineering sciences degree and had 30 years' board experience and 50 years' mining experience.

The average age for an independent non-executive director in the mining industry was 57 years (SD = 10.21). The youngest independent non-executive director in the mining industry was a 29-year-old Black South African male who held a position at a micro company (SAcoil Limited). He further possesses an undergraduate degree in finance and had two years' board experience and five years' mining experience. The oldest independent non-executive director in the mining industry was a 75-year-old foreign Black male at a mega company (AngloGold Ashanti). This candidate possesses a postgraduate engineering sciences degree and had one year board experience.

The average age for a lead independent non-executive director in the mining industry was 46 years (SD = 7.51). The youngest independent non-executive director in the mining industry was a 37-year-old White South African male who held a position at a small company (Simmer and Jack Mines). He further possesses a postgraduate degree in finance and had only one year board experience and one year mining experience. The oldest lead independent non-executive director in the

mining industry was 64-year-old White South African male at a medium company (Petmin). This candidate possesses a postgraduate engineering sciences degree and had 11 years' board experience and 26 years' mining experience.

**Table 5.34: Directors' ages according to gender**

<b>Gender of Directors</b>	<b>Mean</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Std. Deviation</b>
Female	49.8226	33.00	68.00	9.51362
Male	54.4419	28.00	78.00	10.20941

Table 5.34 shows that the average female director in the mining industry was 50 years old (mean = 49.82). The youngest female director was 33 years of age and the oldest female director was 68 years of age. The youngest female director was a 33-year-old Black South African from a large company (Merafe Resources) and holds a postgraduate degree in finance; she is also a certified chartered accountant holding an independent non-executive director position. She had one year board experience and one year mining experience. The oldest female director was a 68-year-old White South African from a mega company (Impala Platinum) and occupied an independent non-executive director position and holds a postgraduate degree in business finance and had 13 years' board experience and 21 years' mining experience.

The average male director was 54 years of age (mean = 54.55). The youngest male director was 28 years of age and the oldest was 78 years of age. This 28-year-old foreign White male held a non-executive director position at a large company (Tawana Resources). He possesses a postgraduate degree in finance and had only two years' both mining and board experience. The oldest board member in the mining industry was a White South African male of 78 years. This 78-year-old White male held an executive director position at a large company (Northam Platinum). This candidate possesses an undergraduate law degree and had 12 years' mining experience and 13 years' board experience.

**Table 5.35: Directors' ages according to race**

Director race	Mean	Minimum	Maximum	Std. Deviation
Asian	46.2857	40.00	61.00	7.29644
Black	50.5507	29.00	75.00	9.45838
Coloured	47.4000	40.00	53.00	4.00555
Indian	55.3636	39.00	73.00	12.79275
White	55.7021	28.00	78.00	10.17629

Table 5.35 indicates that the average age of Asian directors serving on the board of directors was 46 years. The youngest Asian on the board was a 40-year-old foreign male serving as a non-executive director at a micro company (Wesizwe) and he holds an undergraduate degree in law and had one year board experience and nine years' mining experience. The oldest Asian on the board was a 61-year-old foreign male at a large company (Anglo American PLC) who held a non-executive director position and possesses a postgraduate degree in engineering sciences and had 17 years' board experience.

On average, Black directors serving on the board of directors were 50 years old. The youngest Black candidate on the board was 29 years old and the oldest was 75 years old. The youngest South African was a 29-year-old Black South African who held an independent non-executive director position at a micro company (SAcoil Limited). He further possesses an undergraduate degree in finance and had two years' board experience and five years' mining experience. The oldest Black director on the board was a 75-year-old foreign male at a mega company (Anglo Gold Ashanti) who held an independent non-executive director position and possesses a postgraduate degree in engineering sciences and had one year board experience.

On average, Coloured directors serving on the board of directors were 47 years old. The youngest Coloured candidate on the board was 40 years old and the oldest was 53 years old. The youngest Coloured director was a South African female serving as a non-executive director at a large company (Omnia Holdings) as a company secretary and she holds an undergraduate diploma in law. The oldest Coloured director on the board was 53-years-old South African female at a mega company (Goldfields) who held an independent non-executive director position and possesses

an undergraduate degree in law and had 11 years' board experience and only two years' mining experience.

On average, Indian directors serving on the board of directors were 55 years old. The youngest Indian candidate on the board was 39 years old and the oldest was 73 years old. The youngest Indian director was South African female serving as an independent non-executive director at a large company (Omnia Holdings) and she holds a postgraduate degree in finance (certified CA) and had one year board experience and one year mining experience. The oldest Indian director on the board was a 73-year-old South Africa male at a large company (Northam Platinum) who held an independent non-executive director position and possesses a postgraduate degree in finance (certified CA) and had 16 years' board experience and 15 years' mining experience.

The average age of White directors serving on the board of directors was 56 years old. The youngest White candidate on a board was 28 years old and the oldest was 78 years old. The youngest White board member was a 28-year-old foreign White male who held a non-executive director position at a large company (Tawana Resources). He further possesses a postgraduate degree in finance (certified chartered financial analyst) and had two years' both mining and board experience. The oldest board member in the mining industry was a White South African male of 78 years. This 78-year-old White male held an executive director position also at a large company (Northam Platinum). This candidate possesses an undergraduate law degree and had 12 years' mining experience and 13 years' board experience

**Table 5.36: Directors' ages according to nationality**

<b>Nationality</b>	<b>Mean</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Std. Deviation</b>
South African	52.7003	29.00	78.00	10.10277
Foreign	57.3394	28.00	76.00	9.92865
Dual citizenship	55.5000	49.00	62.00	9.19239

As can be seen in Table 5.36, the average age of South African directors was 53 years and 57 years for foreign directors. The average age for board members with dual citizenship was 55 years of age.

## **5.8 PROFILING THE CAREER BACKGROUNDS OF DIRECTORS ON THE BOARD**

As stated in Section 5.1, career backgrounds are presented in the form of qualification categories, qualification levels, board experience, mining experience and years of experience on current board. These results are compared with board positions to present cross-tabulation results.

### **5.8.1 Qualifications of board members**

Qualifications of board members are presented in qualification fields and qualification levels. Qualification fields indicate the area of specialisation and the qualification level shows whether qualifications were undergraduate or postgraduate.

### **5.8.2 Qualification fields**

Table 5.37 (on the next page) shows that the most prevalent qualifications that most board members possessed were finance, business, engineering and law. A large proportion of directors (147) had a finance background (almost 30%); these candidates were mainly certified chartered accountants and had a bachelor's degree in finance and auditing. About 94 of the directors (18%) were in possession of an engineering degree. Approximately 11 % of the directors had a business qualification and 10% were in possession of a law degree. Directors showed least representation in mathematical sciences, history and entrepreneurship.

**Table 5.37: Qualification fields of board members**

Qualification fields	Position represented on board level											Valid %
	Count	CEO	EC	NEC	DC	FD	CS	ED	NED	INED	LINED	
Agricultural Sciences	2	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.4%
Arts	19	0.0%	0.0%	4.4%	0.0%	0.0%	0.0%	5.3%	8.7%	3.1%	0.0%	3.9%
Business	59	4.3%	0.0%	17.8%	22.2%	7.0%	0.0%	12.3%	14.4%	13.0%	11.1%	12.1%
Business & Science	45	14.9%	14.3%	13.3%	0.0%	2.3%	0.0%	17.5%	4.8%	8.6%	11.1%	9.2%
Economics	18	0.0%	0.0%	2.2%	0.0%	4.7%	0.0%	0.0%	7.7%	3.7%	11.1%	3.7%
Education	8	2.1%	0.0%	0.0%	11.1%	0.0%	0.0%	1.8%	0.0%	3.1%	0.0%	1.6%
Engineering Sciences	94	36.2%	14.3%	15.6%	22.2%	0.0%	0.0%	28.1%	18.3%	19.1%	11.1%	19.2%
Entrepreneurship	1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.2%
Finance	147	34.0%	28.6%	11.1%	11.1%	83.7%	50.0%	14.0%	23.1%	30.2%	33.3%	30.1%
Geological Sciences	21	2.1%	14.3%	8.9%	0.0%	2.3%	0.0%	8.8%	3.8%	3.1%	0.0%	4.3%
History	1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.2%
Law	52	6.4%	14.3%	13.3%	11.1%	0.0%	50.0%	12.3%	10.6%	11.1%	22.2%	10.6%
Mathematical Science	1	0.0%	0.0%	0.0%	11.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Medical Sciences	8	0.0%	14.3%	4.4%	11.1%	0.0%	0.0%	0.0%	2.9%	0.6%	0.0%	1.6%
Physics	1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.2%
Political Sciences	4	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.9%	0.0%	0.8%
Public Administration	4	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.8%
Social Sciences	4	0.0%	0.0%	4.4%	0.0%	0.0%	0.0%	0.0%	1.0%	0.6%	0.0%	0.8%
<b>Total</b>	<b>489</b>	<b>100.0%</b>										

### 5.8.3 Qualification levels of qualifications of directors serving on the board

The results for the variable “qualification level” are presented in Figure 5.21 and Table 5.38 below.

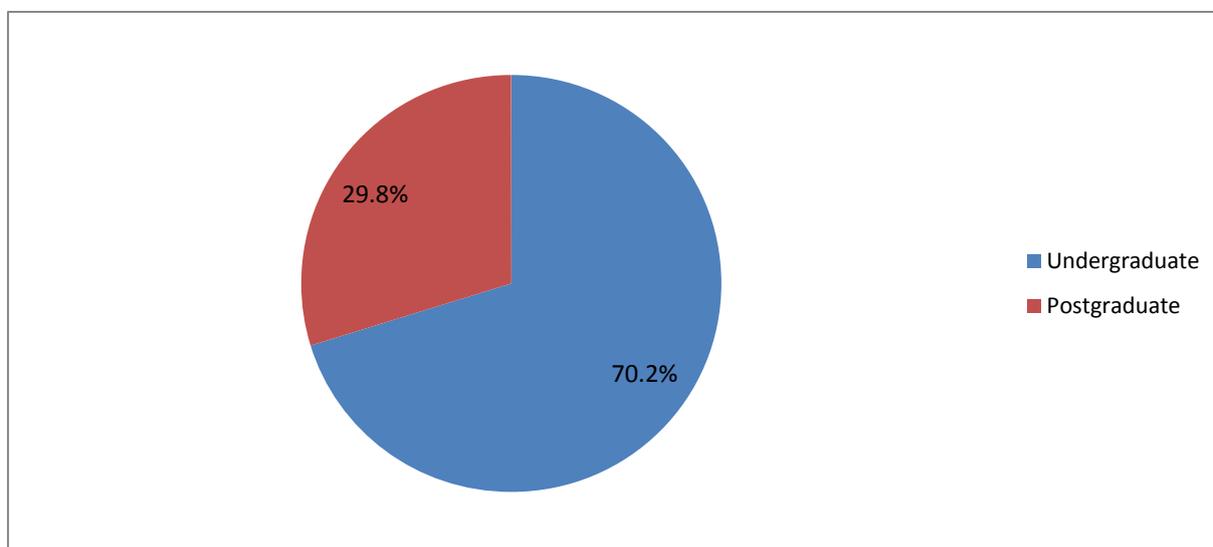


Figure 5.21: Qualification levels (n=486)

Table 5.38: Qualification levels of board of directors (n = 486)

Board position	Qualification levels				Total count
	Count	Postgraduate	Count	Undergraduate	
CEO	29	63.0%	17	37.0%	46
EC	5	71.4%	2	28.6%	7
NEC	31	68.9%	14	31.1%	45
DC	4	44.4%	5	55.6%	9
FD	38	88.4%	5	11.6%	43
CS	3	50.0%	3	50.0%	6
ED	42	73.7%	15	26.3%	57
NED	64	62.1%	39	37.9%	103
INED	119	73.9%	42	26.1%	161
LINED	6	66.7%	3	33.3%	9
<b>Grand Total</b>	<b>341</b>	<b>70.2%</b>	<b>145</b>	<b>29.8%</b>	<b>486</b>

Qualification levels were recorded in terms of undergraduate and postgraduate qualifications. Only 486 directors' qualifications could be drawn, of whom 341

directors (70.2%) possessed postgraduate qualifications and 145 directors (29.8%) undergraduate qualifications. On the board of directors most financial directors 88.4% had postgraduate qualifications.

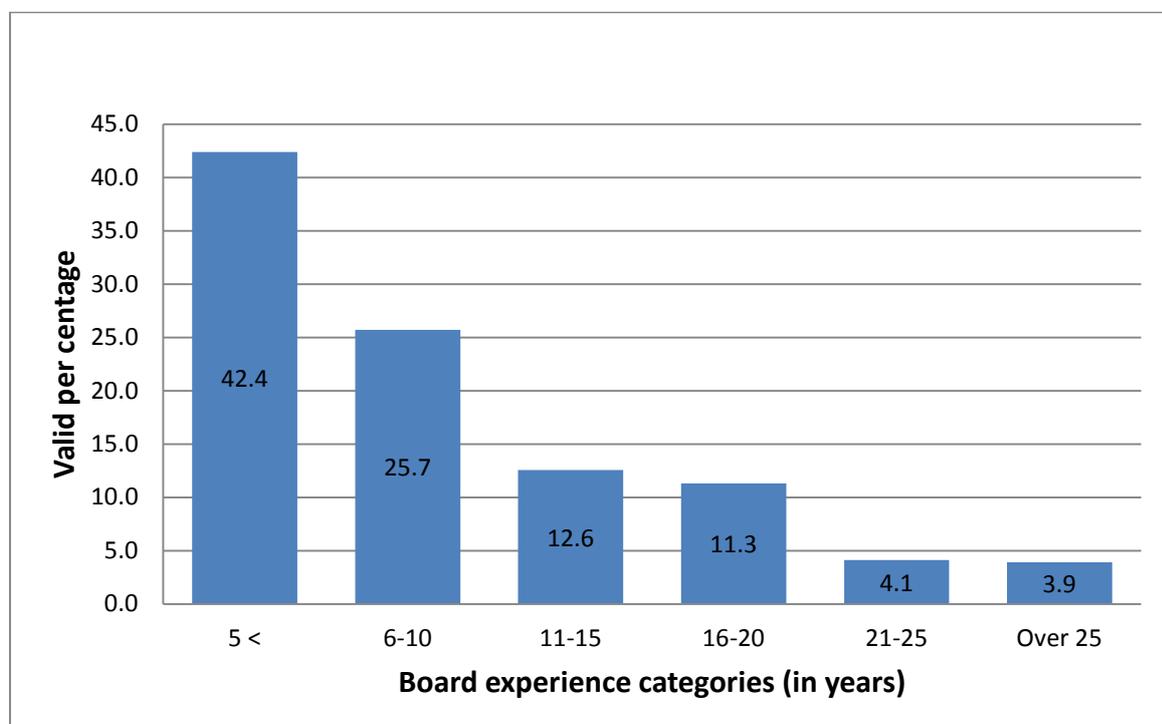
#### 5.8.4 Board experience of board members

Board experience relates to the number of years a director had been serving on the board. It includes experience of previously held positions on the board of directors in other companies. Table 5.39 shows the average board experience in years, as well as the standard deviation, and minimum and maximum amount of board experience in years.

The results for the variable “board experience” are presented in Table 5.39 and Figure 5.22.

**Table 5.39: Board experience in years (n = 486)**

N = 486 Missing values = 20	Mean	Standard deviation (SD)	Minimum	Maximum
<b>Board Experience (in years)</b>	8.97	7.47	1	39



**Figure 5.22: Board experience categorical results**

Six scales were used to report on the board experience of directors: less than five years, six to 10 years, 11 to 15 years, 16 to 20 years, 21 to 25 years and longer than 25 years. Board experience ranged from one to 39 years. Table 5.39 shows that the average years of board experience was 8.97 (SD =7.47). The minimum and maximum years served on the board were one year and 39 years respectively. The majority of directors (42.2%) had less than five years' board experience and 25.7% had board experience ranging between 6 and 10 years. Only a few directors (8%) more than 20 years' board experience.

**Table 5.40: Board experience of board of directors**

Board experience	Board positions											Valid %
	CEO	EC	NEC	DC	FD	CS	ED	NED	INED	LINED	Total count	
Less than 5 years	23.4%	14.3%	15.6%	33.3%	67.4%	60.0%	55.4%	51.0%	40.1%	41.7%	206	42.4%
6 to 10 years	42.6%	42.9%	24.4%	55.6%	20.9%	20.0%	28.6%	18.0%	24.7%	16.7%	125	25.7%
11 to 15 years	14.9%	14.3%	24.4%	11.1%	4.7%	0.0%	5.4%	9.0%	14.2%	33.3%	61	12.6%
16 to 20 years	17.0%	28.6%	17.8%	0.0%	4.7%	0.0%	8.9%	9.0%	12.3%	8.3%	55	11.3%
21 to 25 years	0.0%	0.0%	6.7%	0.0%	2.3%	0.0%	0.0%	6.0%	6.2%	0.0%	20	4.1%
Longer than 25 years	2.1%	0.0%	11.1%	0.0%	0.0%	20.0%	1.8%	7.0%	2.5%	0.0%	19	3.9%
<b>Count of directors</b>	<b>47</b>	<b>7</b>	<b>45</b>	<b>9</b>	<b>43</b>	<b>5</b>	<b>56</b>	<b>100</b>	<b>162</b>	<b>12</b>	<b>486</b>	<b>100.0%</b>

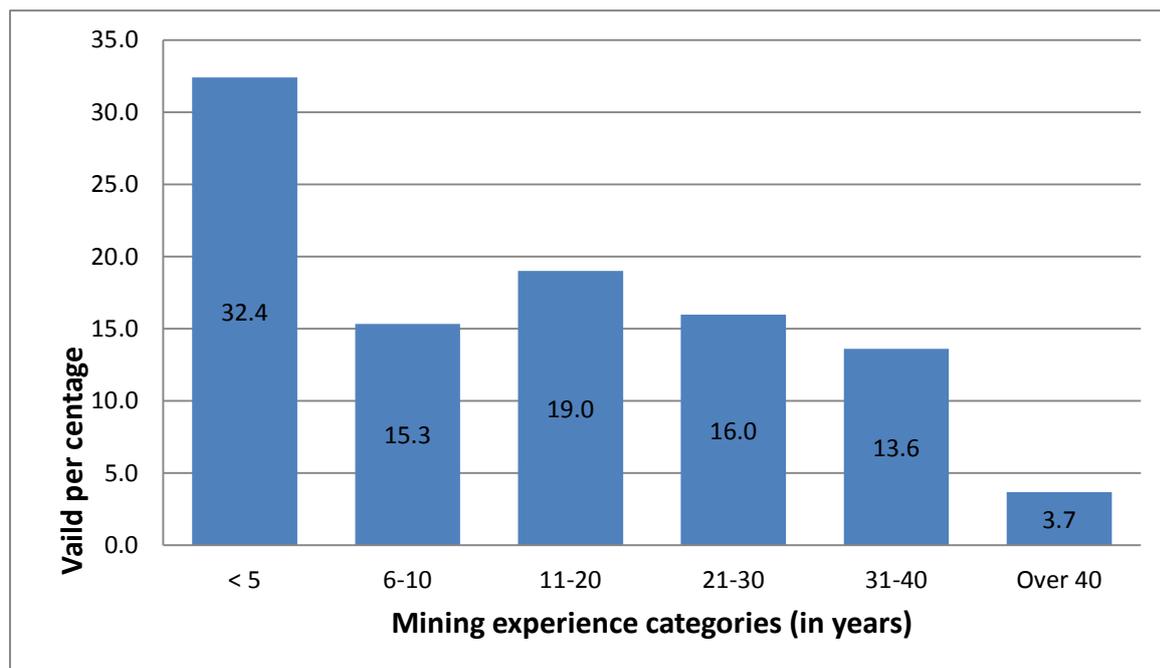
### 5.8.5 Mining experience

Mining experience relates to the number of years involved in the industry and/or related activities thereof. Table 5.41 and Figure 5.23 summarise the average mining experience, ranges in years and the standard deviation.

Table 5.41 shows the mining experience of board of directors.

**Table 5.41: Mining experience in years (n = 463)**

N = 463 Missing values = 43	Mean	Standard deviation (SD)	Minimum	Maximum
<b>Board Experience (in years)</b>	15.95	13.130	1	57



**Figure 5.23: Mining experience of the board of directors**

In Table 5.42 (on the next page) six scales have been used to report the mining experience of directors: less than five years, six to 10 years, 11 to 20 years, 21 to 30 years, 31 to 40 years and more than 40 years. This table displays that the mining experience of directors ranged from one year to 57 years, and the average mining experience of a director was 15.95 (SD =13.13).

**Table 5.42: Mining experience of the board of directors**

Mining experience	Board position										Total count	Valid%
	CEO	EC	NEC	DC	CS	FD	ED	NED	INED	LINED		
Less than 5 years	7.0%	14.3%	20.0%	25.0%	20.0%	55.8%	21.2%	32.0%	41.0%	41.7%	150	32.4%
6 to 10 years	11.6%	14.3%	17.5%	25.0%	20.0%	18.6%	11.5%	15.5%	15.4%	16.7%	71	15.3%
11 to 20 years	20.9%	28.6%	27.5%	25.0%	40.0%	20.9%	25.0%	20.6%	10.9%	25.0%	88	19.0%
21 to 30 years	46.5%	28.6%	7.5%	0.0%	0.0%	0.0%	23.1%	16.5%	12.2%	16.7%	74	16.0%
31 to 40 years	14.0%	14.3%	20.0%	25.0%	20.0%	4.7%	17.3%	8.2%	16.7%	0.0%	63	13.6%
More than 40 years	0.0%	0.0%	7.5%	0.0%	0.0%	0.0%	1.9%	7.2%	3.8%	0.0%	17	3.7%
<b>Count of directors</b>	<b>43</b>	<b>7</b>	<b>40</b>	<b>8</b>	<b>5</b>	<b>43</b>	<b>52</b>	<b>97</b>	<b>156</b>	<b>12</b>	<b>463</b>	<b>100.0%</b>

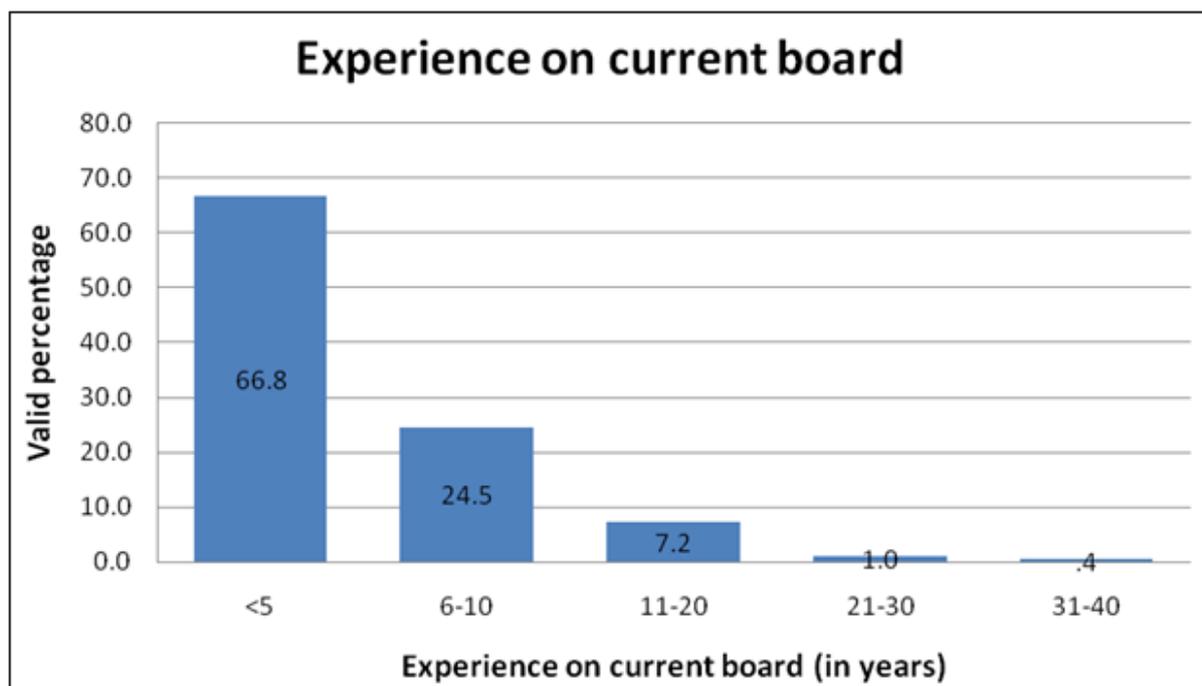
### 5.8.6 Years of experience on current board

The years of experience on current board reveals the total experience per director on the current board when the annual report of the company was released in 2011.

The results for the variable “years of experience on current board” are presented in table 5.43, figure 5.24 and table 5.44.

**Table 5.43: Years of experience on current board (n = 485)**

N = 485 Missing values = 21	Mean	Standard deviation (SD)	Minimum	Maximum
<b>Board Experience (in years)</b>	4.85	4.65	00	38



**Figure 5.24: Experience on current board**

Six scales were used to report the experience on the current board on which the directors serve: less than five years, six to 10 years, 11 to 20 years, 21 to 30 years, and 31 to 40 years. As depicted in table 5.44 the maximum years of experience on the current board was 38 years and the minimum experience is less than a year. The average years of experience on current board was 4.85 (SD = 4.65).

**Table 5.44: Experience on current board**

Experience on current board	Board positions											Valid %
	CEO	EC	NEC	DC	CS	FD	ED	NED	INED	LINED	Total Count	
Less than 5years	57.8%	66.7%	52.2%	77.8%	40.0%	74.4%	70.9%	71.7%	66.7%	75.0%	324	66.8%
6 to 10 years	26.7%	16.7%	32.6%	22.2%	40.0%	23.3%	18.2%	24.2%	24.2%	25.0%	119	24.5%
11 to 20 years	13.3%	16.7%	10.9%	0.0%	20.0%	2.3%	7.3%	2.0%	9.1%	0.0%	35	7.2%
21 to 30 years	2.2%	0.0%	2.2%	0.0%	0.0%	0.0%	1.8%	2.0%	0.0%	0.0%	5	1.0%
31 to 40 years	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	1.8%	0.0%	0.0%	0.0%	2	0.4%
<b>Count of directors</b>	<b>45</b>	<b>6</b>	<b>46</b>	<b>9</b>	<b>5</b>	<b>43</b>	<b>55</b>	<b>99</b>	<b>165</b>	<b>12</b>	<b>485</b>	<b>100%</b>

## **5.9 CONCLUSION**

In this chapter, the descriptive analysis of board composition and director profiles are presented in terms of frequency tables, graphs and figures. Firstly, frequencies provided demographic profiles statistics of age, race, gender and nationality of directors. This was followed by cross tabulations of each director position in relation to demographic profiles. This chapter was concluded by descriptive results of career profiles of directors in terms of qualification categories, qualification levels, mining experience, board experience, and experience on current board.

The next chapter provides the results of the second phase of the research which is based on qualitative analysis. This will be followed by the last chapter (Chapter 7) which will draw conclusions and make recommendations on the results of the study.

# **CHAPTER 6 INITIATIVES UNDERTAKEN AND CHALLENGES EXPERIENCED IN TRANSFORMING THE SOUTH AFRICAN MINING INDUSTRY**

## **6.1 INTRODUCTION**

This chapter reports on findings of the analysis of data collected during the second phase of the research. Phase 2 of the research sought to address the last four research objectives of this study, namely, to report on the progress towards and determine the current status of transformation within the South African mining industry measured against EE scorecard targets, to understand current challenges experienced and initiatives undertaken in this industry in terms of transformation, to understand barriers to transformation in the mining industry, and report on the criteria employed to appoint members serving on boards of mining companies listed on the JSE.

During Phase 2 interviews were conducted with participants in the South African mining industry. Transcripts of these interviews were subjected to qualitative analysis as discussed in Chapter 4. A semi-structured interview guide (APPENDIX C) was used to assist the researcher to obtain information with the aim of identifying common or divergent themes in the respondent's answers. These interviews took place from September 2012 to December 2012 (see interview schedule in APPENDIX A). As indicated in Chapter 4, each interview was audio-taped and transcribed and analysed in Atlas.ti. In the CD Annexure, transcribed interviews were saved under the primary documents (PD) folder and all the analyses was saved under the outputs folder.

The analysis of Phase 2 was done through the reporting of emerging categories, themes and sub-themes that evolved from the coding process. Themes and sub-themes that were identified for all ten interviews conducted are presented in each category. Each theme was used to address the research questions and study objectives. The coding process revealed a total of seven categories, namely, (1) interpretation of transformation, (2) transformation and legislation, (3) transformation and key stakeholders, (4) challenges of transformation, (5) transformation in the mining industry, (6) board transformation, and lastly (7) barriers to transformation. The results are presented using verbatim quotation to indicate which source was of

the information was used as evidence. For example, (10:5:59) means primary document 10, quotation number 5 and line 59.

## **6.2 INTERPRETATION OF TRANSFORMATION**

The initial objective of this analysis was to report on the mining industry's progress on transformation and to identify barriers to transformation. Firstly, it was important to understand what the industry's understanding of transformation is. It was also deemed important to understand how this understanding supports or differs from existing definitions and expectations in the literature and relevant legislation and industry guidelines. Robertshaw (2006) defined transformation as a political, social, and economic change process, with the aim of redressing historical imbalances. The South African government defines transformation as an inclusion of diversity and democracy in the organisational operations. Others view transformation as a vehicle to transmit corporate social responsibility initiatives to empower and develop the HDSA (Arya & Bassi, 2009). Six common themes that emerged from analysis in terms of transformation interpretation was that transformation is about cultural change and not about race and colour, it's about mindset change, diversity, equalising rights and creating opportunities, it's about doing what is right for the company, and it's a process.

### **6.2.1 Culture change**

Some participants, three out of ten (30%), considered transformation to be changing the way they do business, and indicated that they regard transformation to be about the culture of the business, which can only be obtained through cultural change in the operations of the company. Transformation is not considered as acquiring black candidates for key positions but rather as transforming the way things are done in the business.

*Transformation is not getting black managers on top of the organisational structure. Transformation is [a] complete culture change, doing things differently, in order to make sure that you sustain the organisation. That is transformation for me. And transformation has got to be holistic and integrated. It must not be sort of piece-meal, because people think that, when you have got two or three black managers sitting in the board or at the top of the organisation, then you are transformed (1:1:2).*

*.. because if [refers to a stakeholder] understanding of transformation is getting more blacks and getting more women, then we have got a serious challenge there, because*

*you cannot put a black individual in a position who hasn't got the competencies (1:15:25).*

Transformation is regarded as a holistic and integrated process of doing things differently in an organisation. The cultural change implies that the business must change the way they do things. This transition requires a mental shift and there is an agreement that it is impossible to change the culture of the business without changing mindsets.

### **6.2.2 Mindset change**

Mindset change was also regarded as an interpretation of transformation. There was general agreement that transformation was about changing mindsets or referring to a mind shift whilst seeking innovative ways to address historical imbalances.

*We all now understand that we had these imbalances it's a question of now changing our minds instead of us being pushed by the Act to make these changes, by now we should be making these changes ourselves without waiting for the Act (10:23:27).*

*Transformation, it means doing things differently than you used to do them before. ...now what we need to do, we need to make sure that we transform the way we do things (1:1:13).*

Changing the way things have been done, implies learning to accept and support the policies that are formulated to fast track transformation. Through the constitution of South Africa, clear and solid transformative projects were drawn (Heller & Ntlokonkulu, 2001). The response below proves that that changing mindsets and the culture of the business means the adoption and acceptance of policies that requires culture change. This includes acting in a fair and accountable manner.

*The other issue is also the culture that, you know, well, I suppose policies and procedures also talk to that, that you know, the way in which things are done in an organisation must be fair (4:3:30).*

Cawood (2004) advised that the mining industry should consider mineral policies and pieces of legislation in order to transform and be relevant. The acknowledgement of policies and the adoption thereof indicate that the mining industry regulation and statutory framework are taken seriously. The acceptance of policies shows that opportunities are created and rights are equalised.

### 6.2.3 Creation of opportunities and equalising rights

A further 20% (two out of ten) participants stated that transforming an industry is also seen as creating opportunities, equalising rights and ensuring fair representation for all. This means avoiding discrimination of any individual and giving everyone opportunities to partake in the growth and development of the business.

*Transformation in South Africa really, it is yes first and foremost it's about equalising the rights it's about equalising society. And giving an opportunity to those that didn't have an opportunity before. But to me that, yes it is an imperative but that's a short term view in my opinion. I think transformation in South Africa it's an opportunity. It's an opportunity of saying if I was a white manager and I'm running [name of company], it will be an opportunity, I would see that the growth of my business is in my people in my country, whether they black, green ,yellow, blue, understanding my business and what I do about my business (8:3:39).*

*Transformation means that there has to be fair representation and distribution of everything. Then coming back to the work context, fair distribution of wealth, possessions, there must be just equity and fairness in the workplace (4:1:26).*

Diversity in the workplace is achieved by giving opportunities to HDSAs. Other participants' remarks suggested that transformation for them meant that diversity should be encouraged.

### 6.2.4 Valuing diversity

Further analysis of this theme revealed that transformation is about diversity and valuing of differences. Arfken *et al.* (2004) define diversity as a reflection of gender, religion, age, physical appearance, culture, job function or experience, disability, ethnicity and personal style. To embrace diversity, Kahn (2002) and Daily and Dalton (2003) stated that differences in organisations are recently valued in organisations, though, a thought raised by the below participant that differences are not valued and exploited to their full capacity in the mining industry.

*Because people fundamentally don't understand what diversity means and the fact that the more different we are, the better we can be. You know, because typically we try to gravitate towards the sameness, you know. If I am an African female, maybe I will work better with a fellow African female. Now [when] a white woman comes in, all of a sudden there is tension, maybe we don't understand why, but we don't leverage off the difference (3:50:186).*

Diversity inclusion by transforming the human resources of the business in terms of HDSA representation and inclusion means that a sense of belonging must be created for those who enter the industry.

This is about creating a culture of openness where everyone feels like they belong.

*You know, you can't bring people into an organisation and still make them feel like they don't belong (4:4:36)*

Although it is believed that transformation means that a sense of belonging needs to be created with an accommodative culture, it appears that there is a yearn for the African culture to be embraced and preserved without necessarily compromising on profits and sacrificing the standards of the business by including HDSAs who do not merge well with the operations of the business.

*...transformation, what it means for this country going forward is that we have to embrace the African culture, the South African culture, the indigenous of South African culture into business. And making it work and make money out of it. Nowhere does it say you must lower your standards because the world will eat you alive. Nowhere it says you must compromise your profits (8:5:43).*

The appreciation for diversity inclusion in business is regarded as a way for the business to transform. However, there is a concern that differences and diversity advantages are not explored to their full potential in the mining industry. It is moreover agreed that transformation means that a sense of belonging needs to be created for those who enter the mining industry. It is also emphasized that profits cannot be compromised in the process of addressing historical imbalances. Transformation is also seen as doing what is right.

### **6.2.5 Doing what is right**

Another 20% of participants consider that an effort executed to transform is the right thing to do and not about achieving the numbers targeted in the scorecard. The mining scorecard gives the mining industry a guideline in achieving certain targets with a view to achieving transformation.

*And our view is not necessarily to tick the box in the scorecard, our view is, do the right things and the numbers will come.... so we are not really fixated about ticking the scorecard. We are more fixated about doing what is right for the business (6:14:15).*

*It is not about ticking box number 1. It is not just about meeting the compliance requirements. But it is also about what is it that we would like to see the industry,*

*starting with our own organisation, looked like at a particular point in time, because transformation assumes a particular journey now knowing and understanding the history of mining in South Africa within the context of the history of the country. You can't transform the country and have the [mining] industry stay where it was (3:1:28).*

Transformation is thus not viewed as ticking a particular scorecard target and achieving the numbers as set by the DMR, but rather as doing justice to the society. Also, doing what is right is seen as a motivation for driving transformation. The next theme finalises this section and concludes by suggesting that transformation is a process that will be achieved over a long period.

### **6.2.6 It's a process**

The industry acknowledges that transformation cannot be achieved in a short space of time but it is a process that will take time to realise. The view is that the status or the culture of the business must continually progress so to better the industry with regards to fair representation and distribution. This view suggests that transformation is a long process.

*...so today must obviously be better than yesterday and tomorrow must always be better than today et cetera, as you move forward in transformation. It is a gradual process. It is a process, but it must be a process that indicates a difference as you move (3:7:32).*

*...so it is actually moving the different segments of society at least up one or two notches [so that], the next generation can be better off ...so it is a long-term transformation (2:3:49).*

The findings of the Mining Charter Impact Assessment suggest that the mining industry is showing a slow progress in transformation (DME, 2009:10). However responses above put forward that transformation will take longer to realise. This is because the mining industry had to start from a zero base.

*...there was a point in time where women were not allowed to be involved in mining. So really, [its] an industry [where] you come from a zero base where there were no women that could work underground. I mean, there were certain jobs I think above ground that could be done by women, limited, but ja, not even talking African women. I am talking about there would have been white women at that time, because black women, so the kind of progress that has been made is a progress from zero (3:40:151).*

To conclude this section, the interpretation of transformation in the mining industry

can be described in six ways. Firstly, it is understood that transformation is about culture change, and not about race and colour, which means that the people in the organisation must change the way they do business. Secondly, transformation is about a mindset change this can be done by undergoing a mind shift and acknowledging that historical imbalances should be addressed. Thirdly, transformation is about the creation of opportunities and ensuring equity and fairness for employees in the workplace. This action requires that the mining companies abide by certain legislative policies, for example, the EE Act, MPRDA and the Mining Charter. This includes the acceptance of policies and legislation, also ensuring fair and equitable hiring procedures, with fair and equitable employee treatment in organisations. Fourthly, transformation is about mirroring the demographics of the country by means of including and valuing diversity in businesses. Additionally, transformation is about creating a sense of belonging for mining industry entrants. Fifthly, transformation is seen as a vehicle that will be used to make things right and achieve social justice given the inequalities of the country. Lastly, there is an acknowledgement that transformation is a journey and a process that will take longer to realise.

### **6.3 TRANSFORMATION AND LEGISLATION**

The need for transformation in South Africa is enforced through legislation (Cawood, 2004). It is made in prevalent documents such as the Mining Charter, the MPRDA and applicable acts described in Chapter 2 of this dissertation. Through probing and deeper questioning by the interviewer to understand the industry's compliance with legislation, four themes evolved, namely, (1) transformational definitions and terms of references were confusing, (2) there is buy-in for transformation, (3) there is somewhat adherence to the scorecard through EE plans and reporting, and (4) perception shadowing the industry was unpacked.

#### **6.3.1 Definitions**

Despite different views being held in the industry about the meaning of transformation, all participants (100%) considered the terminology to be very broad, and agreed that terms of references need to be defined in a standardised manner. It is also consensual that the definition of transformation needs to be tabled specifically

for the South African mining industry, given the concerns associated with the different interpretations of this broad term.

*That is quite an overloaded word... we have got different meanings to attach to these things and I think for me transformation or any other thing, for example with us, we had to come together and say, how do we define transformation for ourselves. Not the buzz word from the environment or legislation or from the dictionary. If we are saying transformation for ourselves and we want to transform, what would that mean? Amongst others it would mean affording every person who is in the system an opportunity to be developed in the areas of their future careers, career aspirations (5:1:27).*

It was evident that most participants understood transformation in their own context and defined it as such as shown in Section 6.2.

One participant claims that there was a call made to the DMR to review the scorecard, to standardise terms of reference, and to provide industry definitions. Despite the acknowledgement by the DMR that the scorecard or legislation is not standardised, nothing has been done to date about this legitimate concern.

*...we have already mentioned this to the regulator. We said at the DMR, you and the Department of Labour and the Department of Trade & Industry aren't marginalised in your scorecards, can you make it one? And they said, they know that they are not compliant, they are not marginalised...[and] consistent, so the regulator also need to sort themselves out, because they create confusion (2:19:73).*

According to Rungan *et al.* (2005) the term HDSA has been defined differently in government policy documents. It also has different meanings attached to it which includes and excludes certain groups. Participants also expressed this notion and indicated that there is contradiction in the way the HDSA terminology is used.

*For example, the MPRDA contradicts the Labour Relations Act. I will give an example. The Labour Relations Act would say we define an employee and an employer in a specific way....that definition when you are in the MPRDA is different. I spoke about the Mining Charter and Employment Equity Act of 1998. They are talking to transformation but they define categories of employees differently [that] there's [a] contradiction around that which employers are following. So I am saying even the legislative framework need to assist employers to talk the same language. Which one do I follow then do I follow the Labour Relations Act or do I choose the MPRDA? Do I go with Mining Charter, with Employment Equity Act, do I go with Skills Development Act and so on. So what we are saying is that mining companies are dealing with a broad legislation framework that needs to be simplified so that we can move forward (7:16:25).*

There is a general understanding being held by seven out of ten participants (70%), that HDSA does not exclude white women but excludes white males. This understanding agrees with the definition of the Mining Charter and the MPRDA that HDSA refers to the “South African citizens, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa) came into operation which should be representative of the demographics of the country” (Mining Charter, 2010).

*Mining Charter talks about HDSA, the Historically Disadvantaged. So this is your black people, Indians, white females, ja, and excludes white males (4:6:44).*

*According to the definition of “Historically Disadvantaged South Africans”, that includes Africans, Indians, Coloureds, and white females (1:13:19).*

*So it is everybody who didn't enjoy the full economic and educational privileges of the past (2:17:67).*

However, the two participants below (20%) of the participants had the view that HDSA in the mining charter excluded white females. Their responses showed that their understanding is similar to the definition of the BBBEE Act of 2004 that HDSA refers to “all black people including women, workers, youth, people, living with disabilities, people living in rural areas “(BBBEE Act, 2004)

*In terms of the charter, the charter defines the historically disadvantaged South Africans as Blacks, Indians and Coloureds and black women. It then differentiates white women and black women. So in this case white women are not included. It only concentrates only on black females (10:19:33).*

*Well those are the people who had the skills and the economic barriers in the past. You know, it would be people that were politically disenfranchised. So we are talking about [the] black South Africans, white, I mean black, Africans, male, female, Indians, Coloureds. I mean, even in some cases Chinese and others were also [included]. It is actually quite broad (2:16:67).*

The BBBEE Act, by definition, advances the interests of black people exclusively, whilst the definition of the HDSA referred to by the Mining Charter and the MPRDA Act refers all who were disadvantaged before the constitution came into effect (Rungan *et al.*, 2005).

In one of the interviews, the participant showed discontent over the focus placed on providing opportunities solely for HDSAs. This participant apprehended that the term

HDSA should be about demographic representation and participation, and not about race and addressing colour. This participant advocated for the balance between HDSA and non-HDSA by suggesting that one should be looking beyond the colour issues, and for companies to mirror the demographics of the country in recruitment and hiring. This involves a mixture and a balance of all races in a company.

*We go along and say African, African, African, before we know it we have marginalised the youth of another colour. What are we turning them into, because now we are complicating the social problems. That is why we have to be big and make sure about it, look at the dynamics of the country, the demographics I mean to say. Not [to] build negative dynamics within the company for yourself by trying to push a particular agenda because of colour. So we are not going to use colour that much. But at the same time, you need to look into it to say, you can't just have 100% Africans (5:4:27).*

The broad legislation framework seems to be a critical subject in the mining industry. As such, there is a call for the regulator to define what transformation and HDSA entails. This definition needs to be determined exclusively for the mining industry as there is confusion whether to use the definition of the Mining Charter, MPRDA or BBBBE.

### **6.3.2 Buy-in**

Despite confusing legislative terminology, there is a general acceptance for the necessity for transformation. Participants showed appreciative remarks in support for the need to change and transform.

*...we do understand the spirit of it in terms of passing balances, issues of fairness, removing barriers and ensuring that we set ourselves goals to achieve different transformational goals in each level of the organisation. The Mining Charter has got the same spirit and goals (7:5:13).*

*And you will see that even when we look at our housing policies, really, yes they were first initiated by the charter but then we then recognised that it's a business imperative. So the issue of converting rooms to one person per room is very relevant because obviously if we have a situation where, when the working and living condition of the employee is not sustainable or conducive it has a direct impact on your productivity (6:16:15).*

To that effect, one participant mentioned that there is visibility and evidence that senior managers in the mining industry acknowledge the need for transformation, not only in companies, but also in communities around mining operations.

*...white people have had to think that now I have to look beyond Van Wyk, and Schoeman... I must now look at Nkosi and Ngcobo and so on, so you can see that (8:38:149).*

*We realise [Name of interviewer], that the local community around us are the one that can be our greatest enemy and also greatest friends (2:14:63).*

Even though the course for transformation is acknowledged by senior managers and executives in mining companies, one participant pointed out that not everyone in the organisation understood transformation. For example, this participant stated that in terms of procurement, the procurement officer would not consider the scorecard targets or HDSAs in issuing tenders.

*And unfortunately the challenges around transformation is that sometimes we are not all singing the same tune, and that is a fact...I am yet to come into an organisation that says everybody gets it and everybody understands exactly what we have to do. I think from a management point of view and from an executive point of view we get it. But when it comes to the people on the ground the person sitting behind the computer issuing that order or that tender they work within the confines of their scope of work (6:64:31).*

The course for transformation in the mining industry is accepted and acknowledged. There is buy-in amongst management and personnel that transformation needs to happen. However, there is still the challenge that not everyone in mining companies understands it, particularly those in lower management or the operative personnel.

### **6.3.3 Adherence**

Adhering to transformational targets means that each JSE listed mining company should submit its EE plan and reports at the end of each year (Burger & Jafta, 2006). EE plans are crucial as they allow the government to evaluate compliance of companies to the objectives set in the EE plans (Thomas, 2002). All participants confirmed their submission of EE plans and reports to the DMR or the Department of Labour. These participants state that their reporting is done annually and the plans are submitted each year.

*Ya, we have got a five year employment equity plan, we have been reporting ever since the Employment Equity Act was enacted in 1998, [we are] reporting annually and we get audits now and then with the Department of Labour coming to do the audit, so it's coming to something that we work very closely on a continuous basis (9:10:23).*

Another participant mentioned that before the EE plans are submitted to the Department of Labour, some companies say they are first submitted to the board and the progress that has been achieved is evaluated.

*Ya, we have EE plans; I don't directly run those EE plans. But like I said ... my scope is quite broad, we have people who specialise in that area but we have an EE plan and we have EE reports that are submitted to [the] board every year. And the CEO goes through them every year to understand where we are on the different operations. And he signs. In fact I know a week ago they were sitting with him going through the EE report and the progress against plans (6:26:23).*

This adherence is contradictory to the DMR which state that only 10% of mining companies are submitting EE plans and reports (DME, 2009). All participants stated that their companies are excluded from the ones that are not submitting.

*I think fortunately or unfortunately we don't fall under that blanket. We, if you read deeper even about this means that (mentions company name ) has actually, they had a target of 10% women but we have at least surpassed that one (3:15:59).*

In addition to the submission of plans, reports have to be compiled on what has been done. All participants interviewed agreed that they do some reporting on the plans set in the EE plan. EE reporting is conducted based on the EE plans submitted. For larger companies that have different operations spread across the country, each operation reports separately. One participant stated that reporting was done on the seven pillars of the scorecard.

*We report on [the] Employment Equity in the Mining Charter. My HR colleagues have got Employment Equity plans (2:21:85).*

*In our case, I can tell you, in terms of statutory reporting, it is something that we abide by law. We report, I don't remember any other year that we never reported or never reported on time. So whether its EE reports, skills development reports, the annual works skills plan, the annual planning report from MQA. All the statutory reporting that are required are there. So if you look at our record we report on time and every time. (9:11:25).*

*We have got about five operations, each operation has its own plan and we report separately and each operation have its own number that it reports to the DOL. And we report every year and we've got a plan (10:18:37).*

*...I report into the CEO, who reports into the board and every quarter. We give feedback on our progress on the seven different pillars as to how we are progressing and then also there are plans (1:45:67).*

Only two participants (20%) confirmed that the DMR continuously visits the mines to do some auditing on the EE reports.

*And you know, when the DMR comes and does audits with us, they will come and ask us, "[Name of participant], what have you guys done in compliance with the scorecard?" "Yes, we have done the following." Then they will say, "okay this is the*

*documentary evidence, let us go and talk to the community, how is the housing doing,” ... “how, what are the projects that you are doing, how do you economically lift them [communities] up,” and they will ask those people. So we need to engage more (2:15:65).*

*... we get audited by the Department of Labour. Members of the departments do audit as well on an annual basis, in fact this is an industry where auditing on transformation happens continually. So meaning the government every year come in mining and do audits especially on the Mining Charter and the Social and Labour plan. So that keeps going continuously so you cannot afford not to report because then you will be in trouble (9:11:25).*

During the interview, some participants stated that they have already exceeded the goals of the Mining Charter in their reporting, and are now targeting HDSA candidates for higher or more senior roles. There has also been an increase in the number of women that are employed in the mining industry which is a sign that there is adherence to the requirements of the Mining Charter.

*We do have an employment equity plan. So far as per the Mining Charter we were at one stage above the Mining Charter, but when you look at the numbers it is like you don't employ, well we meet the legislative requirements, but where do you really need those people, at which type of levels? That is another challenge. You can satisfy the requirements, but what type of positions are these people occupying? Most of them are occupying your administrative or lower positions. You find fewer people at higher level positions (5:15:43).*

*...we have won the resource category for women as one company that has really put in some strides in terms of developing the women in particular within the resource category. So we really try hard (3:39:150).*

Even in the appointments to senior management positions, black females were favoured more than black males because of the belief that black women would take care of the communities more than their male counterparts would.

*Black women are far more concerned about their family, the community and making a difference. So we have also got a strong focus on black women and women in mining (2:66:237).*

There are also more opportunities for black females and because they are few in terms of qualifications and experience, the ones that are to be employed can demand higher salaries.

*But the people who come through the funnel are very few. And the mining companies, what happens is that if you black, if you female and you've got a technical degree, really you name your price (8:17:119).*

*Then we have a specific focus to get women in mining and the government wants us to get women in mining. And if you look at the scorecards, there is an, you can adjust your percentage on your scores if you have black women and you get an extra little bit of score if you get a black woman instead of a black man in, or an Indian or a Coloured in (2:46:151).*

According to the responses specified above, adherence to the transformation scorecard is done through the submission of EE plans to the DMR or Department of Labour. EE plans submissions are done and reporting on the EE plans is done annually. Furthermore adherence is demonstrated by the efforts of the inclusion of females in senior management roles in companies. The inclusion of women in mining also forms part of the initiatives undertaken by the mining industry to realise transformation and is discussed in detail in Section 6.6.

#### **6.3.4 Perceptions**

The overall perception regarding transformation in the mining industry is that transformation occurs at a slow pace. In the Mining Charter Impact Assessment that was done in 2009, Minister Susan Shabangu reported on the slow transformational progress in the mining industry and its reluctance to transform (Shabangu, 2010).

Eight out of ten (80%) participants felt that industry culprits who did not comply with transformational goals are the ones putting the efforts of the compliant companies in disrepute.

*... I suppose the question would be what informs the Minister's statement...because ultimately you must remember that the DMR has got the latitude to come in and do an audit and if you are not complying,[to] take away your licence. They have that power. So...there is absolutely no reason why the DMR is not practicing what it is supposed to be doing as enforcement. So our view as a company is that if things are going wrong, they are going wrong under DMR's watch (6:27:25).*

This respondent above further stated that the mining industry is doing a lot of work, but that work is hardly acknowledged because other mining companies are not adhering.

*People are quick to say the mining industry is an evil industry. But the mining industry is actually doing a hell of a lot of work it's just not impactful and I think we all agree [that] we are spending millions and billions on socio-economic development but there is no impact. We are not creating the jobs that we want to create and it's not sustainable (6:47:31).*

*... we get painted by the same brush and then we all look bad. So it's like mining is not transforming so it means anybody is not transforming. But I wouldn't say we are there*

*yet, but I would say that if you take the effort, if you look at the projects that are being put on the space, there is quite a lot of [work] what has been done and like I said maybe we are not communicating hard enough, and we are not really marketing ourselves in that space (9:13:29).*

However, one participant acknowledged that the living conditions of mineworkers in other mining companies put the mining industry, as a whole, in a bad light. This participant also expressed concern that there has been more criticism of the mining industry than credit for those companies that are compliant.

*But guess what, you can find a company or two in certain sectors within mining that have something that ... you can call it a compound because of the living conditions. It might not be concrete beds anymore, but it is pretty much something akin to that than what we are trying to get towards from a transformative point of view. So ja, we have culprits amongst within the industry, but to the extent that we are doing well we also want to get the credit that we think we deserve and I don't think there is a balance. I think there is more criticism (3:64:353).*

In addition, another participant admitted that in the early years of democracy, mining did not take transformation targets seriously. Moreover, since the DMR recently started taking strict enforcement steps, mining companies have only recently started taking transformation seriously.

*I think the Minister is correct. This, the MPRDA came out in 2002 and then the first five years or so, [states the name of the interviewer], I don't think the industry took it seriously enough. I think they had the minimum compliance view...they did audits, but let us say they were lenient. I think the industry caught a wake-up call in the last three years. The last two or three years we have gotten a wake-up and realised, you know what, we need to do something. Otherwise we are going to have Marikana's and those types of things happening industry wide and it is going to be a huge, huge risk for the country, not just for the industry. So yes, I don't think we took it seriously as an industry in the past (2:23:101).*

Lastly there is a call for the industry culprits to be identified and singled out and dealt with. Most participants felt that those that are not compliant are ruining the industry's image and that they need to be held accountable.

*Okay I cannot speak for other companies but I'm sure there are those that are not doing their bit and then when the Minister or government make their announcement they will talk about mining in general. But then without really not picking those that are culprits and not doing their bit, so it would help to when those kinds of comments are made they would pick up those that are not doing their bit and then shame them (9:12:27).*

*I think they need to be specific which companies have not being complying. Now we are blaming the whole industry. I mean there could be companies which are doing that. But one needs to tell me that [name of the company] is doing that so we can deal with that specifically. (9:28:49).*

To conclude this section, the findings regarding transformation and legislation reveal that there is a need for core concepts such as transformation and HDSA to be defined. It was found that there is industry “buy-in” for a case for transformation. This is evidenced by the adherence to the scorecards targets. All (100%) participants confirmed, for example, submission of plans and reports to the DMR or the Department of Labour. Adherence to the scorecard was also evidenced by the reports for inclusion of women in more senior roles in mining companies. The negative perceptions regarding the slow transformation in the mining industry was not welcomed by the participants. This is demonstrated by the finding that 80% of the participants indicated that transformation was on track, whilst only 20% acknowledged that the mining industry has only recently started taking enforcement seriously.

## **6.4 TRANSFORMATION AND KEY STAKEHOLDERS**

According to the Mining Charter, the beneficiaries and stakeholders of transformation and the scorecard are the HDSAs (Mining Charter, 2004). The PMI (2008:23) defines stakeholders as persons or organisations who are actively involved in the development, or whose interests may be positively or negatively affected by the performance or completion of the plan. Stakeholders may also exert influence over the plan, its deliverables, and the project team members. Thus it is critical to identify both internal and external stakeholders to determine the requirements and expectations of all parties involved. The results of the interviews identified other stakeholders of transformation, namely, HDSAs, communities, business, and employees.

### **6.4.1 HDSAs**

As discussed in Section 6.3 a total of 70% (seven out of ten) participants interviewed stated that mining companies do not comply with the BBBEE Act definition that excludes white women, instead they consider white women as one of the beneficiaries of transformation.

*In our companies the beneficiaries would be what we call historically disadvantaged South Africans. In this case you mean all women and all blacks, black meaning African, Coloured, and Indians. Of course Chinese they fall under the Coloured*

*subcategory. And of course the people with disabilities as per the Employment Equity Act. We don't really, we don't move that far from, we actually, within the mining industry based on the Mining Charter we did not like remove [the] white women... we are still complying with the Employment Equity Act which takes all women. Although if you look at the new Mining Charter now, it actually went a bit further to say, even though you are targeting all these people, make sure that they mirror the demographics of this country (3:11:48).*

According to the Mining Charter, HDSA includes all women, black people, coloured, Indians and people living with disabilities. The majority of participants adopted the Mining Charter definition.

#### **6.4.2 Communities**

All participants specified that most of their capital for transformation is spent on community development and outreach. Other issues include involvement in community services that are expected to be provided by government such as health and education. Some projects are also done with the aim to make a positive social impact, such as skills development.

*That would be the community, you know the biggest portion of our work is largely on community so if we move away from employment equity specifically so the biggest effort that we are doing that means efforts that we are doing and especially in terms of those communities where we operate so ensure that we intervene in a more decisive way to change their lives in terms of whether it's a community development project, developing or encouraging economic activities in terms of entrepreneurship and also putting money in areas like education and health where there is issues that are not yet addressed or the state has not yet reached them and we intervene in those areas. But most of our efforts I can tell you that we are pushing hard on education in terms of giving infrastructure or equipment to school, upgrading certain schools and even FET colleges where we do Teacher- Lecturer development and capacitation. So, most of our work is geared towards associating with the majority of our Grade 12, uplifting communities around where we operate (9:4:17).*

*We upskill there and this is all in response to the Mining Charter. Then what we also do is help local communities with all our social economic developments. So we are not perfect there, but we realise the social impact we can have and the social, potential social unrest we have to address with Marikana and all that. Besides just the Mining Charter telling us to look at that, we are looking at our communities around us and we are engaging with municipalities, communities, schools et cetera, to help develop them, uplift them with education, with skills, starting local businesses, et cetera (2:11:57).*

In many instances participants felt that their companies involvement goes beyond expectations or legal obligations, and some participants even suggested that they are taking responsibility to deliver services expected to be performed by government.

### 6.4.3 The business

Some participants indicated that there is a correlation between scorecard adherence and organisational sustainability.

*Beneficiaries of the scorecard, if you do it very well, first of all is the benefit of the organisation... And then the beneficiaries of the scorecard will be the shareholders. Because if you do it right, you are going to be appointing competent individuals who are going to add value into the organisation to increase (1:10:17).*

*So the communities are beneficiaries yes in terms of monitoring but the ultimate beneficiary is you. If you do it properly, you benefit because then your license is secure (8:12:73).*

*It is going to be all or stakeholders, all, well our shareholders initially will have long-term benefit, because we will have a licence to operate and we will continue operating. Because the government that regulated DMR puts an onus on us to comply. If we don't, then we get directives and then worst case scenario we shut down and lose money and then everybody loses out, especially [the] shareholder (2:7:57).*

Licence renewal was also a motivation to meet, and even, exceed scorecard targets. Transformation thus has the potential to earn return on investment for the shareholders. Since the business will have a licence to operate, the shareholders will benefit from long-term income. Carter *et al.* (2003) highlighted that there is a debate whether companies are attending to diversity (in South African terms' transformation) because it is the right thing to do, or because it enhances shareholder value? It can be justified from the responses above that other companies may be adhering to scorecards for regulatory purposes.

### 6.4.4 Employees

Employees of companies benefit in share schemes and options. The HRD scorecard stipulates that employees in the mining industry be awarded opportunities for training and development (DMR, 2009). Female employees are also benefiting as their development is encouraged by the scorecard.

*There's a lot, communities are the top beneficiaries our employees are our top beneficiaries in terms of the share schemes and women are the beneficiaries at the moment and all those people to me are those benefiting a lot (10:20:31).*

The section above considered the beneficiaries of transformation by pointing out the stakeholders benefiting from it. Apart from HDSAs, also mentioned were communities, the business, and employees. It is clear that HDSA candidates are

offered preference above other groups. Mining communities benefit from community development projects. The business benefits because it attains licence renewal when they adhere to scorecards so they are able to run their operations and business and shareholders can earn profits. Employees benefit from developmental programmes and training as well as other benefits, such as share options. This section also covered some of the progress made in achieving transformation. More details on the progress made and initiatives undertaken to realise transformation are explained in detail in Section 6.6. Challenges of transformation faced by mining companies are discussed in the next section.

## **6.5 CHALLENGES OF TRANSFORMATION**

Limpitlaw et al. (2005) identified the challenges faced in the mining industry by listing mine health and safety, as well as the depletion of resources as the prime challenges. Core transformation issues identified by this author were good governance, disclosure policy and access to information, capacity building, conflict management, human rights, dialogue and partnership facilitation, legacies of the past and closure, standards- guidelines and monitoring, gender inequality, corruption, empowerment of civil society, social and environmental responsibility of business, impacts and benefits at community level, institution building and regulatory framework, social mitigation, economic diversification, and poverty alleviation.

In the coding process for the challenges for transformation, it was discovered that the participants in this research revealed more specific challenges. Seven challenges facing the mining industry are grouped in themes, namely: recruitment of suitable candidates, mining not always suitable as a career choice, operational challenges, role of government, spirit of transformation, war for talent, and the nationalisation of mines debate.

### **6.5.1 Recruitment of suitable candidates**

The recruitment of suitable candidates forms the basis for selecting the most suitable candidate for a specific job. The sub-themes that emerged from this theme included the skills shortages of HDSAs and the difficulties in appointing candidates with the required experience and qualifications, as well as geographical challenges in employing local versus migrant labour.

### **6.5.1.1 Skills shortage and lack of qualifications and experience**

Nine out of ten (90%) participants mentioned that transformation targets are often not achieved due to the shortage of skills preventing HDSAs from entering the mining industry. In 2010, the DME also identified skills shortage as the principal limitation of competitiveness (DME, 2010). It appears that the issue of skills shortage is an ongoing challenge in the mining industry.

*You know, the issue of skills development, we need skills and we all know that skills are a big issue in this country. However it is how you find effective programmes that still make you tick the box. So we look at skills for example, we run training programmes where we cover sports and training. So we take a lot of people who are sportsman in to our sports academy. And what we allow them to do is to practice sports but at the same time they then acquire skills through training in technical and artisanal skills (6:18:15).*

It was also indicated by one participant that the availability of skills does not only mean that a candidate has the required higher education qualification, but also requires of the candidate to have sufficient experience and insight. Engineering, technical and artisanal skills were identified as critical skills that HDSAs are short of.

*... secondly, another challenge is availability of skills. I mean, if we, when we say skills, I am not talking about someone who is going to come out with a master's degree at [a] university and then we say that is skills. Skills come with experience, experience brings about insight. Now that is what we are running short of (1:23:33).*

*So there is a shortage of talent particularly the black engineers. And I think statistically it has been proven that there isn't too many of them in the country in terms of mining. I am talking mining in particular. There might be a lot of them in the system but they are not yet ready to take the position (10:9:45).*

Another participant stressed that competent candidates are high in demand in the mining industry. He argued that competence is not measured by the colour of your skin but rather on how competent you are on the job. He argued that competence is the driving force of excellence in the mining industry and that safety and even profits cannot be compromised to accommodate a certain colour ratio.

*... competence is colour blind in this industry because remember that if you are at the top and you have a thousand people underground, three kilometre down there, working at the rock face, it's got nothing to do with colour. When you are the accountable guy here, you have to pull them out. Safely as well, set them down there safely (7:19:27).*

Only one participant (10%) argued that there is a redundancy of skills in the country and suggested such candidates were not given the opportunities to excel.

*...and now we are saying the skills are scarce. We have got ample skills. We are just not using them (5:31:73).*

*The skills[shortage] is still a challenge, but at the same time I think really South Africa has got skills...because I always ask myself this question, which really bothers me a lot: On a yearly basis universities produce [students] What happens to those students? (5:17:45).*

This participant further remarked on the need for companies to provide development programmes for University graduates in order to give them experience and exposure in the mining industry. This participant also argued that skills development should be a partnership between the mining industry and the government.

*...but because we don't have the patience to develop and afford practical experience to the poor students. They get graduated, then they are at home, you want a job, you look at the newspaper 10 years' experience five years' experience. Very few companies you will find those companies that have got development programmes like we do (5:17:45).*

Though, one participant mentioned there are people with the appropriate skills (referring to non-HDSA candidates, mostly white males), however, they are last in the queue because companies have to comply with EE and transformational targets.

*...because you must remember now you have got existing white males who have been there who are highly competent who are fully performing and all that (1:48:75).*

*And we can't fill them because we can't get the skills. And we need to fill them with the right skills so that we get our BEE right. We get our compliance right and we have got a whole queue I don't know how many of white people waiting who could potentially meet half of those but they are last in the queue. So if you have got a queue of people your HDSA's take up the first 80% of the queue and the last 20% we will consider the white people. So they are there but we have got to try and give preference. We can't find the skills. We are, it is the, my HR people are going grey and they are it is a huge problem. It is a huge problem (2:57:193).*

As explained before, there is a critical shortage in the mining industry for engineers. It was explained as one of the positions where skills are scarce but an area to be considered very valuable. Due to the shortage of engineers, most vacancies cannot be filled because of a shortage of adequate skills and qualifications.

*... I am an engineer, I know, it is an incredibly strenuous and onerous degree to get. It is not Mickey Mouse you have got to work hard. You have to have a little bit of ability, you have got to be able to think at a certain level, and you have got to be able to apply yourself, you have got to work hard. There is no free lunch in these types of skills these critical skills and I am talking about engineering specifically (2:27:111).*

*...you still have got lots of vacancies in the engineering department which you can't fill today because of lack of adequate skills (3:17:79).*

*...so now that in itself is a strenuous process. That is why people outside don't seem to understand the challenges that we have got. I mean, that is why earlier on I said, if it was get 20% handsome women and, beautiful women and handsome men, we will have done it (1:51:79).*

In order to address the skills shortage challenge, it was stated that efforts are being made by mining companies to assess matriculants for entry-level positions. Unfortunately, they do not pass these assessments that would grant them entry-level jobs in mining. Even when the assessments are made more lenient at a Grade 8 level, the matriculants still fail them.

*And in an absence of adequate and good education, I mean you get people, who say they have matric, then you do an assessment test and they don't even pass the assessment at matric level, you can actually take it down to maybe Grade 8, and they still fail a Grade 8 assessment so you know and then what we do is [to] have a bridging course to say okay fine maybe you didn't make it here let's have this one. So I think skills is a big issue so skills is a big problem at a higher level only we see skills at the lower level being the most difficult. And that is just from an educational perspective (6:64:35).*

The mining industry has limited control to influence the incoming skills outside the industry. All participants agree that the environment outside the mining industry, namely, the education system, which they regard as poor, seems to be influencing the non-availability of technical skills.

*It's not enough technical skills coming through and that is influenced by the environment outside of mining (7:18:27).*

*Then some of the skills are at a higher level we have struggled to find. I used to be the mentor for all the industrial engineering students and fraternity, I did all the bursaries for them and I really struggled to find HDSA students and candidates (2:26:107).*

It was noteworthy to report that one participant admitted that the mining industry does not have a robust process of recruiting and appointing people with professional skills especially for people living with disabilities.

*We don't have in my view a robust system or a process, whatever you want to call it, that focuses on people with disabilities and ensures that we can as a country produce people with good skills. Not just skills in terms of being a typist or as a person with a disability but professional skills amongst the people who have got disabilities (3:26:117).*

Due to skills shortages, recruitment of women, especially in middle to senior management positions, also remains a problem. Three out of ten (30%) participants stated that qualified and experienced women (particularly black females) were hard to recruit. The participant below ascribed the low representation of African females in senior management roles to the qualifications and experience needed at that level.

*The challenge remaining on the senior management and also the demographics you will find that [for] African females in particular there is still a challenge there. But you can also realise that when we are talking about senior management we are talking about someone who has an experience of ten years or more to fifteen years in terms of that group of people. So you will find that in most cases the skills that are required for that level are not that many and we are competing all for the same people. So you find that it is expensive to keep people because you have to pay them more to keep and retain them. So that is the base we can relate to the amount of skills and because all of them are required especially African females particularly. There is a demand for them at that level and I think that it become the challenge (9:16:33).*

The recruitment of suitable candidates is also a geographical challenge. There seems to be a challenge on the recruitment of local versus migrant labour.

#### **6.5.1.2 Geographical challenges: Local versus migrant labour**

In addition to the shortage of skills, experience and qualifications of HDSAs, mining companies face the challenge of recruiting local candidates. The industry appreciates that it needs to employ local candidates.

*Mining is as you would appreciate its history has a lot of migrant labour so as localise labour it talks about transformation wanting to see a lot more locals (7:8:15)*

Although mining companies target local candidates, six out ten (60%) participants commented that local candidates in mining communities are not willing to do the work that the foreigners or men from the Eastern Cape or Lesotho are willing to do.

*... skills is a big issue education is a big issue and as much as within our own organisation we target people from the local communities to bring into the organisation. What you find is they are not willing to do the same kind of work like people in the Eastern Cape and other places are willing to do. So now you have a problem you have to hire locals but the locals don't want to do the job that you do (6:41:27).*

*And they also would fail the health tests and they would go for all this training before they go underground and it is a similar training that will be happening underground. And when they come from the training some don't even finish their training. They say "no it is hard thank you I am not going to I can't do it." That is why we are having people from Mozambique because it is physical. Lesotho, that is where you get the rock drill operators and Eastern Cape. It is the physical type of a job as well but health is also important (5:46:91).*

Although local candidates enrol for training for mining employment, some do not complete and quit due to an inability to cope. Participants also stated that the migrant labour is easy to recruit because they are willing work underground, unlike the local candidates or women who want to do office work and were not suitable or willing to consider positions such as a rock drill operator.

*...and you have got people from all over the show, Lesotho, because those, that is where you are getting the rock drill operators. For example, unemployment around the mines, the community surrounding the mines or the business, the mine businesses, you will find that those people would want office jobs and not go and become a rock drill operator (5:46:91).*

*I found that most of the women that I have talked to underground they don't want to work there. And because they don't want they are not going into mining because they want to (3:30:125).*

It is alarming that local candidates and communities discriminate against non-local candidates when they are employed. These employees subsequently feel isolated because they are not accepted in the communities and treated like foreigners. This finding supports the findings from research done by Shabangu (2010) who highlighted the tension between communities and mining companies.

*I mean, there has been a lot of talk about hiring local people and unfortunately, where there is a dire need for jobs there is competition. And that creates a lot of tension within the communities so all the people who come from the Eastern Cape or come from Mozambique or come from Lesotho, find themselves isolated because they are not accepted into the communities (6:37:27).*

*In fact they are seen as foreigners in those very same communities so what options do they have but to go and build a shack and live in a shack and bring up their kids in those shacks. So the challenges are broad and I think it's really a time for both companies, and DMR and other departments to really rethink the issue you know, how we transform the industry such as the mining industry (6:37:27).*

The recruitment of candidates with suitable skills, qualifications and experience remains a challenge in the South African mining industry. The key question that can be posed is what happens to graduates from Universities who possess qualifications that are suitable for them to work in the mining industry. What happens to those that have the experience and skills, for example, non-HDSAs, like white men? Though the recruitment of local candidates is encouraged and advised, the mining industry is faced with a challenge to employ local candidates because they are not willing to

work in underground conditions. The next challenge that is explained is the role of government to fast-track transformation in the mining industry.

## **6.5.2 Role of government**

The sub-themes identified in the role of government theme are the education system, the culture of dependency that has been created, legislation, as well as service delivery issues.

### **6.5.2.1 Education system**

The mining industry views education as a vehicle that can prepare students for University and consequently for the mining sector. However, all participants criticised the education system for doing the contrary.

*But our education system also needs to be jacked up. It is not serving any purpose to say we have got this 60% or 80% pass rate as a country only to find that the results actually, people can't do anything, it is pass, but pass on what? You can't even get [the] university entrances (5:35:79).*

The schools in the rural areas do not have sufficient facilities to prepare the learners for tertiary education or even employment. Required facilities are, for example, access to the library, laboratories and access to equipment for experiments, and so on. In addition to facilities, the resources to teach matriculants are also important.

*Now, in that school there is no library... it is overcrowded and all. Now part of our initiative, we are helping some of those schools that we have identified. We have computer centres with a library [and] with laboratories. Now that is part of the initiative (1:33:49).*

*...you can eradicate poverty but how do you do that when you still have ... people haven't even received their text books and they are busy with the exams and the government's response is like no but we are busy delivering and we have delivered. Okay, when do you deliver? End October (5:11:37).*

As a consequence to a lack of facilities and resources, there is a concern that the education system is producing poor performing matriculants who are not eligible for University and who are specifically not suitable for mining qualifications.

*Because we have realised that they can't get [the] university entrance ... That is why ... the youth in the villages you will find that most of them [the youth] are matriculants, but you look at their results they are so poor. But the person has got a certificate (5:35:79).*

*... I think our government has failed us in the education system. They need to produce people with matriculation exemption that can actually study further into tertiary levels. Because the skills we need are people who are going to have some kind of tertiary skilling certification education, et cetera, et cetera. So we are not getting the skills, school leavers that are at a level that we can actually take them further. We have a huge issue on that (2:25:107).*

The low standard of education requires the mining industry to develop and implement alternative methods to accommodate HDSA school leavers in order to enter the mining industry.

*So we are actually having to pick it up. What the government has failed to provide is adequate education for school leavers or the standard is just too low. We have got an issue there (2:26:107).*

*Because it is okay for the government to say to industry, "alright guys, these are the targets." But then the government has a commensurate responsibility to make sure that they deliver the education to our young people, then we can take school leavers and educate them and take them further. We are very happy to do that. But if we have a paucity of skills and abilities and school leavers coming out, it is actually almost abdicating that responsibility to industry. And I know that the government will confess privately that they don't have the capacity to deliver on anything that they need to as the governor...so they admitted that they don't have all the capacity to do it (2:31:117).*

Even when mining companies accommodate HDSA learners, for example, with bursaries and finances for bridging courses, some learners still fail to obtain the desired outcomes.

*We would give 60 students bridging year opportunities and maybe 10 would be good enough to get through to first year to carry on. The education is a serious, serious problem. It is really, and I am saying it, government has failed us in that area. The government has got its challenges but we are already 18 years since independence or a new society or the start of enfranchisement. I know it is going to take more than 18 years but I was expecting more progress. Maybe the education department took the wrong direction in terms of its OBE et cetera I don't know (2:29:113).*

Those who manage to go to University drop out or their studies are terminated by the University due to poor performance.

*... in fact, I had a lot of my students I had given bursaries to, they just couldn't get past second year. They did first year, failed first year, did second year, failed second year. So by the time they hadn't even completed second year they had already been studying for four years. And universities also have cut-off's (2:28:111).*

FET colleges are also not producing quality students who are eligible for mining.

*..the FET colleges to some extend are not assisting us to a great deal. You know I don't want to talk about numbers because sometimes it's about quality, but it is just the*

*consistent performance, you know, too few are performing well and they come under strain but we need much more. To be able to get as many people on the field as possible (7:21:29).*

Another transformation aspect related to the role of government is the culture of dependency that is created among the youth of South Africa.

### **6.5.2.2 Culture of dependency**

One participant was of the opinion that the government has created a culture of dependency by stating that young people from the HDSA group have a sense of entitlement. Entitlement, according to the respondent, is created by grants offered to people without necessarily working hard for them.

*Because you will get a free house by hook or crook, you will make [the] means, because they are available somewhere and then you will get pregnant you go to [get] social grant, then you will have two kids, you already budget. That is what the youth is doing now. Even if you interview them, "ja I need three kids so that at least I can get this much" and then they budget already. Then when you get older you will go for the social the old age social grant. So there is always something that will be handed out. So we have created a culture of dependency (5:41:91).*

This participant alleged that most of the youth blame apartheid for their shortcomings and are really not doing anything to improve their education because the government provides them with social grants.

*Blaming the apartheid? Even during apartheid at schools I mean I am from Mafikeng at home, you know, even deeper than Mafikeng. That government at the time they would go to those schools they would furnish you with toothpaste, toothbrush, they would have a subject called Health. They were educating. So that is why we got people who became doctors for that matter. We have got medical doctors from those old schools and then yet we want to blame that [apartheid] (5:52:103).*

Legislation was identified as another governmental shortcoming. This section was explained on transformation and legislation in Section 3.2.

### **6.5.2.3 Legislation**

As explained in Section 3.2 the uncertainty of the regulatory environment is also one of the major challenges of EE scorecards targets being unmet due to the confusion on the array of policies. Policies are not aligned. It was confirmed in the literature review that this big fallacy has caused misunderstandings and confusion in the South African mining industry.

*... the policy has to be aligned generally. The policy on community development the geniuses that wrote that ...Oohhh I told them at DMR I had a meeting that other day*

*with them and [I] said they should not tell us what we are not doing right they must first fix the municipalities (8:36:157.)*

Others observed that the MPRDA, the Mining Charter, the Labour Relations Act, the EE and Skills development act have different meanings for the categories of employees. Thus, this creates confusion on which policy or act to follow.

*...some policies are not aligned with other developmental policies in different, in other departments of the country (8:33:173).*

*Where we say they are not talking to each other they talk to different, they track different things. They track core skills in mining. They define management differently to the act... so we do follow more of the charter because the charter itself has got numeric goals already set for companies within the mining sector (7:5:13).*

In addition to the policies that are not aligned, the government is blamed for not cooperating with the private sector.

#### **6.5.2.4 No cooperation between mining sector and government**

Particularly in community development projects that need collaboration between mining companies and the municipalities, the municipalities are alleged not to be assuming responsibility where they are accountable.

*...the one in local and mine community development, although it says that you're supposed to find a program in the IDP but these municipalities themselves often don't understand these IDP's. The IDP's are outdated and there is no governance framework, very important. There's no governance framework i.e. they are supposed to work nice with the municipality in developing the project (8:33:173).*

Part of the reason why there is no collaboration in the mining industry is that there exists a lack of trust between the mining sector and government. There is also limited dialogue taking place between the mining sector and the government due to suspicions and lack of trust.

*For as long as we treat each other with suspicion... because that unfortunately that is the fact there is a lot of suspicion around the mining industry and unfortunately what happened at Marikana doesn't paint us at a good light at all. And as much as we might, maybe know that perhaps there are industries that are not doing so good and there are industries that are doing great (6:50:31).*

*Treasury and the DTI are never interested in hearing what industry needs to do or what industry thinks should be done to fix the problem. They have their own agendas and their own ideas and you go by the book. And I think for as long as that is the dialogue I think South Africa is not going to progress (6:49:31).*

Claims of limited service delivery by government were also major concerns justified by participants.

*But I think right now there are a very few case studies where we can say...the communities are happy to have mines here. And it's inflated by lack of service delivery from the municipalities as well. Because just from our perspective we have implemented 90% of what we said we would do we've done. What we haven't done is where we felt that it would be irresponsible to even bother to start on something we have brought on the table (6:61:33).*

*So I think the targets were onerous, bearing in mind the fact that we are not getting the full cooperation from the government in terms of that. So it is a partnership. We had a meeting with the DMR a few months ago where the DMR said to us we are industry and they are the regulator. But actually in effect we are in the same boat. They are sitting on the right-hand side of the boat we are on the left-hand side of the boat and we, either of us can make this boat sink. Them [the regulator] with onerous regulation us [mining companies] with not complying or not help and transform (2:32:117).*

The responses above and below suggests that there is a conflict between the regulators, namely, the DMR and the private sector, namely, the mining industry.

*One of the issues was how do we capacitate local municipalities? What role do we as industry want to play in that space? We don't want to take over municipalities but how do we capacitate them? We don't want to take over municipalities it's not our job. We've got a company to run but how do we capacitate them so that they can deliver because if they can deliver they take the pressure off us you understand? For as long as they don't deliver we will always be at the mercy of communities and we accept that we have a responsibility towards [these] communities (6:58:33).*

*...I don't think they have their ducks in the roll. That to me that's the biggest barrier as well. Because if you say to me please implement this but you still don't have your house in order [and] you don't even guide me on how to do it you must forget (10:14:43).*

Two participants howled for governmental support in realising the transformational goals. One of these respondents stated that the lack of cooperation and governmental support is also caused by political interferences within the DMR.

*How do other non-mining people out there [do], what role do they need to play. [The] government being one of them in making sure...because we always get hammered when things go wrong...but then we don't get the level of support (3:29:122).*

*...unfortunately within the DMR itself there is a lot of political manoeuvring and that political manoeuvring unfortunately is detrimental to the community which is on the ground because what you are finding is that companies were committed to projects that they knew right from the beginning that the projects were unsustainable (6:28:25).*

It is clearly identified, judging by responses received, that the non-cooperation

between the mining industry and government limits opportunities for transformation, especially in mining communities.

#### **6.5.2.5 Monitoring challenges**

Added to the issue of service delivery, only one participant added that government is having challenges to accurately monitor the adherence to the legislation by mining companies.

*I know that they had a challenge; they have got a challenge of monitoring companies in terms of how far they are going... (3:56:209).*

It is alarming that one participant admitted that mining companies perform inaccurate or false reporting of the demographic presentation of results. This participant expressed the concern that mining companies are reporting flawed and inaccurate data.

*But then there is like real issues...if you are an executive, you must not be like that, think that... because you get the reports that says everything is well, then everything is well. You must just learn to go down there and really find out as to what the hell is going on or else you are going to be surprised all the time. Because people don't just strike or go on a go-slow... when issues have not been addressed. They try for a long time to address issues and then resort to stoppages (4:23:158).*

This participant questioned the occurrence of labour unrest in the mining industry whilst the industry claims that it is transforming.

Though the recruitment of local candidates is encouraged and advised, the mining industry is faced with a challenge to employ them because they are not willing to work under those conditions. The next section discusses the challenges of mining as a career choice.

#### **6.5.3 Mining as a career choice**

Participants in the study revealed that mining as a career choice entails that you may have to succumb to adverse working conditions, such as facing health and safety risks, and working underground, resulting in employees being subjected to gender stereotyping. The sub-themes identified for this theme are health and safety, underground conditions and housing problems.

Operational challenges refer to the challenges faced in the mining working environment. Limpitlaw *et al.* (2005) identified health and safety as a prime challenge facing the mining industry.

### **6.5.3.1 Health and safety**

Health and safety is also considered a transformational objective and there is an understanding in the mining industry that the wellbeing of employees is a prime objective.

*When we speak about health which is also a transformational issue, I mean when you talk about employee health and HIV and TB and all the things that come with the kind of job that we do, we extend that to understanding the health and wellbeing of our employees (6:6:13).*

Although the mining companies claim to have installed safety control measures to prevent fatalities, there are occurrences outside their control often happen and cost the miners lives.

*...issues around health and safety that is a major challenge for the mines. Because sometimes the health and safety is not within the control... you get things like fall off ground... you can bar all the places and all that and then all of a sudden a rock falls out there(1:28:41).*

The mining industry appreciates the need for safety underground, as such there are measures put in place to prevent accidents and fatalities. However, events outside their control sometimes do happen.

### **6.5.3.2 Underground conditions**

All respondents (100%) agree that underground conditions are a serious challenge facing the mining industry, due to safety reasons. They state that the underground environment is not an easy or conducive environment to work in.

*I think when you are outside it is easy to say people don't have interest. But once you get inside then you can understand the dynamics [of] what kind of business are we talking about. Who wants to go underground, how many people want to go underground and blast. Hence you saw the recent splash of aggrieved miners saying "we really work very hard underground." And it is true, it is a tough job...the working conditions underground are not conducive for a normal human being (5:19:49).*

It appears underground condition makes it difficult for mining companies to ensure equal representation of demographics of the country. The Mining Charter also requires a certain percentage of women to be employed in the industry. All

participants stated that the reality is that underground conditions are not suitable for women.

*...and you must understand, working underground is not an easy job for anybody. Now if you are a female it is even worse (1:46:49).*

*...you need to have 10% women in mining from the different levels at the scope and in management level and in professional level we need to have 10% artisans, women 10%, electricians, everything that we have got has to be 10%. But then that is not an easy thing to do because there are some places where the underground is not conducive for females (1:8:15).*

The machinery and equipment in the mining industry, for example, is not designed for women. Most mining companies are still using conventional mining equipment that has been designed for use by strong, fit men.

*Equipment that we are using is not economically designed for women. We are still using lots of conventional mining. I mean that drill weighs about 24 kilo's and if you are to pick it up as a woman I don't know if I can...and the heat tolerance test which has got issues with our anatomy because it is our anatomy. It has got nothing to do with anything else. We are a degree higher than men anyway so unfortunately it catches up with the woman on the other side (3:20:91).*

*How many female RDO's [Rock drill operators] did you see striking when we want 10% in woman? They physically can't carry those things. So there's a lot of theory but you know I don't want to throw the baby with the bath water, there's some good things (8:16:115).*

Due to cultural diversity challenges and operational challenges, most of the women who are employed underground end up quitting the job because of inability to cope in that environment.

*...they say no it's too much for me because it's hard work. I mean you have never been underground I suppose, well I have been underground a few times and ahh the few times I have been there, I just thought this is... it's like being in the dark ages. It's not a way of life you would want for your husband, your son and your child (6:43:29).*

The quotes presented below state that another issue is the one of women falling pregnant which means that their employers are then confronted with the challenges of finding suitable environments within the workplace where it's conducive for pregnant women to work.

*It is difficult. I mean, women fall pregnant and it has certain consequences. And you can't put them into places where it is going to develop risks for the pregnancy or something like that (2:64:247).*

*Even the conditions of employment in particular for women, because once you are pregnant, as soon as you know that you are pregnant you cannot go underground. .... yes, we want to mirror what we are saying in terms of transforming our companies and everything, but it is a huge, huge challenge because the conditions of service of employment with regards to pregnancy issues women working in high risk areas is very challenging. Once you are pregnant you are out (3:19:83).*

*... because you are no longer going underground you have to be taken and that is what the legislation also dictates. You have to be removed and we have to find you an alternative on the surface. And everyone wants to work at the surface because underground really it is tough (5:21:53).*

The underground conditions are considered not suitable for women as the machinery and equipment that are used underground are still conventionally designed for males. Autonomy is another issue, given that women may fall pregnant, and finally the role that women play as mothers inhibit their sustainable employment in mining. The housing problem is also a challenge facing the mining industry.

### **6.5.3.3 Housing problems**

According to Cawood (2004), the mineworker should be given respect and human dignity by improving their housing and living conditions with the view of increasing home ownership schemes. Due to the fact that most underground workers in the mining industry are migrant workers, they have to find suitable living arrangements around mining communities. According to Shabangu (2010) suitable living conditions will improve their productivity and performance at work. In fact, literature revealed that the housing problem is still one of the major challenges facing the mining industry. There is an acknowledgement that living conditions of miners have to be transformed; however housing remains a critical concern.

*So if you take the housing problem that mining had and still has, and you transform that and you infuse the aspect of dignity, the aspect of... respect, the aspect of you know, do you want your employees, do you want to associate your name as an organisation with a particular set of conditions that your employees might be living under? that taints you...(3:4:30).*

*So if your employees live under conditions that still say that is not conditions of 2012, but they are conditions of maybe 1962, the history comes into it again. To the extent that you have transformed that aspect, you will be able to say I have moved in tandem with the movement that the country presumably is making towards a future where people have equality, have...dignity (3:5:30).*

With clear set targets in the scorecard, the mining industry is required to execute development plans to improve the housing and living conditions of mineworkers through the following activities (Mining Charter, 2009):

- Convert or upgrade hostels into family units by 2014.
- Attain the occupancy rate of one person per room by 2014.
- Facilitate home ownership options for all mine employers in consultation with organised labour by 2014.

From the responses received, it seems that the 2014 targets of improvement of housing and living conditions will not be achieved.

*...don't want to say all mining companies have done what they are expected to do. There are some mining companies that haven't bothered to convert. In fact I know companies that have just sold their housing and living structures and out-sourced it to other companies so they have nothing to do with accommodation (6:32:25).*

As stated above, legislation urges that the miners must have decent accommodation or be given a benefit in the form of an allowance to build a proper house close to where they work. Mining companies provide such benefits and it has been established that this act creates more social problems because miners often use the money to support a second family they have in the surrounding mining community.

*... but the problem is that you still have people who don't necessarily want to live in that single room accommodation... so we may have given them that R2000 or so that is supposed to be a living out allowance, but it not being used for living out accommodation. It's being used to supplement a secondary family that they may have in the North West while they have another family in the Eastern Cape (6:34:25).*

It was revealed by participants of this study that some mineworkers choose not spend the money on accommodation but rather use it to support their families and build homes in the area from where they migrated. In these cases, instead of renting rooms, they choose to erect a shack in an informal settlement and live in poor living conditions.

*The living conditions when you looked at those shacks that they were showing on TV, indeed these people live in those shacks and these people indeed are getting housing or living out allowance, which is obviously not much. Some of them get R1 800,00, then they erect these backyard, and some are renting proper rooms in the backyards of people in the nearby villages. But most of these people, 90% of them are saying, "I am here for work, I would rather build the house at home because that is where I am going to retire." That is why the person is happy to sit in this shack because he is not going to invest here...home is not here. But the other complication is that this person, if you have a proper home there, then you are also having, trying to have a proper*

*home at home, your salary is going to be so stretched to maintain both proper homes. So you rather save the money for main home (5:43:91).*

*We need the legislature to cross that line of understanding that when we talk about hostel accommodation in today's terms we are not talking about a single room with a hundred people. We are talking about one person in a room (6:35:27).*

It was also revealed as a concern that those that build houses near where they work have created more social problems. Others have married twice and started a new family.

*And the other dynamics is that of now they end up now marrying twice. Legal and illegal and those that appeared on TV, you will find that it is not the lady from home, it is the lady that the person just found there. There is still a wife and five kids at home and this one also has got two kids... because you know what ladies also do? "I will put him down, I will have kids with him," only to find that, let him die then you see all the dynamics. Then you have to carry this as an employer, this person back home, to be buried back home. Now you have got the complications. In your record you have got this one at home. All the monies are going to. Now you have got to also attend to this new case and look at the rules that govern the money of this person and try and search beyond this to say, "who are other possible beneficiaries," and now start taking that money, distributing it to all the beneficiaries (5:44:91).*

As a result of having two families, mineworkers end up having garnishee orders against their salaries because they borrowed money from loan sharks in order to cope with providing for two families. Seemingly, if the mineworker is not able to provide for the other family then they are subjected to court orders for child support and maintenance.

*... and then this person ends up having to feed two homes and what will the other person also, this person will also do? They have got garnishee orders as well. They go and have loans from the loan sharks. Today you have got not only the banks enticing people about the loans. You have got the loan sharks (5:45:91).*

*You have got people, now this second lady or wife or girlfriend having kids as well. They go to magistrate, he is not supporting the kids, automatically garnishee order. How many garnishee orders and what do you end up with as net? Sometimes, nothing sometimes, R2 000, 00. What will you do with R2 000,00? Because those are garnishee orders, we have to deduct them, it is a court order. What do you do? The next things, then they go on strike to say, "This is my pay." Yes, some of them could have been made better in terms of the salaries (5:45:91).*

Indeed, in many instances the conditions in the lower ranks of the mining industry are not suitable for women. The autonomy and role of women in society makes it difficult for them to enjoy sustainable employment in mining, particularly underground. The legislation calling for mining companies to improve the living

conditions of miners, also has its challenges. Mining companies provide a housing allowance for accommodation and housing. Or mining companies should convert or upgrade hostels into family units, or even facilitate home ownership for mineworkers. However this exercise creates more social problems as the money is used to support a second family, and in cases where miners build a proper home, they end up marrying twice.

#### **6.5.4 Spirit of transformation**

The spirit of transformation focuses on how employees in the mining industry perceive transformation and conduct themselves in operational areas. Sub-themes identified in this theme are gender stereotyping, cultural diversity challenges and lack of mentorship.

Gender stereotyping implies that a certain gender believes that they are superior to the other. This can be evidenced from certain behaviours and actions of one gender that proves discriminatory against the other gender.

##### ***6.5.4.1 Gender stereotyping***

There is confirmation that gender stereotyping exists in the mining industry and it was held that mining is a male-dominated environment. Challenges are evident when females enter, either management positions, or work in positions traditionally set aside for their male counterparts. For example, when a young woman is appointed as a supervisor underground, the older men do not accept her authority as she is not one of them.

*... it's a very male dominated environment and I think there is still a lot of stereotype about what woman can do and what woman can't do. Whether or not we put any weight to anything that a woman is saying. So I think there is a lot of a stereotype around gender (6:70:37).*

*Because it's not a point of just putting a woman there, we need to change the dynamics of how we operate in that environment. And maybe younger people in the underground world will not have a problem with having a woman there. But, the older generation is a big problem. And remember a lot of these women are actually young woman who are coming to the underground and a lot of these miners are older miners, they are in their 50's. Some close to 60. They don't understand this kid and a woman nogal coming to tell me what to do (6:72:39).*

Gender stereotyping is not only a challenge underground but it also extends to the board of directors. The participant quoted below has previously worked underground

and has climbed the corporate ladder in the mining environment and is now serving on a board. This participant reflects on the stereotypical attitudes even in the boardroom.

*Across, and it's not to say that it is documented somewhere it's just when you observe in a boardroom at certain levels you get a sense that when a man speaks they probably hear him the loudest (6:71:39).*

Although only one participant referred to gender stereotyping as a main challenge, this perspective confirms literature studies of board governance and diversity which reports sex bias, stereotyping and tokenism on boards where women serve (Erhardt *et al.*, 2003). Added to gender stereotyping, it was found that there is also age stereotyping which is a cultural diversity challenge.

#### **6.5.4.2 Cultural diversity challenge**

Although they referred to board appointments, Arfken *et al.* (2004:184) argued that diversity is not only required in gender and race but also in age. Young women are often given supervisory roles underground. It was found that men who had been working underground for a number of years do not want to accept authority from a younger generation.

*... they are entrenched here, they have been here 30, 40 years and they will tell you now you come in your 20s and you want to come with a new way of doing things. Classic diversity challenges (3:52:193).*

The cultural setting that a woman cannot be higher in position in the mining industry also creates a space for men to be less subservient to the supervision of a female gender.

*Because I think, you know, when you start and bring woman who previously were not in those roles, it really becomes a problem. It's a problem at a very senior level, it's a problem even at a very lower level. And underground also it's a big problem (6:72:39).*

*And I think it's one of the barriers to transform so far as gender is concerned and you need to understand that in our culture, the African culture, a woman is more subservient to a man. So suddenly you are you are trying to promote woman into a supervisory position. And these men don't understand. They say, "what the hell now a woman must come and tell me what to do?"...so it creates a whole different dimension. Suddenly this man is being told by a woman what to do so it's a problem and I think superficially, we want to bring in woman but from a cultural perspective [we] haven't transformed. We haven't understood what it really takes getting woman underground (6:72:39).*

The cultural belief that a woman has to be subservient to a man poses challenges, especially underground, within the traditional African cultural context. The spirit of transformation can be enhanced by the amount of mentorship in a mining company.

#### **6.5.4.3 Lack of mentorship**

Mentorship involves grooming existing individuals in the company to thrive in existing positions or even prepare them for more senior roles. One participant argued that although many capable black people appointed in middle to upper management could benefit from mentorship, it is currently not done. She further argues black candidates appointed in senior positions do not receive the same support to which their white counterparts were privy.

*I think mentoring is a big problem. I think black people get thrown into positions and then there are no safety nets. And unfortunately, when that happens and that person fails and then the argument is black people can't do it. It's not that. They need to be given the same support that their white counterparts were given in order to succeed (6:68:37).*

*...the biggest issue is lack of mentorship ... I think there is a lot of the black or HDSA's who have the qualifications, have the potential. But they don't have the same amount of mentorship that was given to our predecessors...if you look at how you can get a white person thrown into a very senior position, with very little knowledge and experience, yet they succeed. How is it possible? (6:66:35).*

In defence of the lack of mentorship, one participant observed that a mentorship programme is a human relations issue, and that the mentor and mentee relationship is important. This participant added that that if people do not relate in terms of background it's difficult for appropriate mentorship to take place. Even more so, people need to understand each other and that is not the case in the mining industry.

*...one of the barriers is the fact that you don't have enough mentors who are like the people that you are trying to empower [HDSA]. Because it is sometimes very difficult to empower people or advise people when you don't really understand where you are coming from or where they are coming from when you can't relate...That is why I am saying it is a human relations issue, because you must be able to relate before you mentor (4:13:78).*

Further to a lack of mentorship, the spirit of transformation means that opportunities are diminishing for those who do not fall within the HDSA group. This lack of opportunity brings the anxiety and fear from non-HDSAs about the future of their careers in mining organisations. As such, early retirement is not considered and staff

turnover is slow. This creates double payroll since the mining industry is forced to create opportunities for the HDSAs and have to accommodate HDSAs.

*The other thing is, a lot of white people are afraid and entrenched. So we find a lot of the older white people feeling they are not going to get another opportunity so they are reluctant to leave. So the staff turnover is slow...So in effect we are having to create almost a double payroll. Older people stay there because the Labour Law is stringent, you can't constructively dismiss people. That is also not fair. But yet you need to get other people in. So I think it added a burden to the payroll by having to compromise between two things. And also, we have got to transfer skills from the older people who have already been in the economy for a while and the new one. So we have got to keep both in the organisation at the same time. So the companies are stretched and burdened with extra costs on the payroll and so on (2:30:113).*

This participant further emphasised that feelings of reverse apartheid are being experienced by the white people.

*White people are feeling so disenfranchised now. They are feeling so reversed apartheid nowadays and it is a real feeling [they] get. [They] feel like second class citizens at the moment.[They] feel [they] have got something, but at any moment [they] can lose it and it is actually very depressing for white people. So the white people are feeling more and more afraid. Some people are able to bridge it and say, "you know what, I still want to make a difference, I want to help, I know I can still serve the country." But I think more of our lower skilled white people are extremely afraid, they are... and that brings out a resistance... people are changing, people not wanting to take another job or scared of resigning or scared of moving on, because ... they think they are not going to get opportunities...I really feel sorry for the white people in these lower [skills]...they are struggling (2:38:131).*

A lack of mentorship can be ascribed to fear among non-HDSAs in companies, and also the unavailability of mentors who can mentor HDSAs in mining companies. There were allegations by another participant that there is favouritism in mentoring, in other words, a white candidate is mentored appropriately whilst a black candidate is thrown in at the deep end. Another challenge of transformation is employee retention due to a war for talent.

### **6.5.5 War for talent**

Employee retention refers to the ability of a company to retain the talented employees currently in an organisation. All participants in the study confirmed that there is a war for talent in the mining industry due to the inability to attract and retain talented individuals. In some cases mining companies are able to attract suitable candidates with premiums and attractive packages; however there is a war for talent due to the unavailability of skills.

*The major challenge is [the] attraction and retention of individuals. Secondly, another challenge is [the] availability of skills. When we say skills, I am not talking about someone who is going to come out with a master's degree at university and then we say that is skills. Skills come with experience, experience brings about insight. Now that is what we are running short of (1:23:33).*

There is also a high HDSA turnover due to the war for talent. Those who are mentored, coached and given training and development are often head-hunted and recruited by rivals.

*But people do not stick it at the mining environment... probably every year we get top guys, we mentor them, we coach them, we give them positions, they work, after six, 18 months they get poached by somebody else because there is a scarce skill. Have you heard about the words "war for talent"? That is what we are facing in the mining industry (1:18:25).*

*...you would find that in certain levels especially in mining there is a good guy who is in another mine and to attract that guy you must pay him more money. And you will find that you attract him here and seven months later he gets attracted elsewhere (10:9:45).*

All of the participants affirmed that they head hunt HDSAs and often pay a premium to recruit them. Other companies pay HDSAs attraction bonuses for accepting a job with a company. The challenge remains, however, that HDSAs still leave the company as soon as they find another occupation with more financial rewards.

*We have got pools that our CEO has money for, where he pays for us when we identify HDSAs that have got talent or abilities. We get them in, at least get them trained, and the moment there is a vacancy we get them in. So we try everything we can, we are head hunting, we recruit in a special way to get people in but there is such a war on talent (2:47:151).*

*But now what is happening, because of the supply and demand, supply is low demand is high. So what do we do? We pay a premium. We bring you in, we don't even look at your competencies, you come at this level. The next door company sees that you are there because we have published you in the papers they go for you, they give you [attractive package]... you go. Another one gives you, you go. So it is like a spring of a car. Your salary is being pulled (1:53:81).*

*There is a war for talent and by the way it's not a South African war...so they are enticed to move. So not only are we producing a little, once we produced it we fight amongst ourselves between industries for that talent. And once we fight there is the international layer on top that is also looking for talent. So, there is a brain drain that is taking place of absolutely critical skills (7:20:29).*

War for talent can be attributed to the skills shortage. Individuals with these skills are in short demand and have the leverage to negotiate salaries or leave their current

positions when offered better employment. The last and most recent challenge facing the mining industry was the call on the nationalisation of mines.

### **6.5.6 Nationalisation of mines debate**

Malema's call has opened a debate on the nationalisation of mines which has initiated an intense anxiety about the future of the mining industry, the economy of the country and investor risk due to uncertainty (Gordhan, 2011). As a result, South Africa has become a potential high-risk investment for foreign investment (Otto, 2011). Coetzee (2010) defines nationalisation as an operation of transferring an industry or assets into the state ownership of the national government to achieve political and economic growth. The interviews revealed three sub-themes regarding the debate about nationalisation, namely, opposing views, proposing views and those that need more information.

#### **6.5.6.1 Opponents of nationalisation**

It was found in the study that three (30%) participants opposed the idea of nationalisation as a policy in South Africa. The opponents of nationalisation argued that insufficient information regarding nationalisation exists and alleged that a political agenda was behind the call. There were also concerns about the state's ability to run mines and questions about whether research was done to determine the viability of nationalisation if it was to become policy.

*I don't think we are ready for the nationalisation of mines in particular. I think for me it would be an absolute disaster if we nationalise the mines. I think in terms of the listing of the companies, a lot of our companies are listed overseas and I don't think we as the company are ready to nationalise (10:5:51).*

There were questions about whether the callers for nationalisation understood what nationalisation is. The argument was that the government has enough challenges of its own and does not have the capacity to run the mines. Other opponents requested the need to define what nationalisation is.

*So I am not sure that the nationalisation debate is really understood by the people who push for it. I don't think they understand what they mean by nationalisation. I think what they are talking about is about wholesale nationalisation. Taking the mines and owning them and running them. And our view is that I don't think government has the capacity. We just have to look at a few state run enterprises, and think that it would be a huge mistake. I think the state does have a role to play, they just need to identify the means of how they get involved and then we will see (6:84:45).*

*You can imagine if you put them in the hands of the state. And the state is battling with the other companies that it has, just in the management compass in making sure that you can turn them to become profitable...I am not sure if that's the best way to go. You can look at the amount of money that we paid to buy these mines and to put them under the hands of the state. So it's not gonna be free for all. It's a lot of money so I'm not sure if the state has got that money to run the mine and the expertise to run them. I mean we just need to make sure that we can run the big companies that we already have appropriately and profitably (9:27:47).*

The participant below acknowledges that nationalisation might be a good idea, however, he made a reference to the commission that investigated the viability of nationalisation in South Africa, and it was found that South African is not yet ready for the nationalisation of mines.

*It may just be a good thought but I don't think we are ready and I think the ANC commissioned a study where they investigated whether we are ready and that study came up that we are not yet ready at all. My view is that we are not and we should not even pursue it for now. I am not talking about other industries, but I'm talking about mining in particular. So my view is no (10:6:51).*

*I am not sure whether the guys that are arguing for have already done the calculations to ensure that in fact that the state has got money to buy these mines, number one. Number two, whether the state will be able to run them profitably than the current guys who are running them to make enough profit to cover the costs of buying the mine and to serving the community that it wants to serve. So I am not sure if anybody have done those calculations. Because if you have, you would realise that it's not an easy thing to do. To take them without paying which will be a nightmare (9:29:49).*

One opponent for nationalisation attributed the call for nationalisation of mines to the call for transformation.

*When I listen to Malema, I am not hearing nationalisation...I am hearing transformation. Because he is of the view that if the mines belong to the government the government will make sure that they transform. Now let us take Transnet, let us take ESKOM, let us take all the state owned enterprises, how far have they transformed? (1:38:57).*

There were, however, also remarks that supported the idea of nationalisation from mining executives. This was attributed by statements on the lack of transformation in the mining industry,

#### **6.5.6.2 Proponents for nationalisation**

On the other hand, 20% of the participants made positive remarks in support of nationalisation. The participant quoted below, sits on the board of directors and alleged that there is no change in the mining industry. This participant reported that

initiatives undertaken in their company to transform do not work as their company is still faced with transformation issues.

*I think that you have extremes. That argument is extreme, without looking at the research and everything what has happened anywhere. That is an extremist approach. But there comes a time where you realise [indistinct] maybe that is the way to go, to be honest because everything else that is well thought through, that is supposed to be working for all and everyone, it just doesn't work. So you think, oh well, maybe going the extreme route will kill some people but maybe it will yield some results at some stage. Because the youth is very, very unhappy with the state of skills. And not just the youth only, I think that the middle class is very frustrated because people just see no change. There is very, very little change. I have been in different industries in my career. Sometimes I get arguments that I used to get in other industries, I get them now, like that I used to get year 2000, get them now in 2012, same argument honestly (4:19:104).*

*Nationalisation is actually something that is a global phenomenon. It is a complex thing, but I actually understand the logic. We have limited national resources in the ground where we have got, and it is all over the world. It is China, it is Asia, it is Australia, it is South Africa, South America. Nationalisation basically is all about these minerals and these things belong to the local community at the very least, they belong to the local society or the local province or they belong to the country. I mean, in South Africa minerals actually by default are owned by the government. So it is seen as something for the common good of the country and it is not for the select few who can reap it economic benefits (2:49:157).*

The participant quoted below, questioned the existence of labour unrest in the mining whilst the mining industry claims that it is transforming. Further to her argument, the participant revealed that the boards of mining companies and the minister are given flawed or inaccurate reports by mining companies which suggest that transformation in the mining industry is cosmetic.

*We know that something is not right because surely the Marikana debacle should have been picked up. But you must remember that the boards and the minister and those people they are obsessed with good reports, so that is what they get (4:21:148).*

### **6.5.6.3 Clarity seeking for nationalisation**

The remaining 50% of the participants requested the proponents of nationalisation to define it so that the mining industry can understand what it means.

*What is nationalisation? It means different things to different people. As (Name of the company) the outlook is different. At the end of the day we say all shareholders whether they are community or you and I or whoever around that needs to get a return on their investment. Now if nationalisation is a vehicle that achieves that so be it. You know, around that. So our concern would be the mixed messages. So, let's get that definition, what is it (7:25:39).*

*I mean our view is, it depends on what we mean by nationalisation. If the view is we want to buy all mines then by all means. If the government thinks it's got a couple of trillion rands to buy out all the mines. But we don't think that is the way to go. And we don't have an issue with state intervention so far as the state wants to have shares in the mine. But I think where the challenge arises is where we talk about no compensation, taking mines without compensation. I think it would be detrimental to the economy to do that (6:83:45).*

The industry also showed interest in becoming part of the debate to encourage dialogue with key stakeholders of the mining industry.

*So we want to be part of the debate, we encourage dialogue and I think it's important for us from a policy making point of view we get that clarity and I think that's one of reasons the investment is not coming in. Remember investors have invested in other companies where nationalisation exists. But the reason they do so is because of policy clarity. So they are not opposed to it, but they invest in something they know. "So it's, oh, I understand it". It means 1, 2, 3 & 4, whereas in South Africa we are talking about nationalisation but we have not defined it. So those who have the money to put in hold back and say well, I will wait for you until you have defined this model. Once I understand it I will make a choice as to how I want to go about it. So I think the urgency really is let's define nationalisation (7:26:39).*

The call for the nationalisation of mines has caused a stir in the future of the South African mining industry (Gordhan, 2011; Otto, 2011). It is explained above that there are those opposed to the idea of nationalisation due to perceptions of government incapacity, hidden political agendas and insufficient information and a lack of understanding of the motive call. The participants who supported nationalisation referred to it as a result of a lack of transformation and frustrations by stakeholders. However, those who requested more information, especially requested that nationalisation to be defined in order to understand its meaning.

In concluding the seven challenges facing the mining industry, it is clear that the inability to recruit suitable candidates is due to a lack of skills, as well as a lack of the necessary qualifications and experience from HDSAs. In the mining industry there are shortages in the engineering fields, as well as technical and artisanal skills. Furthermore, there is a challenge in recruiting local, compared to migrant labour, due to a low willingness from the local community to assume labour intensive or lower skilled mining jobs. The role of government in facilitating transformation was questioned. For example, the education system was criticised for not producing suitable matriculants who are eligible to enrol for mining-related qualifications at tertiary institutions. The government is also criticised for creating a culture of dependency through the social grants system to unemployed youth. It was alleged

that the youth blames apartheid but are not willing or capable to improve their education. Inconsistent legislation has caused confusion in mining companies due to dissimilar policies, for example, a definition of the HDSA is not the same in BBBEE, the Mining Charter and the MPRDA. To work in the mining industry is not always considered a suitable career choice; this is due to underground conditions that are not conducive to a pleasant working environment. Also with the housing problem, more social problems are created when mining companies build houses for mineworkers near the mining operations. Mineworkers often have second families and are at times subjected to garnishee orders as a result of the inability to support two families. Operational challenges due to the health and safety of mineworkers is also a big challenge. The spirit of transformation is not entrenched within the mining industry, for example, there exists gender stereotyping, an inability to embrace cultural diversity, and a lack of appropriate mentorship. The mining companies are also not able to retain talented staff due to high HDSA turnover that is caused by a war for talent. Lastly, the nationalisation of mines has opposing and supportive views, as well as individuals who would like the nationalisation of mines to be defined and clarified.

The next section provides initiatives undertaken to realise transformation.

## **6.6 TRANSFORMATION IN THE MINING INDUSTRY**

Given the challenges stated above, and critiques about the slow transformational progress and reluctance to transform that have been levied against the mining industry, the researcher explored some of the initiatives undertaken by mining companies to realise transformation. The Broad-Based Socio-Economic Empowerment Charter for the mining industry is concerned with increasing the prospects for HDSAs in the mining industry through ownership, management of mining projects, employment by the South African mining industry, worker and community participation in the South African mining industry, and sharing the benefits arising from the mining industry (Cawood, 2004:56).

Key sub-themes that emerged in this theme were entry level positions, staff development, staff retention, as well as community engagements and outreach projects.

### **6.6.1 Entry levels**

The goal of the EE Act is to implement affirmative action measures to redress employment disadvantages experienced by HDSAs (Thomas, 2002). The second goal is to enforce participation of HDSAs in professional and decision-making activities in companies (DTI, 2004). Staff recruitment in the mining industry is practiced by offering entry-level programmes and some companies go as far as head hunting suitable candidates.

All participants confirmed that they are running graduate programmes to create opportunities for the graduates to gain experience and obtain skills. Other companies offer management development programmes that are designed to equip enterers with the management skills necessary to assume roles in management.

*We do take graduates into our systems and we have got a mixed group at the moment, yes. The greater percentage we also target students from the environment or from the areas that are surrounding our mines (5:6:29).*

*We also have [a] management development programme (4:16:90).*

*So we are continuously looking for opportunities to bring them in. With the challenges that we have as a global company I think the efforts that have been made are in fact gonna go a long way in addressing that (9:26:43).*

Entry-level jobs are awarded to graduates to allow them to gain experience and to prepare these candidates for senior management roles in the mining environment. Other human resources development initiatives are done to allow employees to grow within mining companies through the implementation of staff development programmes.

### **6.6.2 Staff development**

According to DMR (2010:3) human resources development represents a significant contribution to social transformation and continued growth in a company (DMR, 2010:3) thus, the mining industry must apply and provide a certain percentage of annual payroll (as per applicable legislation) for required skills development activities that are contemplative of demographics.

Sub-themes that emerged in this theme were bursaries for staff members, personal change programmes, staff training, fast track and talent pool identification.

### **6.6.2.1 Bursaries for staff**

In order to further their education, staff members are awarded bursaries to pursue studies at higher education institutions. Some companies extend their bursaries to people in the communities who would like to join the mining industry.

*In bursaries, there are those we give to our staff members and those we give to communities. In some there are bursaries we give to people that want to work for us, in some we give to people who want to develop themselves that they may do whatever they want to do there (9:8:19).*

Staff bursaries are designed to enhance staff development through further education. It was encouraging to note that bursaries are not only awarded to members of staff but also extended to community members around the mining operation. Only one company took pride in personal change programmes that were initiated in their own mining environment.

### **6.6.2.2 Personal change programmes**

Though it was recognised as an important initiative, it was concerning that only one participant discussed personal change programmes aimed at accepting and embracing diversity in the workplace.

*...if the environment is not ready [and] you bring somebody that comes in here they will definitely leave. So we have initiated some personal change programmes over the past three years and the stories that come out of the personal change programme feedback are very enriching (3:43:161).*

*...people that are in one team, normally we talk about gangs and [indistinct], okay, in a team that operates a gang maximum of about 13 people that work together. So they get in and they sit and they get to understand. You see me coming to work here; you don't know where I come from every morning. Now this is an opportunity to understand who I am, where I come from, what makes me as a person, what makes me unhappy about you, what is it that you don't like about me you must tell me and we talk about those issues. And as a team we need to build up a plan that says we are one team we need to work on certain things and when you start doing that. There is no ways that you can operate in a different direction once you have made a commitment to the team. People to say that, if at any case they didn't have respect for the lady that worked in the team, that you would disrespect that woman. They will remind you. They will put out the values card on you to say, but you are not living according to our value. Remember the value set? Care and respect? Then they work together like that...so it is actually life changing (3:45:163).*

The interviews revealed that personal change programmes had specific benefits. For example, there were feelings of accomplishment in companies where transformation is facilitated by introducing personal change programmes. It was discovered that in a

company where these programmes are implemented, people embraced diversity and these programmes were referred to as life changing.

### **6.6.2.3 Staff training**

Similar to bursary schemes, training is given to people inside the organisation and to external people, namely, community members. The industry understands that they have to use 2% of their payroll to train, upskill and equip HDSAs in the mining companies.

*So we have training that we use to train our own people and also training that we train other people. And then for example with ABET, we have ABET for our own staff that still need upgrading and we open our facilities of ABET for other communities or people that who will need some training not necessarily in our staff members (9:6:19).*

*The government expects us to pay, spend 2% on payroll on training and so on and we are making sure that we are focusing most of our skills and training on core and critical skills, but we are looking specifically at the HDSA's that they get it ( 2:45:151).*

The focus on training is mostly on HDSAs, followed by white women.

*And by HDSAs we are actually narrower than even white women. White women also are last in the queue in terms of that ranking of getting training. So we try to train people to go up, getting more core skills in. So if we have got a local guy living near a mine and he comes from a local community, we teach him how to dig in the ground, we teach him how to work underground, we teach him how to do drilling, blasting, we teach him how to drive trucks... we teach him more and more (2:45:151).*

### **6.6.2.4 Fast tracking of staff**

The Mining Charter impact assessment revealed that about 83% of mining companies had not identified a talent pool, with only 17% fast tracking those recognised for management positions by the end of 2009. During that time employment samples in the mining industry revealed that the mainstream of HDSAs were still employed in bottom level positions (DMR, 2010). It was pleasing to establish that more than 50% of the participants had initiated fast tracking programmes for HDSA groups.

*But the primary focus is to get our internal employees up skilled especially our historically disadvantaged employees, to get them up skilled one notch. We have got fast development, fast-tracking programmes for people to get them up from a lower skills barrier to a higher skills barrier (2:9:57).*

*We also have got fast tracking programmes where we show that we target people who are HDSA's only to try and fast track them instead of going through that lengthy services (3:37:140).*

*And we are bringing females at the top at Exco. We have three females there and that was not the case about three or four years ago. As much as I'm saying the challenges of African females in senior management we have been planning for the last three months we would have had three or so coming in at those levels (9:26:43).*

Another important finding is that fast tracking of women is a major initiative undertaken in the mining industry. Such initiatives symbolise that women development is taken seriously in the mining industry. This is evidenced by efforts to encourage gender diversity in the mining companies.

*We have got programmes that are mainly run for women where we fast track them and accelerate their development and make sure that they are ready within those particular roles (3:33:131).*

*We are currently busy with woman and focus programme where we are trying to really have dialogue, more importantly with the woman that are underground so that we understand their issues. What are the barriers, what do we as a company need to do so that we make it more practical for women to work underground? And also to absorb women not just underground but across the board (6:77:43).*

*We have also increased our level of women intake into positions that were previously held by males underground in particular. We have shift bosses that are women. We are now accelerating their development to become mining overseers (10:7:47).*

The quotes above suggest that fast tracking women in mining is a reality and the success recorded implies that fast tracking of women is one of the main focus areas. This is shown in one company being recognised for taking the strides in fast tracking the development of women.

#### **6.6.2.5 Talent pool identification**

It is alarming that only one participant mentioned the development of talent where potential candidates are earmarked for higher positions and are given training and mentorship in order for them to reach senior management levels.

*So one of the things we are trying to do to address all of this things is to put together what we call a talent pool where we say here are the people that are earmarked for certain positions and we believe that within this period they will be ready and this is what they must go through to get there in terms of their career progression (10:10:45).*

*We will say for instance, in this level we have seven black people of whatever the number might be, in this level we've got two lets maybe accelerate or expedite development in this pipeline, so that comes the time the people are ready to leave, there are people ready to take over (10:11:45).*

*So I think for me sometimes it's not about colour it's about who you can get but I think the key thing is that if then you have a colour issue I think you need to put together a developmental plan or a pool of people that you are identifying to take over when the other people leave then at least you will have a talent pool (10:1:57).*

The remaining nine participants did not mention any initiatives to identify a talent pool and fast track them for development. This could be regarded as a major concern.

### **6.6.3 Staff retention efforts**

Staff retention was mentioned as one of the challenges of transformation in the mining industry. In order to retain staff, participants stated that employees in the mining industry are granted scarcity allowances and housing benefits.

#### **6.6.3.1 Scarcity allowances**

Scarcity allowances are given to candidates with scarce skills who have been attracted to the company. These allowances are awarded with an expectation that the HDSA will stay longer with the company.

*You as a black individual, we attract you we give you more money than the white individual (1:35:49).*

Although scarcity allowances are given to HDSAs, a war for talent still results in a high HDSA turnover. In addition to the scarcity allowances, housing benefits are offered to mineworkers, though it was established in the research that housing creates more social problems.

#### **6.6.3.2 Housing benefits**

Only two (20%) of the participants showed pride in their home-ownership schemes. They specified that their companies offer housing benefits and facilitated home ownership for the miners. But, as discussed previously, home ownership in the mining communities has its pros and cons.

*But it's fun, I mean it is fun, it is tiring, it is - but when we get it right, when we build a school in the area, when we move people from mud houses to proper houses, it is so fulfilling (8:30:207).*

*I think there are some issues that have been impactful like our housing projects, probably the best projects that we can show in terms of transformation. But it also has had its consequences because while we have driven home ownership, the one thing that everybody missed is that not everybody who is working for you wants to own a house in Rustenburg (6:30:25).*

The participant below mentioned that their company offers a housing benefit in the form of a bond on a discounted rate.

*At the same time we have seen it as an opportunity to actually give our employees an opportunity to own a house for the first time. So what we have done is actually provided a house for every employee, on a bond but discounted (6:16:15).*

Housing benefit to miners and the provision of scarcity allowances are the two major perks offered to HDSAs in order to retain them. Housing benefits in a form of discounted bond and the scarcity allowance means that the HDSAs candidate will earn more than other non-HDSA individuals who are on the same position. The next section discusses some of the community engagement and outreach projects executed by mining companies.

#### **6.6.4 Community engagement and outreach**

As part of the immediate goals, the mining industry is required to provide entrepreneurship programmes and provide literacy and numeracy as part of adult education (Cawood, 2004). The sub-themes identified in this theme were participation in schools, provision of bursaries and learnerships to community members and community training and development.

##### **6.6.4.1 Participation in schools**

One participant mentioned that they provided bridging schools to allow matriculants who did not do well in their matric year to repeat matric and to improve their grades. Successful students are considered for bursary opportunities to further their education in University or technical colleges.

*On the skills level, for the school leavers we have got bridging schools. So we are paying for students with no bursary obligations. We are just giving them money and saying, “you are a school leaver and you are historically disadvantaged, you come from local high school somewhere in the rural areas near a mine, we give you money to do bridging for a year and then we re-evaluate how well you have progressed.” So we spend a lot on education (2:42:151).*

This participant, however, raised concerns that only a few candidates would do well at bridging schools whilst the majority still struggle, even when offered an opportunity.

*We would give 60 students bridging year opportunities and maybe 10 would be good enough to get through to first year to carry on. The education is a serious, serious problem government has failed us in that area. The government has got its challenges, but we are already 18 years since independence or a new society or the start of enfranchisement. I know it is going to take more than 18 years but I was expecting more progress. Maybe the education department took the wrong direction in terms of its OBE (2:29:113).*

Another participant mentioned that they also adopt a school and provide extra lessons for capstone subjects that are necessary to enrol for University, such as mathematics and science.

*We identified one particular high school, but obviously we went for other high schools making one high school a centre where we are providing extra lessons for Maths and Science grade 10 to 12 (5:34:75).*

Other mining companies have developed programmes for school children, as early as Grade 9 to Grade 12. These programmes introduce school children to the mining environment, to cultivate their career aspirations for the mining industry.

*We also participate in a programme called the techno gap programme, where we bring kids from Grade 9, ja Grade 9, Grade 10, 11, and 12 so that they should be able to get, it is just like on the job, it is just like shadowing a bit. Bring them in expose them they come every holiday, so that by the time they go through Grade 12 they will have had an interest and see what they want to do in mining. So we try in that way we think we are making a dent in the low representatives of women in the mining sector (3:37:140).*

In schools where there are no libraries, no laboratories or which are overcrowded, this mining company provided computer centres with libraries and laboratories.

*We are helping those, some of those schools that we have identified. We have computer centres with a library, with laboratories...now another initiative is to have a performance management system in place so as to identify the super performers so that you can groom them for further development. So there is [a] quite number of initiatives that we are doing (1:34:49).*

Almost all participants declared that they provide ABET for the local communities. This programme assists community members in basic education like writing and reading.

*People who are the local communities who can't even read and write we do ABET Adult Basic Education Training. We do night schools for these people so that they can*

*get to read and write properly so they can at least start working and going up (2:45:151).*

Participation in schools involves bursaries for bridging schools to enable school leavers and matriculants who did not do well in matric to repeat matric. Extra lessons for mathematics and science are provided. Laboratories and libraries have been provided for schools with no access. Other activities include exposure to the mining environment to encourage careers in mining. Lastly, ABET programmes are provided to provide the basics of writing and reading in community members.

#### **6.6.4.2 Bursaries and learnerships**

In addition to school participation, mining companies also provide bursaries and learnerships to community members who are eligible for University. About 70% of the bursaries are aimed at HDSAs and 30% to others. Women are also a priority for bursaries and learnerships.

*We have got bursaries, we have got learnerships, we have got commitment that within those areas we will take 70 as in equity and then 30 as in other races. But obviously you make sure that within those as well you commit, because we have got a target that we have to work towards from a gender point of view. Commit that we will take about 30% of women within our learnerships and bursaries and make sure that we work towards that even in training (3:34:131).*

As mentioned above, the bursaries are first targeted at needy students who show potential, but are also awarded non-HDSAs.

*Even when we give bursaries we target those students from the poor, poor surrounding communities and yes, there are also those other people from the other colour that we would also take into the programmes (5:6:29).*

#### **6.6.4.3 Community training and development**

All participants (100%) agreed that training and development in the community is one of the major focus areas of mining companies in community development. Participants showed pride in their community projects and kept on reiterating that they are the only industry that trains communities, even if the skills are not specifically meant for that industry.

*(Name of the company) in this year alone for an example has trained over 5000 community members on different skills programmes. Now I am not aware of any other industry that trains people outside the company other than its own. And that is typically what mining does. Mining is the one industry that I know that provides and heavily subsidises home ownership. For example, it gives cash to its employees to buy homes in their names (7:13:23).*

*We provide learnerships and in some areas we provide what we call community development or training. We even train communities even in areas where we are not going to be appointing them. But we have the capacity to train people and give them skills that they can use elsewhere (9:5:19).*

Community trainees are also absorbed in the environment in the mining environment if they show potential.

*When they complete that technical training we then absorb them into the organisation. So at the same time we are actually offering an opportunity for young people who enjoy sports to also acquire an alternative skill (6:19:15).*

Communities around mining areas are also provided with mine shares in order to share the wealth of the mine with community members.

*But what we can do is we can help local communities share in the profits. You get this employee share schemes where we are doing that now in [name of the company] we are going to make the local communities around each mine share in the wealth of the mine long-term so they get shares in the mine (2:50:157).*

Two (20%) participants' responses affirm that community development projects are initiated by mining companies to provide a platform for communities to develop and run businesses.

*We've got a vegetable garden that supplies the local Pick 'n Pay with vegetables and fruit and veg (8:27:215).*

*For example like at NBC in, near Belfast where we started a bakery business. So we got some local people, there are 16 people employed and now there is a bakery business (2:13:59).*

*We are looking at our communities around us and we are engaging with municipalities, communities, schools etc. to help develop them, uplift them with education with skills starting local businesses (2:11:57).*

Community training and development projects aim at providing the skills needed in the mining environment, such as entrepreneurial skills. Local businesses have arrangements with communities to supply the local retailers with merchandise. A last initiative undertaken is cooperation with stakeholders in the mining industry.

#### **6.6.5 Cooperation with key stakeholders**

Although the pursuit of some community engagements and projects have been implemented, there have been some challenges, especially those of working with

key stakeholders such as municipalities; however, only one participant acclaimed their careful cooperation with municipalities in order to get the projects implemented.

*We talked to [the] municipality, they formalised it, they put in water, electricity, we have built a school there. And that school, the frames, steel frames came from a welding centre that we built in the community (8:27:215).*

Transformation in the mining industry is supported by five initiatives identified in this research. Firstly and foremost, staff recruitment practices include entry level positions. Graduates are also afforded the opportunity to develop skills and gain experience through graduate programmes or management development programmes. The second initiative involves staff development where members of staff are awarded bursaries to further their education. One participant mentioned that their company went even further to introduce personal change programmes to encourage the acceptance of diversity. As part of staff development, programmes for the training of staff, and fast tracking of HDSAs, especially women, have been implemented. However, it was alarming that only participant mentioned that a talent pool was identified in their company. The third initiative involves staff retention efforts, for example, mining companies provide scarcity allowances to skilled HDSAs. In addition, housing benefits are provided by means of discounted bonds. The fourth initiative involves community engagement and outreach projects. This initiative requires mining companies to participate in school leavers' development by means of bridging schools, extra classes for mathematics and science, and ABET programmes for basic education for community members, bursaries and learnerships and community training and development projects. The last initiative involves cooperation with key stakeholders, such as municipalities to get the community projects off the ground.

The next section investigates and discusses how the board of directors has transformed in the South African mining industry.

## **6.7 BOARD TRANSFORMATION**

This section reviews the sub-themes identified under board transformation, namely, the criteria for board appointments and board composition.

### 6.7.1 Criteria for board appointments

Participants were asked to highlight the criteria they follow for board appointments. Competency was ranked as the most valuable criteria when determining the suitability of a candidate. Participants affirmed that this specific competency is measured in terms of what values and skills the candidate brings to the board, and not just by qualifications.

*...probably the most critical criteria is what value are you going to add at the board? Because it is even more serious because you are the one who is having the fiduciary duties of the organisation, to give the organisation direction, [and] to give the organisation advice (1:54:83).*

*...the influence is largely on what value they can add in terms of their skills as I said...because they represent various committees. You would typically have an audit committee; you would have a transformation committee. So you are looking for somebody who is quite skilled, who will sit on an audit committee to come in and do work...to review us as a company (3:58:215).*

The competencies and appropriate skills are desirable due to the rationale that boards have specific committees, and the board members are supposed to serve on such committees. As such, 30% of the responses from participants shows that it is deemed important for a candidate to specialise in a certain area to advise and give insight in his or her area of specialisation

*Now for instance, now I am grounded in Human Resources. I cannot accept a board position whereby I must comment on finances. I am not going to accept that. But the job that I can accept is if I become a chairman of the HR Committee or Remuneration Committee. Yes, because then I am able to ask intelligent questions. So that is the criteria. So the criteria is nothing else other than the competencies and the skills that you bring [on] the table (1:55:83).*

*We can never have somebody who is sitting on the audit committee who is not a CA or somebody that is qualified within that particular area. Same applies to your transformation committee. You need an HR expert who would be able to challenge some of the things that are being done within that particular area (3:58:215).*

*We had a remuneration committee, subcommittee of the board, transformation subcommittee of the board. So at least, even though you know, there were challenges, but at least you know, you knew that the board, the subcommittee are going to sit and they are going to ask questions (4:20:114).*

The above participant highlighted that that a board appointment should not be made on the basis of political affiliation but rather as a result of the candidate's skills and competencies. This participant acknowledged the perception that board

appointments are given to the politically connected.

*It shouldn't be somebody just because he is politically known, because I know there is a perception that most of them (board members within companies) it is who you know in terms of who gets appointed to be part of that board. It is typically based on skill as well because you don't want somebody sitting there and who is not actually what we are looking for (3:59:217).*

The skills and competencies are ranked first as criteria for board appointments. This is because of the expectation that board members should have the ability to give advice and provide strategic direction to the company. This finding concurs with the notions expressed by Hanson and Song (2000), the IoD (2009) and Malherbe and Segal (2001). Although board committees vary, the most common committees in organisations are the nomination committee, audit committee, risk committee, remuneration committee and ethical committee (IoD, 2009). Board members are also expected to serve on committees in specialised areas, thus their expertise in a certain field is important.

### **6.7.2 Board composition**

The board is considered independent and balanced when it comprises of the CEO, inside and outside directors as well as independent directors (Carter *et al.*, 2003; IoD, 2009; Ruigrok *et al.*, 2007). This combination generates a best fit for financial value and increases board independence (Baysinger & Butler, 1985; Carter *et al.*, 2003). This understanding is also shared by the mining industry.

*We have the CEO and the finance executive as the part of the board, but the other board members are obviously independently appointed and obviously based on credentials, qualifications, whatever they bring on the table (3:57:213).*

Some responses by participants suggest that there seems to be issues of diversity on the board. For example, the participant below mentioned that 80% of the board in his company is African (meaning Black South African). This suggests that representation in the mining industry and board diversity is attributed to black versus white and not different racial representation.

*And in fact, even recently our board is actually more than 80% African, for example. But we do have governance issues in place as well. In fact, recently we have appointed an executive on risk and compliance just to focus on governance issues (5:55:115).*

As indicated above, it seems that the mining industry views the term HDSA in connotation to black candidates. When they asked to depict their board composition

in terms of HDSA representation, they usually defend their representation using black people statistics.

*I would say yes because the Chairperson of the board is a black lady Ms [name of chairperson] is our Chairperson and I think in that board there is about three, it's her and two black colleagues. So I think it's fairly diverse I think so. But I still think we need to make one or two appointments and that would be okay (10:4:53).*

*...for instance on our board we have got hotshots, especially black females (1:58:91).*

The three responses below suggest that their boards have transformed. Participants claim that they have exceeded the 40% and 50% targets and have exceeded the mining charter targets.

*I said we have already exceeded more than 40% meaning you have gone beyond your scorecard already there. But being a global company that we are the whole issue of making sure that we deal with the HDSA is already underway... the gender issue is the one that needs to be looked at because I think we have one female on the board (9:33:55).*

*On our board I think we have exceeded that, because what is driving everything is what is required and the targets that you set. Now at the board I think we have got enough like individuals to be fully representative. So the targets are set and then each and every individual is given those targets and those targets are measured on a quarterly basis and they are part of your performance contract which should be measured and which is going to be linked to your performance bonus (1:71:47).*

*In terms of our board, we are more than 50% HDSA, in terms of our Exco we are around 40% we are really above the Mining Charter requirement (9:15:33).*

Indeed for a candidate to be considered suitable for the board he or she must have expertise in a specialised field. Expertise is required for board member to participate in board committees, as well as having the ability to provide input into the strategic direction of the company. It was an important finding that HDSAs seemed to be associated with only black individuals and in other instances women. Three participants claim to have diversified boards and HDSA representation on the board of directors. Others claim they have exceeded the scorecard target and are working hard to address the gender aspect on the board.

The next section covers the barriers to transformation and then this chapter is concluded.

## 6.8 BARRIERS TO TRANSFORMATION

The most common barrier identified in the mining industry is the existence of racial tensions, particularly those of colour between black and white.

### 6.8.1 Racial issues and tensions

It is clear that transformation has been contextualised as the inclusion of blacks where they are underrepresented and could sometimes mean the exclusion and discrimination against the white racial group.

*I read an article the other day, the Department of Home Affairs that they are not representative of the demographics. What they actually said, there are not enough white people in the Department of Home Affairs (2:40:141).*

*Now we are coming up with also things like paying a premium that is now discriminating from whites. You as a black individual, to attract you we give you more money than the white individual (1:35:49).*

The participant below warned that transformation should not be about replacing a certain colour with another as this will complicate social problems. This participant also stressed that the talent management programme will not be focusing on colour.

*What are we turning them into, because now we are complicating the social problems. That is why we have to be big and make sure about it, look at the demographics of the country. Not build negative dynamics within the company for yourself by trying to push a particular agenda because of colour. So we are not going to use colour that much. But at the same time you need to look into it to say you can't just have 100% Africans (5:4:27).*

*We focus too much on...right now we have just launched the talent management programme for this company. Bearing in mind that it is failing ...we are going to attend to everyone in the system not as per colour. But obviously you do have a challenge of how do you balance out how many Africans do you have. But what do you do when you have more especially we are as a result of a joint venture. Are you going to say, I have inherited this organisation with so many Africans, so many whites, and now I am going to give these people the other people of another colour voluntary or severance packages so that I can have an African? You can't do that (5:3:27).*

Another thought that was revealed from one participant is that white people are undermining black people in workplaces. This participant alleged that mind-sets about what blacks can do and cannot do, have not changed amongst white people. This causes tensions and lack of trust between colleagues.

*So if you think about transformation in terms of mind-set, yes white people can irritate you and what I've learned is that not only will they irritate you because they will irritate you because they undermine you but because you are black. We have to stop being timid you know (8:19:135).*

This participant stated that the black people's quality of your work is deemed inferior and thus critiqued. Also that black people are considered to need more training than the white counterparts. This participant alleged that their work is critiqued in terms of grammar and language and not about the content of the work.

*I think, we have to stop, we have to understand that sometimes when you are being critiqued on your work, that is on your work and we also have to be strong ourselves. There is no white person that will understand this, but I will tell them well. Because it's like, it's simultaneously when you are black your work is inferior, you need training so when they also hire a white colleague I tell them that , that one has to go, [he] does not understand it, I don't have time to be explaining the fundamentals to that person (8:20:137).*

*It's just becomes about the work and that when you do comment about my work you commenting to me about my work not because of the colour of my skin. And if this thing, you know we have this thing of circulating documents and - if you are going to circulate the document and grammar and correct my grammar, you know rub things out and all of that day in and day out I will tell them boet you know what we can sit here and have this discussion in Xhosa and then let's write it in Xhosa. Because I'm giving it to you this is a draft; I'm still going to clean it up for grammar and all those things. Off course I'm not going to give you something that doesn't make sense. But if I've omitted a coma there or and then you are going to come back with the document you know having inserted commas, I will ask him lets communicate in Xhosa (8:41:141).*

On the other hand, another participant was concerned that transformation targets do not provide security measures for non-HDSAs. For example, white people who do not fall under an HDSA category (namely, white males) are uncertain about what the future holds for them, thus some might not even consider leaving a company because they are not certain of other opportunities in other companies.

*The other thing is a lot of white people are afraid and entrenched (2:30:113). So we find a lot of the older white people feeling they are not going to get another opportunity... so they are reluctant to leave (2:30:113).*

Tensions caused by colour or race are common reasons for the slow pace of transformation in the mining industry. It is indicated above that the limited opportunities for non-HDSAs build tensions amongst colleagues in an organisation. On the other hand the HDSAs, particularly blacks feel that that they are undermined

in the workplace. They are being criticised for the quality of work based on colour. Non-HDSAs feel that they do not belong in organisations due to the limited opportunities provided for them.

### **6.8.2 Education**

All participants in the study agreed that the lack of skills caused by the low quality of education contributes to the minimal transformation in mining companies. For example, there is a criticism that the education system does not produce matriculants that are ready to be accepted for mining qualifications in higher education.

*I think to start, skills and education is a big barrier to transforming. It's a huge barrier because, while you want to continue conducting business you need to have a skilled workforce (6:63:35).*

It is thus a concern that not all HDSAs have the necessary skills, qualifications and experience that make them suitable for positions in the mining industry.

### **6.8.3 War for talent**

The war for talent is a result of limited or scarce skills amongst HDSAs. As such, there is a high HDSA turnover, thus making it difficult for mining companies to retain HDSAs. As explained earlier, as soon as an HDSA receives an offer elsewhere they leave the company.

*...another barrier by the way I must say it is that there is a big shortage of skills out there because there is a war for talent. You would find that in certain levels especially in mining there is a good guy who is another mine and to attract that guy you must pay him more money. And you will find that you attract him here and seven months later he gets attracted elsewhere. So there is a shortage of talent particularly the black engineers. And I think statistically it has been proven that there isn't too many of them in the country in terms of mining. I am talking mining in particular. There might be a lot of them in the system but they are not yet ready to take the position (10:9:45).*

Although the mining industry claims that an HDSA gets attracted by another company for higher financial rewards, the DMR holds another view. The DMR argues that HDSA turnover is caused by other issues and suggests that the occurrence of racially discriminatory exercises in the mining industry impacts harmfully on the progress towards the attainment of an equitably transformed place of work. It was also stated that the lack of investment in HDSA skills development by the industry has created an inadequate pool of expertise necessary to effect

meaningful gender and racial representation. As a result, retention of the few skilled HDSAs in companies has proven to be a challenge.

#### **6.8.4 Lack of mentorship**

A lack of, or the selected mentorship for HDSAs, acts as a barrier to transformation. Since mentorship provides guidance on how to approach certain aspects of the work environment.

*And I think for me when you talk about what are the barriers to transformation in terms of employment equity, for me that is the biggest barrier [refers to a lack of mentorship]. That there is [an] inadequate mentorship of black junior, middle, and senior managers. There are a few cases where you get that people are being mentored and you can actually see that mentorship is based on an individual (6:69:37).*

*So one of the barriers is the fact that you don't have enough mentors who are like the people that you are trying to empower. Because it is, sometimes very difficult to empower people or advise people when you don't really understand where you are coming from or where they are coming from when you can't relate... that is why I am saying it is a human relations issue because you must be able to relate before you mentor (4:13:78).*

*So those are part of the debates that we have. And someone may say, in order for me to meet my targets I need to increase my budget by 5%, because if I increase my budget by 5%, then I can get an extra individual who is not part of the complement to shadow as part of succession. But now this individual is not adding any value, he is learning. Now this individual [the mentor] is now having to do two jobs now to mentor, train you, at the same time do his job (1:50:77).*

From the above quotes it is clearly revealed that mentorship in the mining industry is selective, discriminatory, limited and can be time consuming and hinder effective performance due to time required for effective mentorship to take place.

#### **6.8.5 Non-stakeholder engagements**

Again, there seem to be no strategic efforts to collaborate and realise transformation between the mining industry and government. The mining industry and government seem not to be working together. Though it could be encouraging that there is an acceptance from the mining sector that there are no strategic efforts from mining companies and government to work together to realise transformation.

*Going back to your question about previously disadvantaged communities, they are going to stay with us for a long time as long as the leadership of both business and, and government has the lead, it is a weak leadership and it is not... "strategic", but it is not a strategic and humane approach in delivering (5:10:37).*

From the section above, it can be concluded that the barriers to transformation are racial tensions and issues between black and white in mining companies, the education system, a war for talent as a result of limited skills possessed by HDSAs, a lack of appropriate mentorship, and lastly, the fact that there are no effective and strategic collaboration efforts between the mining industry and government hinder and delay real transformation.

## **6.9 CONCLUSION**

This chapter provides the results of the research conducted in Phase 2. The main themes identified were the interpretation of transformation, transformation and legislation, transformation and key stakeholders, transformation in the mining industry, the challenges faced by mining companies in transformation, board transformation and the barriers to transformation. The next chapter provides the conclusions and recommendations of the study, and finally, suggestions for future research are made.

## **CHAPTER 7 CONCLUSION, SUMMARY AND RECOMMENDATIONS**

### **7.1 INTRODUCTION**

The aim of this chapter is to conclude this research by means of a concise review of the findings and summary of the research results. The research objectives stated in the first chapter of this study will be evaluated to determine whether they were achieved. This chapter also offers the theoretical and academic contribution related to understanding the concept of transformation, board diversity and transformation progress in the mining industry, as well as factors impeding transformation targets. The research contribution, as well as recommendations for stakeholders in the mining industry regarding future research is made. The limitations of the study conclude this chapter.

### **7.2 RESEARCH OBJECTIVE 1: BOARD COMPOSITION AND PROFILES**

The first objective of the study was addressed by the research that took place in Phase 1.

The first objective of the study was:

- **To investigate board composition and the board member's profiles of JSE listed companies in the South African mining industry.**

The data comprised of the 2011 annual reports of 56 JSE listed mining companies. Board composition was analysed by means of board size and positions represented on board level in mining companies. The board profiles of board members were analysed according to their demographic profiles and career backgrounds. Demographic profiles considered race, gender, nationality and age of board members, whilst career backgrounds considered the career experience and functional background of board members.

#### **7.2.1 Board composition: Summary of results, findings and conclusions**

Findings regarding the board structure showed that all 56 mining companies in the study followed a structured one-tier single board system that consists of a balance of power, and a mixture of executive and non-executive directors interrelating in a committee. This structure follows the recommendations of the King Report for

companies to assume the role of corporate control and monitoring as described by Jensen & Meckling (1997), and discussed in Section 3.5.1.1. The structure of the boards of mining companies furthermore applied with the principles of the agency theory as the majority (33.4%) of board positions were held by independent non-executive directors, followed by non-executive directors (21.5%) as depicted in Section 5.3, and Tables 5.4 and 5.5. This finding is in accordance with previous studies of governance, discussed in Section 3.5.12, which found that board independence is reflected by a mixture of independent and non-executive independent directors to produce best fit for financial value (Carter *et al.*, 2003; IoD, 2009; Ruigrok *et al.*, 2007). This finding illustrates the balance of power on the board of JSE listed mining companies, thus it can be deducted that boards in the mining industry were independent.

The findings regarding CEO duality demonstrated that all 56 mining companies made a distinction between the CEO and chairman position, as depicted in Section 5.3 and Table 5.4. This practice is beneficial and is in line with several studies (Daily & Dalton, 2003; IoD, 2009; Mallette & Fowler, 1992; Zahra & Pearce, 1989). It is described in Section 3.5.16 that one person should not concurrently hold the CEO and board chairperson positions. However, it was concerning that nine companies did not have a CEO, one company did not have a chairman, 13 companies did not have a financial director and 50 companies did not have a company secretary on their board. It was also an important finding that 47 out of 54 (87%) chairman positions were non-executive directors, whilst seven (13%) of the chairman positions were held by executive directors. The industry thus seems to follow IoD's (2009) recommendation that ideally chairpersons should to be non-executive as described in Section 3.5.14.

Regarding board size, the mean scores of board sizes across industry categories of mining companies showed that mining company boards have a minimum of seven directors and a maximum of 13 directors. On average, a JSE listed mining company has nine members (as discussed in Section 5.3 and Table 5.6). Although the research for the ideal board size is inconclusive, as explained by various authors (Raheja, 2005; Yeh & Taylor, 2008), there is consensus that it should prevent managerial domination and connect the organisation to external sources (Goodstein *et al.*, 1994; Herman, 1981; Miller-Millesen, 2003) as noted in Section 3.5.1.2. For

the purposes of this study, the aim was not to determine if board size had an effect on the connection of the organisation to external resources, or if it prevented managerial domination. But the board independence conclusion reached in the board structure section, shows that there was a connection between mining companies with external sources, and managerial domination was not the case, as 33.4% of board positions were independent non-executives and 21.5% non-executives. Findings also indicate that the cumulative results of board size in the mining industry show that there is a correlation between board size and financial performance. Indeed, the mean scores of board members employed by mega companies is 13; followed by a mean of nine members for large companies and a mean of seven members for small companies. This finding supports the study of Zahra and Pearce (1989), discussed in Section 3.5.2.1, which found that companies with larger board sizes had higher financial returns than companies with smaller ones. This is in contrast to other studies (Daily *et al.*, 1999; Jensen, 1993; Yermack, 1996) that suggested that small boards enhance organisational financial performance and are conducive for efficiency in decision making (Randoy, 2006) as discussed in Section 3.5.2.1.

### **7.2.2 Demographic profiles and career backgrounds of directors: Summary of results, findings and conclusions**

This section highlights the key findings related to the profiles of directors in the South African mining industry. Findings have been summarised according to demographic profiles and career backgrounds. Demographic profiles considered race, gender, nationality and age of board members, whilst career backgrounds considered career experience and the functional background of board members. Career experience focused on relevant mining experience, board experience and experience on current board. Functional background considered the educational background of directors, in terms of qualification fields and qualification levels.

The need for HDSA representation is encouraged by the Mining Charter and is made apparent in clear scorecard targets (DMR, 2010) and calls for board diversity (Erhardt *et al.*, 2003; Jackson, Joshi & Erhardt, 2003; Ruigrok *et al.*, 2007; Singh & Vinnicombe, 2004), as discussed in Sections 2.7.2 and 3.5.2. The industry should have achieved at least a 40% representation by HSDAs on board positions by 2014,

as shown in the scorecard presented in Section 2.7.2. Sections 5.4 and 5.5 showed the racial demographic profiles of directors and showed which races were better represented in each size category. Findings indicate that there has been an improvement in the racial disparity, particularly between the Black and White racial groups. However, slow progress in the representation by Asian, Indian and Coloured groups is a concern. Findings indicate that the majority of board positions (63.4%) were occupied by the White group, followed by the Black group (30.4%). The remaining 6.2% was distributed among Indians (2.4%), Coloureds (2%) and Asians being the minority with 1.8% representation (discussed in Section 5.5.1). This finding partly confirms the studies of Miller and Triana (2009) and Krus *et al.* (2012), as discussed in Section 3.5.2, that racial minority non-white males continue to struggle to enter the boardroom. This demonstrates a reliance on the “old boys’ network” as described by Davidson (2002). Thus, a conclusion is made in support of Shabangu (2010) (discussed in Section 3.5.2.2) that the South African mining industry is still racially and ethnically defined.

Arguments have been put forward for a significant female presence on the board of directors, as described by Daily *et al.* (1999) and Sweetman (1996) (discussed in Section 3.5.2). Common reasons that were supplied, included the female contribution of creativity, innovation and their marketplace knowledge. As shown in Section 5.5.2, the findings indicate that by 2011, the gender aspect in the mining industry had not been addressed, as males occupied the majority of board positions (87.2%). As depicted in Section 5.5.2 and Table 5.23 only mega companies showed some progress in addressing gender challenges with a 21.5% female representation on their boards. Other industry sizes showed less than 13% female representation. It was also a major concern that 13 out of 56 companies had 100% male domination on their boards, while not even one company had more than 30% female representation on its board. Whilst it could be accepted that White male representation on boards represented 59.5% in 2011, it was concerning that White females only represented 4% of the board composition in the same year. This is a concern, as white females are considered to be HDSAs as described by Participants 1, 2 & 4 (discussed in Section 6.3.1). A conclusion can be drawn from this finding that it cannot be entirely accepted that white women are given preference in the mining industry as claimed by Shabangu (2010) (discussed in Section 2.6.13). It was

interesting to note Black male representation at 22.7% and Black female representation at 7.7%, while Indians and Coloureds (combined genders) each had less than 5% representation, as described in Sections 5.4 and 5.5 and Table 5.23. These findings are in accordance with the conclusions of Daily *et al.* (1999), Karr (1991) and Powell & Butterfield (1994), as discussed in Section 3.5.2, who suggested that the glass ceiling could be a contributor to this stance. For this reason, it is thus concluded that further research could be beneficial to determine possible causes for the continued male domination on the board of directors.

Further, findings indicate that 72.5% of board positions were filled by South Africans whilst 27.1% were held by foreign nationals and the remaining 0.4% by those with dual nationality (discussed in Section 5.5.3). Mega companies had almost equal distribution between foreign (49.2%) and local (50.8%) nationals represented on boards. This was anticipated, as the majority of mega companies are foreign-owned companies. As discussed in Section 3.5.2, Carter *et al.* (2003) regard board diversity as the percentage of females, previously disadvantaged and foreign nationals on the board of directors, in combination with a highly visible effort to demonstrate the absence of discrimination. From the findings discussed above, conclusions can be made that that efforts are implemented to include foreign nationals on the boards of directors of mining companies to improve independence. Thus, nationality representation in mining companies prove to support studies of Randøy *et al.* (2006) (discussed in Section 3.5.2.2), of encouraging foreign nationals on boards.

Krus *et al.* (2012) and Strauss (2002) reported about the older ages of board members (discussed in Section 3.5.2.2). The average age for directors in the mining industry was 53.82 (SD =10.2); the youngest director was 28 years old and the oldest was 78 years old. Only four directors (almost 1%) were younger than 30 years of age, while 276 directors (60%) were aged between 41 and 60 years (discussed in Section 5.7). Previous research of Carter *et al.* (2003) and Daily *et al.* (1999), discussed in Section 3.5.2.2, showed that age diversity is needed to acquire new knowledge and innovative ideas. It is thus a concern that less than one per cent of directors were under the age of 30. This finding offers a conclusion that boards remain occupied by aging directors as found by Krus *et al.* (2012) and Strauss (2002), as discussed in Section 3.5.2.2.

Past studies by several authors (Daily *et al.*, 1999; Hillman *et al.*, 2002; Kesner, 1988; Lear, 1994) stated that a business background is still one of the primary criteria for an invitation to board participation (discussed in Sections 3.5.2.2 and 3.5.3.1). Legal and financial backgrounds were also regarded as suitable. Findings indicate that the prevalent qualifications that most board members possess, were in finance (almost 30%), business (11%), engineering (18%) and law (10%). This finding confirms the recommendation offered by various researchers (Burke, 1997; Gillies, 1992; Mattis, 1993), as discussed in Section 3.5.3.2, that an understanding of the business arena, as well as a legal and financial background are suitable for entering the boardroom. As described in Section 5.8.2, directors showed the lowest representation in mathematical sciences, history and entrepreneurship, although it was suggested by Wiersema & Bantel (1992) in Section 3.5.3.2 that educational diversity should be motivated. The majority of directors (70.2%) possess postgraduate qualifications and the financial director positions showed the highest dominance of postgraduate qualifications (88.4%) (discussed in Section 5.8.3). This is in accordance with Gillies and Mattis (1992) (discussed in Section 3.5.3.2). It is thus concluded that an advanced education is deemed attractive to be invited to join a board.

Regarding career experience, Arfken *et al.* (2004) and Wahid (2010), (discussed in Section 3.5.2), argued that board experience has the ability to enhance quality decisions. The average years of board experience was 8.97 years (SD =7.47). The majority of directors (42.2%) had less than five years of board experience (discussed in Section 5.8.4). The average years of mining experience of a director was 15.95 (SD =13.13). Mining experience of directors showed more representation in the less than five years category, with 32.4% of the directors falling in this category (discussed in Section 5.8.5). It is thus inferred that substantial mining and board experience provides a better opportunity for selection to a board appointment.

Another important finding regarding career experience was that the average years of experience on the current board was 4.85 (SD = 4.65). Experience on current board of directors showed more representation in the less than five years category, with 66.8% representation in this category (discussed in Section 5.8.6). It can thus be concluded from this finding that it is in par with the recommendation of IoD (2009)

that experience on the current board should not exceed five years (discussed in Section 3.5.2).

### **7.3 RESEARCH OBJECTIVES: PHASE 2**

The last four objectives of the study were addressed by the research that took place in Phase 2. These objectives of the study are to:

- Report on the criteria employed to appoint members serving on boards of mining companies listed on the JSE.
- Report on the progress towards, and determine the current status of transformation within the South African mining industry, measured against EE scorecard targets.
- Investigate current challenges experienced and initiatives undertaken in this industry, in terms of transformation, and finally
- Identify barriers to transformation in the mining industry.

Phase 2 of the research comprised of in depth interviews with ten senior executives in the mining industry in an effort to obtain opinions about the above-mentioned objectives using a semi structured interview guide included in Appendix C. Interview schedules and profiles of participants can be seen in Appendix A. The following sections provide the conclusion and summary of results regarding each objective.

#### **7.3.1 Research objective 2: Criteria employed to appoint members serving on boards of mining companies listed on the JSE**

Participants were asked to provide the criteria that are used when appointing board members. As discussed in Section 3.5.3.2, previous studies revealed that the characteristics for attaining directorship include a strong track record, business networks, an understanding of the business arena and an advanced education. This is in line with past studies that identified key characteristics as leadership qualities, objectivity, diplomacy and tact, communication competence, intelligence and integrity (Burke, 1997; Gillies, 1992; Mattis, 1993). Participants 1, 3 and 4 (discussed in Section 6.7.1) confirmed that for a candidate to be considered suitable for the board, he or she must have expertise in a specialised field and show the ability to provide input into the strategic direction of the company. Findings from these responses

confirm the studies of Basinger & Butler (1985) and Lorsch & MacIver (1989) as discussed in Section 3.5.3.2. It was an important and a concerning finding that the term HDSA seems to be associated with only black individuals, and in other instances with women. Participants 1, 5, 9 and 10 claim to have diversified boards, referring to black people and/ or women representation (discussed in Section 6.7.2). It is thus concluded that it seems companies associate conformance with black representation and women. This finding is also evidenced by transformation statistics discussed in Section 5.5.1, that Asians, Coloureds and Indians are less represented in boards of mining companies.

### **7.3.2 Research objective 3: Progress towards, and status of transformation within the SA mining industry, measured against EE scorecard targets**

In light of understanding the progress and status of transformation, the interviewer asked participants to provide their understanding of transformation, the legislation driving transformation, and the key stakeholders of transformation (discussed in Sections 6.2 to 6.4), to determine how this understanding differs or supports the existing literature. This information was necessary, as it offers an effective contribution in literature regarding the meaning and understanding of transformation as discussed by participants in this study.

#### **7.3.2.1 Interpretation of transformation**

As discussed in Section 6.2.1, Participant 1 interpreted transformation as *culture change*. This view supports the interpretation of transformation by Schoeman (2010), Selby and Sutherland (2006), and Engdahl and Hauki (2001). It is described in Section 2.4, that transformation is about culture change regarding new values, and providing equitable resources and opportunities. The views of Participant 1 highlighted that transformation is not about race and colour, and cannot be regarded as a white individual being replaced by a black individual who hasn't got the required competencies.

Transformation was also interpreted as *changing mind-sets*, and can be accomplished by acknowledging that historical imbalances should be addressed and innovative ways should be sought to accept policies that encourage transformation (discussed in Section 6.2.2). This finding offers an added perspective for the

meaning of transformation and supports the views of Engdahl and Hauki (2001) discussed in Section 2.4.

Thirdly, as discussed in Section 6.2.3, transformation is about the *creation of opportunities and ensuring equity and fairness* for employees in the workplace, by ensuring fair and equitable hiring procedures with fair and equitable employee treatment in organisations. This finding was recommended by Schoeman (2010) and Levy and Merry (1986). As discussed in Section 2.4, structural, but radical change was needed in the creation of opportunities for all.

Section 6.2.4 describes transformation as the valuing of diversity and differences and mirroring the demographics of the country, and creating a sense of belonging for mining industry entrants as reiterated by Participant 4. This finding confirms a perspective described by Schoeman (2010), discussed in Section 2.4 that diversity in institutions should be encouraged.

Comments made by Participants 3 and 6, as described in Section 6.2.5, offer statements that transformation is seen as a vehicle to make things right and achieve social justice, given the inequalities of the country. This finding confirms the study of Esterhuysen (2003) that transformation is a moral obligation (discussed in Section 2.4).

An important finding and contribution for this study as described in Section 6.2.6 by Participants 2 and 3, indicates that transformation cannot be achieved in a short space of time but it is a process that will take time to realise. It thus can be concluded that systems should allow a cultural change process to take place. This finding is in line with Rungan *et al.* (2005), discussed in Section 2.7.1.1, that there should be realistic expectations from mining companies.

### **7.3.2.2 Reporting on legislation driving transformation**

Transformation is enforced through legislation in South Africa and the mining industry regulation and statutory frameworks are discussed in Section 2.5. A key finding regarding legislation is that the industry displays “buy-in” for the concept of transformation. Participants also indicated that they partly adhered to the scorecard through EE plans and reporting. However, transformational definitions and terms of references were confusing and there is an overall negative perception regarding the industry’s conformance. The broad legislation framework seems to be a critical

subject in the mining industry, as all participants raised concerns on this issue (discussed in Section 6.3.1). These views support the research findings offered by Rungan *et al.* (2005) (discussed in Sections 2.7.1.1 and 2.4.2) that legislation for the mining industry needs to be marginalised and key definitions provided.

The negative perceptions regarding slow transformation in the mining industry showed mixed responses. This is demonstrated by the finding that 80% of participants indicated that transformation was facilitated and those not complying should be held accountable and exposed. The other 20% acknowledged that the mining industry has only recently started taking enforcement seriously (discussed in Section 6.3.4). This finding indicates that the majority of participants (80%) included in the study did not welcome the results of the Mining Charter Impact Assessment completed in 2009 (discussed in Section 2.6.1.3) which stated that mining companies do not want to transform.

### **7.3.2.3 Progress made in transforming the mining industry**

Transformation targets were stated in Section 2.7.2, and these targets need to be achieved by 2014. The nine elements of the mining scorecard are used (depicted in Figure 2.4) and comprise of specific targets that mining companies need to adhere to. Although the focus of this study was on EE targets, participants of the study included some of the elements of the mining scorecard in their responses, as shown in Section 6.6.

Findings of this research reported in Section 6.6, showed that transformation in the mining industry is supported by five initiatives, namely, entry level jobs are offered to HDSAs, staff development initiatives are undertaken, staff retention efforts are made to retain competent personnel, community engagements and outreach projects are undertaken and some collaborative efforts are done with stakeholders. Participants 4, 5 and 9 (discussed in Section 6.6.1) showed pride in staff recruitment practices that include entry-level positions being offered to graduates for the opportunity to develop skills and gain experience through graduate programmes or management development programmes. Staff development initiatives are provided where members of staff are awarded bursaries to further their education. As part of staff development, the training of staff, fast-tracking of HDSAs, especially women, and talent pool identification is carried out (responses from Participants 2, 3, 9, 6 & 10).

However, it was alarming that only Participant 10 mentioned that a talent pool has been identified in their company. Participant 3 mentioned that their company went further to introduce personal change programmes to encourage the acceptance of diversity (discussed in Section 6.6.2.2). Staff retention efforts involve the provision of scarcity allowances to skilled HDSAs; Participant 1 mentioned that a black candidate would be given more money than a white individual as an attraction incentive. In addition, housing benefits are provided to employees by means of discounted bonds. Community engagement and outreach projects are conducted by mining companies that participate in school learner development by means of bridging schools, extra classes for mathematics and science, ABET basic education programmes for community members, bursaries and learnerships, and community training and development projects (discussed in Section 6.6.4). This last initiative involves efforts to cooperate with key stakeholders, such as municipalities, to get community projects off the ground (discussed in Section 6.6.4), however the participants have reported some challenges in dealing with municipalities and discussed in detail in Sections 6.5.2 and 6.8.5.

### **7.3.3 Research objective 4: Challenges of transformation in the South African mining industry**

Descriptive findings in this research revealed the seven specific challenges to transformation in the South African mining industry as: the recruitment of suitable candidates, mining not always suitable as a career choice, operational challenges, role of government, spirit of transformation, war for talent, and the debate about the nationalisation of mines (discussed in Section 6.5).

Participants stated that the inability to recruit suitable HDSA candidates due to a lack of skills, as well as a lack of the necessary qualifications and experience, is still an issue and is the limiting factor for HDSAs. This finding is affirmed by 90% of responses from nine participants (discussed in Section 6.5.11). This finding confirms the conclusions of Sapa (2010) discussed in Section 1.1, and Esterhuysen (2003) discussed in Section 2.3.1, that HDSAs generally do not have suitable skills to occupy top positions in the mining industry. Participant 2 highlighted that the shortage of skills in the mining industry is in engineering fields, technical and artisanal skills. However, Participant 5 disagreed with remarks about the

unavailability of skills by arguing that ample skills are available in the country, as evidenced by the graduates being produced by the universities, and the high unemployment rate among the educated youth. This participant stated that skills are available and that mining companies are not doing enough to exploit those skills. These views support statement made by Shabangu (2010), discussed in Section 2.6.13 that mining companies show an intransigence to transform. It can be concluded that ineffective leadership for driving transformation and the inability to identify and manage a talent pool could be the main reasons for challenges in appointing suitable candidates, as highlighted by Esterhuysen (2003) in Section 2.3.1. The recruitment of women, especially in middle to senior management positions, also remains a problem. Three out of ten (Participants 2, 7, 3 and 8) as discussed in Section 6.5.1.1, stated that qualified and experienced women (particularly black people) were hard to recruit due to the qualifications and experience needed at the applicable level. This finding differs from recommendations made by Daily *et al.* (1999) and Erhardt *et al.* (2003), discussed in Section 3.5.2.2, which suggest that the pool of women with the ability and knowledge to serve in senior roles is larger than reported, and accessibility and availability cannot be used as a defence for less representation of women in senior roles (Sweetman, 1996). This finding supports statements by Shabangu (2010) that there is a lack of motivation to develop HDSA women (discussed in Section 2.6.1.4). It can thus be concluded that mining companies can implement effective strategies to identify and train suitable candidates for mining positions.

As discussed in Section 6.5.12, geographical challenges in recruiting local, compared to migrant labour, were experienced by the mining industry due to low willingness from the local community to assume labour intensive or lower skills jobs in mining. Participants 5 and 6 stated that local candidates and communities discriminate against non-local candidates when they are employed. This finding is in line with research done by Shabangu (2009) which highlighted the tension between communities, migrants and mining companies, as discussed in Section 2.7.2.3.

The role of government in facilitating transformation was questioned by all the participants (discussed in Section 6.5.2). For example, some participants criticised the education system for not producing suitable matriculants who are eligible to enrol for mining-related qualifications in tertiary institutions. Rural schools were reported

as not having sufficient facilities, for example, there are no libraries, no laboratories and none of the equipment required for experiments, to prepare the learners for tertiary education or even employment. When mining companies made alternative arrangements to accommodate HDSA learners, for example, with bursaries and finances for bridging courses, some learners still failed to obtain the desired outcomes, or even dropped out from University (discussed in Section 6.5.2.1). The government was also criticised for creating a culture of dependency through the social grants system to unemployed youth. Participant 5 alleged that the youth blames apartheid but are not willing or capable to improve their education (discussed in Section 6.5.2.2). This finding presents an additional challenge of transformation.

Further findings, discussed in Section 6.5.2.3, offered views about inconsistent mining legislation which caused confusion for the mining companies due to dissimilar policies. For example, there are differing definitions for the term 'HDSA' in BBBEE, Mining Charter and MPRDA documents. This finding confirms the concerns raised by Esterhuysen (2003), discussed in Section 2.3.1, and Rungan *et al.* (2005) in Section 2.4.2, regarding the broad legislative framework. Responses by Participants 3, 6 and 8 suggested that there was no collaboration and dialogue between the mining sector and government due to a lack of trust and suspicions (discussed in Section 6.5.2.4). This is in line with research of Limptlaw *et al.* (2005) (discussed in Section 2.3), which states that there is a lack of dialogue and partnership between the mining industry and stakeholders. This finding also confirms conclusions by Esterhuysen (2003) that ineffective leadership renders transformation impossible (discussed in Section 2.3.1).

Findings confirmed the view of Limptlaw *et al.* (2005) (discussed in Section 2.3) that employment in the mining industry is not always considered a suitable career choice; this is due to adverse working conditions, such as health and safety risks, and working underground which results in female employees being subjected to gender stereotyping as the machinery and equipment are still conventional and not designed for women (discussed in Section 6.5.3).

Descriptions by Participants 5 and 6, discussed in Section 6.5.3.3, confirmed Dansereau's (2010) findings (discussed in Section 2.7.2.4) that social problems are created by the housing schemes for employees. For example, when mining companies build houses for mineworkers near the mining operations to conform to

government requirements regarding decent and housing living conditions (discussed in Section 2.7.2.4), mineworkers often have second families and are at times subjected to garnishee orders because they are unable to support two families.

Findings reported that the spirit of transformation is not entrenched within the mining industry due to gender stereotyping and the inability to embrace cultural diversity (discussed in Section 6.5.4.1). Findings as demonstrated by Participant 6 indicate that gender stereotype is not only a challenge underground but it also extends to the board of directors. This finding confirms literature studies of board governance and diversity by Erhardt *et al.* (2003) (discussed in Section 3.5.2.2) which reports sex bias, stereotyping and tokenism on boards where women serve. Added to gender stereotyping, it was found that there exists age stereotyping which is a cultural diversity challenge. Older men still find challenges in accepting authority, particularly from women (see Section 6.5.4.2). On the other hand mentorship in the mining industry appears to be selective, discriminatory, limited and can be time consuming and hinder effective performance due to time required for effective mentorship to take place, this was confirmed by Participants 4 and 6 in Section 6.5.4.3.

Findings of the study showed serious concern about HDSA turnover due to the war for talent, even though the HDSAs are attracted with premiums and lucrative remuneration packages (discussed in Section 6.5.5). This confirms the study of Engdahl and Hauki (2001), discussed in Section 2.3.1, that it is difficult to retain talented employees due to the war for talent. However, it was reported in Sections 6.5.6.2 and 6.8.1 by Participants 4 and 6 that the feelings of alienation that are experienced by black people made them to leave the company. This finding confirms studies of Engdahl and Hauki (2001) that many black people leave organisations out of frustration due to feelings of alienation, distrust in their abilities and difficulties to reach their full potential (discussed in Section 2.3.1). The responses of Participant 2 showed another important finding, namely the lack of, or limited opportunities for non-HDSAs which causes anxiety and fear among non-HDSAs about the future of their careers in mining organisations. This participant generalised that feelings of reverse apartheid are being experienced by the white people which is believed to be a major contributor to racial tensions in the mining industry (discussed in Section 6.5.4.3). This finding confirms a challenge identified by Selby and Sutherland (2004),

discussed in Section 2.4, that white managers believe that EE has led to a breakdown of the psychological contract between them and their employers.

Finally, although the call for nationalisation, discussed in Section 2.3.1, caused what was referred to as “investor uncertainty” by Gordhan (2011), in Section 2.3.2, findings indicate that the debate about the nationalisation of mines demonstrated opposing views by seven participants who deem nationalisation, if implemented, to be an absolute disaster. Supportive views for nationalisation were offered by Participant 2 and 4 who revealed that transformation was slow in the mining industry. Some participants would like the nationalisation of mines to be defined and clarified and would like more information (discussed in Section 6.5.6). This finding offers conclusions that nationalisation of mines could be supported, provided it is clearly defined and is beneficial to the South African economy.

All these findings support Limpitlaw *et al.* (2005)’s findings, discussed in Section 2.3, that gender inequality, the impact of benefits at community level, dialogue and partnership facilitation between the mining industry and stakeholders were the prime challenges. More recently, the CEE Annual report (2012 and 2013), as well as studies by Landelahni and Mpofo (2010) identified low top management representation by HDSAs (discussed in Section 2.3.1) as challenges. Findings discussed above offer specific challenges.

#### **7.3.4 Research objective 5: Barriers to transformation in the mining industry**

Participants in the study were requested to identify the barriers to transformation in the mining industry, with the view that the identified barriers would enable the effective formulation of recommendations of the study. The first barrier of transformation that was identified was the racial tensions between black and white mining employees (discussed in Section 6.8.1). As indicated by Participants 1, 2, and 5, the process of transforming HDSAs is seen as disadvantaging non-HDSAs, more specifically, white males. This brings anxiety and fear among non-HDSAs and builds tensions amongst colleagues in the organisation as described by Participant 2. This finding is in line with studies of Selby and Sutherland (2006), discussed in Section 2.4, of the breakdown of the psychological contract with existing white employees and increased loss of memory due to a lack of commitment. Racial tensions were also described by Participant 8 in Section 6.8.1, especially as blacks

feel that they are being undermined in the workplace and being unfairly criticised for the quality of their work. This finding also confirms studies by Selby and Sutherland (2006), discussed in Section 2.4, on increasing distrust and racial tensions amongst employees.

The second barrier to transformation that was identified was the quality of education. As discussed in Section 6.8.2, all participants of the study agreed that the lack of skills was caused by the quality of education which contributes to the minimal transformation in mining companies. This finding offers an important contribution to literature that government cannot just regulate and monitor transformation progress, but should also be an effective agent of change. It can thus be recommended for government to pay attention to rural schools by providing access to resources and the necessary support to provide quality education. This act can ensure that school leavers are enrolled for mining qualifications at tertiary institutions.

The third barrier to transformation that was identified, was the war for talent due to scarce skills, which resulted in high HDSA turnover (discussed in Section 6.8.2). Participants 1, 2, 7 and 10 claimed that an HDSA gets attracted by another company for higher financial rewards (discussed in Section 6.5.5). However, as discussed in Section 2.6.1.3, the DMR (2009) argued that HDSA turnover is caused by the occurrence of racially discriminatory exercises in the mining industry which impacts harmfully on the progress of transformation. DME also stated that the lack of investment in HDSA skills development by the industry has created an inadequate pool of expertise necessary to effect meaningful gender and racial representation. As a result, retention of a few skilled HDSAs in companies has proven to be a challenge. These findings are in line with conclusions made by Engdahl and Hauki (2001) that many black people leave organisations out of frustration due to feelings of alienation, distrust in their abilities and difficulties to reach their full potential (discussed in Section 2.3).

The fourth barrier for transformation that was identified was a lack of appropriate mentorship as discussed in Sections 6.8.4 and 6.5.4.3. As described by Participant 6, mentorship in the mining industry is selective and discriminatory and based on race. However, Participants 1 and 4 stated that mentorship is costly and limited and can be time consuming and hinder effective performance due to the time required for effective mentorship to take place. This finding offers an important contribution to

literature as a barrier to transformation. Thus, conclusions can be drawn that effective strategies, such as HR practices and change management activities could be applied for effective mentorship to take place.

The fifth barrier that was identified was no stakeholder engagements between the mining industry and government, as described in Sections 6.8.5 and 6.5.2. Participant 6 reported the poor relationship between the two was caused by lack of trust and suspicion (discussed in Section 6.5.2). Furthermore, Participants 2, 3, 6, and 8 described that there seem to be no strategic efforts from mining companies and government to collaborate and realise transformation. This finding is in line with studies of Selby and Sutherland (2006), described in Section 2.4, that there is increasing distrust and a lack of leadership. It can thus be concluded that effective collaboration between government and the mining industry would address some of the concerns identified in the second barrier (the quality of education).

During the course of writing a literature review and research results, several recommendations were identified. Potential limitations to this research, as well as the possibility for future research were identified and are discussed in the section below.

## **7.4 RESEARCH CONTRIBUTION AND RECOMMENDATIONS**

### **7.4.1 Research contribution**

This study contributes to the existing body of knowledge about corporate governance (board composition and board diversity) and transformation. It also offers new knowledge regarding the challenges faced and the barriers to transformation in the mining industry. This study provided an analysis for exploration of the board of directors' profiles and board composition. It also offered a description of views by the mining industry in driving transformation.

This study used two phases to describe transformation in the mining industry. Demographic profiles and career background of directors on the board provided attributes desired at board level which also confirmed and supported literature in corporate governance. Board composition provided the structure of the board, board size and positions represented on board level. Transformation progress and challenges are provided by means of rich descriptions by ten mining executives, which enabled for the barriers to transformation to be identified.

It was discovered in literature that the boards of directors were still male dominated and ethnically and racially defined as discussed in Section 3.5.2. Findings of the study confirmed the existing literature and found that males indeed still dominated the boards of directors. It was also discovered that racial representation concerns have been taken seriously, as it was found that the White racial group did not dominate as such, and improvements have been made in the Black category. Though this was acceptable, other races, namely, Asians, Indians and Coloureds have been neglected and this is a major concern. From this result it was found that transformation is directed at blacks only, excluding the other races, including White females.

This current research contributed by determining the average age of a director. It described the average age of a director on a mining board as 58 years, and concluded that young directors need to be seen on the board. This study examined how boards should be structured. The results show that mining companies do not follow CEO duality, and the majority of executive chairperson positions were non-executive. It also indicates that boards were independent, comprising of a balance of power with a mixture of executive, non-executive and independent directors, as recommended by Carter *et al.* (2003), IoD, (2009), Ruigrok *et al.* (2007), and discussed in Section 3.5.12. This research addressed board sizes studies limitations, and a contribution is made that the larger board sizes were found in mega and large companies. This provides for the conclusion that board size has an effect on organisational performance. This research also described the criteria for board appointments, and confirmed the literature on board diversity which holds that business, legal and finance backgrounds were deemed suitable for entering the boardroom.

This study also confirmed the meaning of transformation as interpreted by Esterhuyse (2003), Schoeman (2010) Selby and Sutherland (2006) and Engdahl and Hauki (2001), discussed in Section 7.2.2.1. This research appreciated the initiatives being undertaken to drive transformation in the mining industry, and rejected the assumption that mining companies show an intransigence to transform. This research contributes to the knowledge by describing that mining companies acknowledge that transformation needs to happen. This was reported on initiatives such as entry-level jobs for HDSAs, staff development initiatives, community

engagement and outreach projects. Another contribution of this research is the identification of challenges to transformation in the mining industry. New challenges to transformation that contribute to literature are: the recruitment of suitable candidates, the role of government, and the uncertainty regarding the nationalisation of mines proposition.

Finally, this research contributed to the body of knowledge and added factors for barriers to transformation. Barriers to transformation that have been identified are racial issues and tensions, SA's poor education system, the war for talent (confirmed in past studies), the lack of mentorship and non-stakeholder engagements.

#### **7.4.2 Recommendations for future research**

To respond to the research questions posed in the chapter one, potential future research could be recommended. It would be beneficial to conduct studies about the transformation status in the mining industry beyond 2014, as the current study presents a snapshot between 2011 (annual reports) and 2012 (interviews). Other research could be directed to the other elements of the scorecard, such as ownership, management control and procurement to determine the transformation status in the mining industry regarding all the elements of the scorecard.

Future research could be directed to the effects of racial diversity on the boards of directors regarding organisational performance, as recommended by various authors (Erhardt *et al.*, 2003; Miller & Triana, 2009; Wahid, 2010). The extent of gender stereotyping, racial tensions and tokenism in organisations could be researched and recommendations can be suggested. Additional research could be extended to other industries to determine transformational trends and possible best practices could be identified. Other research would be beneficial to determine the possible causes for HDSA turnover so that meaningful conclusions could be provided.

#### **7.4.3 Recommendations for the mining industry**

The mining industry should continually engage and collaborate with the government in facilitating transformation. Clear targets for each collaborator should be set and formalised in an obligatory contract stipulating clear responsibilities. Strategic collaborations are therefore encouraged in this regard, as suggested by Participant 5, discussed in Section 6.8.5. There is a need to improve boardroom statistics

regarding racial issues; the immediate focus should be to improve the board representation by other racial groups, namely, Asians, Coloureds and Indians and not be based on black Africans only. Along with improved racial statistics, gender statistics in the boardroom needs to be addressed, and the focus should be on both black and white women. Women representation in senior to board level needs to be fast-tracked in the mining industry. The lack of suitably skilled and qualified women to assume these positions can no longer be accepted as justifiable, as stated by Daily *et al.* (1999) and Erhardt *et al.* (2003), discussed in Section 3.5.2.2. It is recommended that mining companies introduce change management programmes as described by Participant 3, in Section 6.6.2.2. These programmes seem to be effective to get employees to understand the need for transformation. Mining companies should strive to provide security for non-HDSAs in mining companies, and tensions amongst different racial groups cannot be allowed. A sense of belonging should be created for all employees. This could be possible if HR best practices were implemented to introduce transformation.

Mentorship programmes for HDSAs should be structured, comprehensive and non-discriminatory. For effective mentorship to take place, retired professionals could be appointed by mining companies on a contractual basis to provide mentorship for HDSAs. This could reduce cost implications and enable people to focus on their organisational objectives without worrying about the mentor-mentee relationships.

The board of directors of all mining companies operating in South Africa should establish an additional committee for transformation. The main responsibility of this committee would be to ensure that transformational goals are adhered to.

#### **7.4.4 Recommendations for the mining regulator**

It would reduce confusion if the regulator were to define key transformation terms, namely, transformation and HDSA and relate it to the SA mining industry, as recommended by (Esterhuyse, 2003), discussed in Section 2.3.1 and emphasised by participants in Section 6.3.1. It is also recommended for the regulator to review and amend the applicable acts in the mining environment, namely, the Mining Charter, The BBBEE and the MPRDA of 2002 as recommended by Rungan *et al.* (2005). In addition, new mining transformational targets need to be set for 2018. As soon as this is achieved, the regulator needs to raise awareness with key stakeholders

regarding new policies, legislation and acts and advise them on targets and the implications of non-compliance. It is encouraged that the implementation of the transformational goals is monitored and evaluated on an annual basis to ensure substantive progress. Additionally, there should be strict and legal enforcement for mining companies to adhere to transformation targets and operational consequences for non-compliance should be enforced. For example, the licence to operate should not be renewed for companies showing a lack for transformation. As such, it is recommended that a commission for transformation in the mining sector be instituted. It should monitor transformational progress from board level to all levels of management. The government should improve the education system in an effort to improve the skills shortages. It could start by equipping the rural schools surrounding the mining communities with the necessary facilities such as laboratories and libraries. Additional classes for mathematics and science should be provided, and the local municipalities, together with mining companies should make the necessary arrangements about who is accountable for what. This should be clearly stated in a contractual arrangement.

## **7.5 LIMITATIONS OF THE STUDY**

The results of the study are limited to the mining industry and cannot be generalised to other industries. However, future research can be extended to other industries to compare transformation trends, as discussed above in Section 7.4.2. Also, this study presents a snapshot description of board compositions and profiles in 2011; it also presents views by mining executives during 2012. It could be that results would be different if the research was repeated at another time. A total of 59 mining companies were JSE listed in 2011, however, only 56 companies partook in the study due to the availability of their annual reports. Another limitation noted was that mining companies differed in terms of the presentation of their financial statements in their annual reports, for example, some companies referred to turnover as revenue or sales. Eleven of the mining companies published their turnover in either US dollars, British pounds, or Canadian dollars. However, these turnovers were converted to Rands using the average currency exchange rate in 2011, thus, turnover figures could be slightly different for those 11 companies. Cost and time limitations were also experienced as some of the respondents in the mining industry had limited time available to partake in the study. In addition, there was some

reluctance to partake in the interviews due to the fact that transformation is a sensitive issue in South Africa. The research was done during the intense national strikes in the mining industry which resulted in most companies being reluctant to participate in the study, however, some saw it as an opportunity to defend their companies and to provide the truth about the issues facing the mining industry. These participants' views may not necessarily represent the views of the population in the mining industry.

## **7.6 CONCLUSION**

In conclusion, the aim of the study was twofold, firstly to analyse board transformation, and secondly to identify the progress made in the mining industry in driving transformation. The results indicate that whilst some progress has been made in addressing the racial profiles of directors in the mining industry, the focus has been on black representation with the unacceptable neglect of other racial groups. Gender profiles suggest that even 19 years post-democracy, the mining industry is still a male-dominated environment. The challenges of transformation were found to be the recruitment of suitable candidates, the undefined role of government, mining not always being a suitable career choice, the negative spirit of transformation in mining companies, the war for talent, and the uncertainties caused by the call for the nationalisation of mines.

The study showed that there are initiatives being undertaken by mining companies to effect transformation, such as entry-level jobs for HDSAs, staff development programmes, staff retention programmes and community engagement outreach initiatives. The mining industry is undeniably trying to achieve their transformational goals, however, not all mining companies show the same level of commitment. Furthermore, there is no partnership between the mining industry and government to facilitate transformation. As such, the barriers to transformation have been identified as racial tensions between black and white employees, the poor SA education system, the war for talent due to the scarcity of skills, and high HDSA turnover, a lack of HDSA-appropriate mentorship schemes, and no effective and strategic partnerships of concerned stakeholders.

## LIST OF REFERENCES

- Anderson, C. A. & Anthony, R. N. 1986. *The New Corporate Directors*. New York: Wiley.
- Arfken, D. E., Bellar, S. L. & Helms, M. M. 2004. The ultimate glass ceiling revisited: The presence of women on corporate boards. *Journal of Business Ethics*, 50: 177–86.
- Arya, B. & Bassi, B. 2009. Corporate Social Responsibility and Broad-Based Black Economic Empowerment Legislation in South Africa. *Business & Society*, DoI: 10.1177/0007650309332261.
- Bantel, K. A. & Jackson, S. E. 1989. Top management and innovations in banking: Does the composition of the top team make a difference? *Strategic Management Journal*, 10 (Summer Special Issue):107-124.
- Baysinger, B. & Butler, H. 1985. Corporate governance and the board of directors: Performance effects of changes in board composition. *Journal of Law, Economics, and Organization*, (1):101-124.
- Baysinger, B. & Hoskisson, R.E. 1990. The Composition of Boards of Directors and Strategic Control: Effects on Corporate Strategy. *Academy of Management Review*, 15 (1): 72-87.
- Blumberg, B., Cooper, D.R. & Schindler, P.S. 2011. *Business research methods*. 3rd European edition. London: McGraw-Hill.
- BMI. 2009. BMI forecasts that South Africa's mining sector will reach a value of US\$37.38bn by 2014. [Online] Available from: [http://www.mbendi.com/a\\_sndmsg/news\\_view.asp?l=107181&PG=35](http://www.mbendi.com/a_sndmsg/news_view.asp?l=107181&PG=35) [Accessed: 2010-06-13].
- Booyens, S.A. 2006. *The scorecard for the broad-based socio-economic empowerment charter for the South African mining industry: a performance measuring instrument*. Unpublished Master's Thesis. North West: North-West University.
- Boyle, B. 2010. Nationalisation of mines is on ANC agenda. [Online] Available from: <http://www.timeslive.co.za/Politics/article669669.ece/Nationalisation-of-mines-is-on-ANC-agenda> [Accessed: 2010-07-18].
- Burger, S. & Goslin, A. E. 2005. Compliance with best practice governance principles of SA sport federations. *SA Journal for Research in Sport, Physical Education and Recreation*, 27(2): 1–13.
- Burger, R. P. & Jaffa, R. 2006. Returns to race: Labour market discrimination in Post-Apartheid South Africa. *Stellenbosch Economic Working Paper 04/2006*. Stellenbosch: Stellenbosch University.
- Burke, R. J. 1997. Women on corporate boards of directors: A needed resource. *Journal of Business Ethics*, 16(9): 909–15.
- Burke, R. 2003. Women on corporate boards of directors: the timing is right. *Women in Management Review*, 18(7): 346-348.
- Callaghan, M.O. & Campbell, C. 2009. *Developing mining leadership in the new millennium*. Korn. Ferry Institute.

- Campbell, K. & Minguéz-Vera, A. 2008. Gender diversity in the boardroom and firm financial performance. *Journal of Business Ethics*, 83 (3): 435–451.
- Cant, M., Gerber-Nel, C., Nel, D. & Kotze, T. 2003. *Marketing research*. Claremont: New Africa Books.
- Carpenter, M. A., Geletkanycz, M. A. & Sanders, W. G. 2004. Upper Echelons Research Revisited: Antecedents, Elements, and Consequences of Top Management Team Composition. *Journal of Management*, 30(6): 747–778.
- Carter, D.A., Simkins, B.J. & Simpson, W.G. 2003. Corporate governance, Board diversity and firm value. *The Financial Review*, 38(1): 33-53.
- Carver, J.1997. *Board Assessment of the CEO*. New York: Jossey-Bass.
- Cawood, F.T. 2004. The Mineral and Petroleum Resources Development Act of 2002: a paradigm shift in mineral policy in South Africa. *The Journal of the South African Institute of Mining and Metallurgy*. Jan/Feb: 53-64.
- CEE (Commission for Employment Equity). 2011. 12th CEE Annual Report, 2011–2012. [Online] Available from: <http://www.labour.gov.za/DOL/downloads/documents/annual-reports/employment-equity/2011-2012/12th%20CEE%20Report.2012.pdf> [Accessed: 2012-09-06].
- CEE (Commission for Employment Equity). 2012. 13th CEE Annual Report, 2012–2013. [Online] Available from: [http://uscdn.creamermedia.co.za/assets/articles/attachments/44272\\_cee13report.pdf](http://uscdn.creamermedia.co.za/assets/articles/attachments/44272_cee13report.pdf) [Accessed: 2013-06-06].
- Chamber of Mines. South Africa. 2010. What is the Chamber?. [Online] Available from: <http://www.bullion.org.za> [Accessed: 2010-05-10].
- Chamber of Mines. South Africa. 2007. The South African Mining Industry transformation and sustainability report 2007. [Online] Available from: <http://www.bullion.org.za/Departments/SafetySusDevl/Downloads/SDRtext07.pdf> [Accessed: 2010-06-28].
- Chelladurai, P. 2005. *Managing organizations for sport and physical activity: A systems perspective*. 2nd ed. Scottsdale: AZ: Holcomb-Hathaway.
- Churchill, G.A. 2001. *Marketing Research: Methodological Foundations*. 6th ed. New York: The Dryden Press.
- Cliffe Dekker Attorneys. 2002. King Report on Corporate Governance: What it means to you. [Online] Available from: <http://www.cliffedekker.com> [Accessed: 2005-07-17].
- Coetzee, C. 2010. The proposed nationalisation of mines in South Africa – A critical Assessment. Province of KwaZulu-Natal Provincial Treasury IGR Unit – 306.
- Cooper, D.R. & Schindler, P.S. 2008. *Business research methods*. 10<sup>th</sup> ed. New York, NY: McGraw-Hill.
- Constitution of the Republic of South Africa. 1993 (Act No. 200 of 1993).
- Conyon, M. J. & Mallin, C. 1997. Women in the Boardroom: Evidence from large UK companies. *Corporate Governance: An International Review*, 5: 112–117.

Creswell, J. W. 2003. *Qualitative, Quantitative and Mixed Methods Approaches*. Thousand Oaks, CA: Sage Publications.

Daily, C. M., Certo, S. T. & Dalton, D. R. 1999. A Decade of Corporate Women: Some Progress in the Boardroom, None in the Executive Suite. *Strategic Management Journal*, 20: 93–99.

Daily, C. M. & Dalton, D. R. 2003. Women in the Boardroom: A Business Imperative. *Journal of Business Strategy*, 24(5):8–9.

Daily, C. M., Dalton, D. R. & Cannella, A. A. 2003. Corporate Governance: Decades of Dialogue and Data. *Academy of Management Review*, 28: 371–382.

Daily, C.M., Dalton, D.R. & Rajagopalan, N. 2003. Governance through ownership: Centuries of practice, decades of research. *Academy of Management Journal*, 46(2):151–159.

Dalton, D., Daily, C., Certo, T. & Roengpitya, R. 2003. Meta-analyses of financial performance and equity: Fusion or confusion? . *Academy of Management Journal*, 46:13–26.

Dansereau, S. 2010. Comparing Duelling Approaches to the Transformation of South African Mining: Corporate Social Responsibility of Labour Restructuring? *LABOUR. Capital and Society*, 43(1):63-98.

Davidson, M. 2002. The Black and Ethnic Minority Woman Manager. In R. Burke and D. Nelson (eds), *Advancing Women's Careers*. Oxford: Blackwell, 53–66.

DME (Department of Minerals and Energy). 2004. Charter for the South African Petroleum and Fuels Industry: Empowering historically disadvantaged South Africans. [Online] Available from:[http://www.energy.gov.za/files/esources/petroleum/energy\\_liquid\\_charter.pdf](http://www.energy.gov.za/files/esources/petroleum/energy_liquid_charter.pdf) [Accessed: 2010-07-21].

DME (Department of Minerals and Energy). 2009. Department of minerals and energy strategic 2009/10 to 2011/12. Pretoria.

DME (Department of Minerals and Energy). 2010. 2010 Mining Summit Government, business and labour agree on strategy to position South Africa's mining industry for sustainable growth, job creation and meaningful transformation. 31 March 2010. KwaZulu Natal: Drakensberg.

DMR (Department of Mineral Resources) 2010. Mineral policy development. Department of Mineral Resources. Republic of South Africa: Pretoria.

DMR (Department of Mineral Resources). 2009. Mining Charter Impact Assessment Report. Oct, 2009. Pretoria.

DTI (Department of Trade and Industry). 2006. BEE Strategy document. [Online] Available from: [http://www.thedti.gov.za/economic\\_empowerment/bee-strategy.pdf](http://www.thedti.gov.za/economic_empowerment/bee-strategy.pdf) [Accessed: 2011-08-21].

DTI (Department of Trade and Industry). 2004. The draft codes of good practice on broad-based black economic empowerment. [Online] Available from: [www.dti.gov.za](http://www.dti.gov.za) [Accessed: 2012-03-23].

- Dey, I. 1993. *Qualitative Data Analysis. A User-Friendly Guide for Social Scientists*. London: Routledge.
- Donaldson, L. & Davis, J.H. 1991. Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16 (1):49–64.
- Ehlers, T. & Lazenby, K. 2010. *Strategic management: Southern African concepts and cases*. 3<sup>rd</sup> ed. Pretoria: van Schaik Publishers.
- Eisenhardt, K. 1989. Agency theory: an assessment and review. *Academy of Management Review*, 14: 57-74.
- Elo, S. & Kyngas, H. 2007. The qualitative content analysis process. *Journal of Advanced Nursing*, 62(1):107–115.
- Emory, C.W. & Cooper, D.R. 1991. *Business research methods*. 4th ed. Irwin: Homewood.
- Engdahl, C. & Hauki, H. 2001. *Black Economic Empowerment: an introduction for non-South African business*. Unpublished Masters Thesis. Sweden: Gothenburg University.
- Erhardt, N. L., Werbel, J. D. & Schrader, C. B. 2003. Board of Directors Diversity and Firm Financial Performance. *Corporate Governance: An International Review*, 11: 102-111.
- Eriksson, P. & Kovalainen, A. 2008. *Qualitative Methods for Business Research*. London: Sage.
- Esterberg, K.G. 2002. *Qualitative Methods in Social Research*. New York: McGraw–Hill.
- Esterhuysen, W. P. & Nell, P. 1990. *Die ANC*. Cape Town: Tafelberg.
- Esterhuysen, W. P. 2003. The challenge of transformation: breaking the barriers. *South African Journal of Business Management*, 3(42):1-8.
- Fafuli, M. 2012. The role of NUM in transforming the mining industry. International Mining History Conference. Gold Reef City, Johannesburg. 17- 20 April, 2012.
- Farrell, K. A. & Hersch, P. L. 2005. Additions to Corporate Boards: The Effect of Gender. *Journal of Corporate Finance*, 11: 85–106.
- Fauconnier, A. & Mathur-Helm, B. 2008 Black economic empowerment in the South African mining industry: A case study of Exxaro Limited. *South African Journal of Business Management*, 39 (4):1-14.
- Foster, A. 2004. A Nonlinear Model of Information-Seeking Behaviour. *Journal of the American Society for Information Science & Technology*, 55(3): 228 – 237.
- Freedom Charter quoted in: Peet, R. 2002. Ideology, Discourse, and the Geography of Hegemony: From Socialist to Neoliberal Development in Post-apartheid South Africa. *Antipode*, 34:54-84.
- Gaved, M. 1998. Corporate governance in the United Kingdom. Presentation to the OECD conference. The Role of Disclosure in Strengthening Corporate Governance and Accountability. Paris, February 12–13.
- Gillies, J.M. 1992. *Boardroom Renaissance*. Toronto: McGraw- Hill.

- Golden, B. & Zajac, E. 2001. When will boards influence strategy? Inclination × power = strategic change. *Strategic Management Journal*, 22: 1087–1111.
- Goodstein, J., Gautam, K. & Boeker, W. 1994. The effects of board size and diversity on strategic change. *Strategic Management Journal*, 15(1): 241-250.
- Gordhan, P. 2011. Nationalisation not govt policy, Gordhan reiterates. Mail and Guardian. [Online] Available from: <http://mg.co.za/article/2011-03-14-nationalisation-not-govt-policy-gordhan-reiterates> [Accessed: 2011-12-10].
- Graham, J. 2012. Content Analysis: A brief overview. Emoyeni Consultations. Workshop offered at the University of South Africa. July 2012.
- Greenbury Report. 1995. *Directors' Remuneration*, report of a study group chaired by Sir Richard Greenbury. London: Gee Professional Publishing.
- Hallebone, E & Priest, J. 2009. *Business and management research: paradigms and practices*. London: Palgrave Macmillan.
- Hampel Report. 1998. Committee on Corporate Governance (sponsored by the London Stock Exchange et al.), Final Report (January). [Online] Available from: [www.ecgn.org](http://www.ecgn.org) [Accessed: 2013-08-10].
- Hanson, R. C. & Song, M.H. 2000. Managerial ownership, Board structure, and the division of gains in divestitures. *Journal of Corporate Finance*, 6(1):55-70.
- Heller, P. & Ntlokonkulu, L. 2001. *A Civic Movement or a Movement of Civics? The South African National Civic Organisation (SANCO) in the Post-apartheid Period*. Johannesburg: Centre for Policy Studies.
- Hermalin, B E. & Weisbach, M. S. 1988. The Determinants of Board Composition. *Rand Journal of Economics*, 19: 589–606.
- Hermalin, B.E. & Weisbach, M.S. 1991. The effects of board composition and direct incentives on firm performance. *Financial Management*, 20:101-12.
- Herman, E.S. 1981. *Corporate Control, Corporate Power*. New York: Cambridge University.
- Hillman, A. J., Cannella, A. A. & Harris, I. C. 2002. Women and Racial Minorities in Boardroom: How do Directors Differ. *Journal of Management*, 28:747–763.
- Hsieh, H.F. & Shannon, S. 2005. Three approaches to qualitative content analysis. *Qualitative Health Research*, 15:1277–1288.
- IOD (Institute of Directors). 2009. *King code of governance for South Africa*. King III report, Johannesburg, South Africa.
- IOD (Institute of Directors) .2002. *King Report on Corporate Governance for South Africa – 2002*, King II report. Johannesburg, South Africa.
- IOD (Institute of Directors of South Africa) .1994. *The code of corporate practices and conduct*, King I report. Johannesburg, South Africa.
- Jackson, S. E. 2002. *The consequences of diversity in multidisciplinary work teams*. In West, M. A. (ed.) *Handbook of Work Group Psychology*. Ann Arbor. MI: UMI.

- Jackson, S.E., Joshi, A. & Erhardt, N.L. 2003. Recent Research on Team and Organizational Diversity: SWOT Analysis and Implications. *Journal of Management*, 29(6): 801–830.
- Jensen, M.1993. The modern industrial revolution, exit, and the failure of internal control systems. *Journal of Finance*, 48:831–880.
- Jensen, M. C. & Meckling, W. H. 1976. Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3: 305–350.
- JSE. 2011. BBE segment brochure. [Online] Available from:[http://www.jse.co.za/Libraries/Brochures/BEE\\_Segment\\_Brochure.sflb.ashx](http://www.jse.co.za/Libraries/Brochures/BEE_Segment_Brochure.sflb.ashx) [Accessed: 2012-01-09].
- JSE. 2012. Listed companies in the mining industry 2011. Email from INFO @ JSE <Info@jse.co.za. Motlagae Mashabela-Sibuyi.
- Jungmann, C. 2006. The Effectiveness of Corporate Governance in One-Tier and Two-Tier Board Systems—Evidence from the UK and Germany. *European Company and Financial Law Review*, 3(4): 426-474.
- Kahn, A. E. 2002. Defining a Diversity Initiative. *Inside Supply Management*, December: 8–9.
- Kakabadse, N.K., Kakabadse, A.K. & Kouzmin, A. 2001. Board governance and company performance: any correlations? *Corporate Governance*, 1(1): 24-30.
- Kakabadse, A. & Korac-Kakabadse, N. 2002. Corporate Governance in South Africa: Evaluation of the King II Report. *Journal of Change Management*, 2: 305–317.
- Karr, A.R. 1991. Labor’s Martin is out to break “glass ceiling”. *Wall Street Journal*, B6.
- Kenny, B & Bezuidenhout, A. 1999. Contracting, complexity and control: An overview of the changing nature of subcontracting in the South African mining industry. *Journal of the South African Institute of Mining and Metallurgy*, 99(4):185–191.
- Kesner, I.F. 1988. Directors’ characteristics and committee membership: an investigation of type, occupation, tenure, and gender. *Academy of Management Journal*, 31:66– 84.
- Kosnik, R. 1990. Effects of board demography and director’s incentives on corporate greenmail decisions. *Academy of Management Journal*, 33:129-150.
- Krus, C.M., Morgan, L.A. & Ginsberg, T. 2012. Board diversity: who has a seat at a table?. Sutherland.
- Kumar, R. 2005. *Research methodology: a step-by-step guide for beginners*. 2nd international edition. Sage.
- Landelahni Business Leaders. 2010. *Fast Facts: Mining Research Report 2010*.
- Lear, R.W. 1994. Here come the women directors. *Chief Executive*, 10.
- Leon, T. 2011. Alternative: Tilting the scale. [Online] Available from: [http://thenewage.co.za/blogdetail.aspx?mid=186&blog\\_id=%20282](http://thenewage.co.za/blogdetail.aspx?mid=186&blog_id=%20282) [Accessed: 2011-11-11].
- Levy, A. & Merry, U. 1986. *Organizational transformation: Approaches, strategies, theories*. New York: Praeger.

- Limpitlaw, D., Aken, M., Lodewijks, H. & Viljoen, J. 2005. Post-mining rehabilitation, land-use and pollution at collieries in South Africa, Presented at the Colloquium Sustainable Development in the Life of Coal Mining. South African Institute of Mining and Metallurgy, Boksburg. 2010, July 13.
- Linck, J.S., Netter, J.M. & Yang, T. 2008. The determinants of board structure, *Journal of Financial Economics*, 87(1): 308-328.
- Lincoln, Y.S. & Guba, E.G. 1985. *Naturalistic inquiry*. Beverly Hills, CA: Sage.
- Louw, L. & Venter, P. 2010. *Strategic management: Developing sustainability in Southern Africa*. Cape Town: Oxford University Press.
- Luoma, P. & Goodstein, J. 1999. Stakeholders and corporate boards: Institutional influences on board composition and structure. *Academy of Management Journal*, 42:553-563.
- Lynall, M. D., Golden, B. & Hillman, A. 2003. Board Composition from Adolescence to Maturity: A Multitheoretic View. *Academy of Management Review*, 28: 416–432.
- Mail & Guardian. 2011. Stealing the march on the Young Lions: Zuma 1, ANCYL. [Online] Available from: <http://mg.co.za/article/2011-10-28-zuma-1-ancyl-0> [Accessed: 2011-11-13].
- Main, B.G.M., O'Reilly, C.A. & Wade, J. 1995. The CEO, the Board of Directors and Executive Compensation: Economic and Psychological Perspectives. *Industrial and Corporate Change*, 4(2):293-332.
- Malherbe, S. & Segal, N. 2001. Corporate governance in South Africa. Prepared for the OECD Development Centre.
- Malette, P. & Fowler, K. L. 1992. Effects of board composition and stock ownership on the adoption of poison pills. *Academy of Management Journal*, 35: 1010-1035.
- Maree, K. 2007. *First steps in research*. Pretoria: Van Schaik.
- Mattis, M.C. 1993. Women directors: progress and opportunities for the future. *Business and the Contemporary World*, 5:140-156.
- Mayring, P. 2000. Qualitative content analysis. *Forum: Qualitative Social Research*, 1(2). [Online] Available from: <http://217.160.35.246/fqs-texte/2-00/2-00mayring-e.pdf>. Patton, M.Q. (2002). *Qualitative Research and Evaluation Methods*. Thousand Oaks, CA: Sage [Accessed: 2011-06-13].
- McNulty, T. & Pettigrew, A. M. 1999. Strategists on the Board. *Organization Studies*, 20: 47–74.
- Mensah, S. 2003. *Corporate Governance in Africa: The role of capital market regulation*. Paper presented at the 2nd Pan African Consultative Forum on Corporate Governance, Nairobi, Kenya. July 21 – 23.
- Miles, M. B. & Huberman, A. M. 1994. *Qualitative Data Analysis: A Sourcebook of New Methods*. 2nd ed. Beverly Hills, CA: Sage Publications.
- Miller-Millesen, J. L. 2003. Understanding the Behavior of Nonprofit Boards of Directors: A Theory Driven Approach. *Nonprofit and Voluntary Sector Quarterly*, 32:521–547.

Miller, T. & Triana, M. C. 2009. Demographic Diversity in the Boardroom: Mediators of the Board Diversity–Firm Performance Relationship. *Journal of Management Studies*, 46(5): 755–786.

Mining Charter. 2004. Broad-based socio-economic empowerment charter for the South African mining and minerals industry. [Online] Available from: <http://www.bullion.org.za> [Accessed: 2010-07-19].

Miningmx. 2011. Fraser Institute knocks SA's mining rating. [Online] Available from: <http://www.miningmx.com/news/markets/fraser-institute-knocks-sa's-mining-rating.htm> [Accessed: 2012-08-26].

Mining Report Q3. 2010. Quarter 3. Market Report: South Africa's mining report. Business Monitor International.

Mokoena, M.B. 2006. Improving the lifestyles of previously disadvantaged individuals through a personal life planning programme. Unpublished DPhil Thesis. Pretoria: University of South Africa.

Monks, R.A.G. & Minow, N. 1991. *Power and Accountability*. New York: Harper Business.

Mouton, J. 2001. *How to succeed in your Master's and Doctoral Studies: A South African Guide and Resource Book*. Pretoria: Van Schaik Publishers.

Mpofu, B. 2010. *Lack of Skills Hinders Mining Sector Growth*. Business Day. 3 March 2010.

MPRDA (Mineral and Petroleum Resources Development Act No. 28). 2002. *Government Gazette* vol. 448, no. 23922, 10 October 2002. South Africa.

Muhr, T. 1991. ATLAS/ti--A Prototype for the Support of text Interpretation. *Qualitative Sociology*, 14(4): 341-371.

Naidoo, R. 2002. *Corporate governance: An essential guide for South African companies*. Cape Town: Double Story Books.

Ngungunyane, M.Z. 2010. Towards the nationalisation of mines. Number 33 2<sup>nd</sup> Quarter Umrabulo. [Online] Available from: <http://www.anc.org.za/2832> [Accessed: 2010-07-30].

NUM (National Union of Mineworkers). 2013. NUM History. [Online] Available from: <http://www.num.org.za/AboutUs/History.aspx> [Accessed: 2013-06-29].

Okechokwu, C.I. 2004. Black economic power and nation-building in post-apartheid South Africa. *The Journal of Modern African Studies*, 42(1): 1-30.

Otto, L. 2011. Talks of nationalisation: A bane for the South African investment climate. Consultancy Africa Intelligence. [Online] Available from: [http://www.defenceweb.co.za/index.php?option=com\\_content&view=article&id=18524:talks-of-nationalisation-a-bane-for-the-south-africaninvestmentclimate&catid=7:Industry&Itemid=116](http://www.defenceweb.co.za/index.php?option=com_content&view=article&id=18524:talks-of-nationalisation-a-bane-for-the-south-africaninvestmentclimate&catid=7:Industry&Itemid=116) [Accessed: 2012-01-19].

Page, C. & Meyer, D. 2000. *Applied Research Design for Business and Management*. Irwin: McGraw-Hill.

Pearce, J. & Zahra, S.A. 1992. Board composition from a strategic contingency perspective. *Journal of Management Studies*, 29:411-438.

- Pearce, J.A. & Zahra, S.A. 1991. The relative power of CEOs and board of directors: Associations with corporate performance. *Strategic Management Journal*, 12(2):135-153.
- Petmin. 2009. Mining Charter. [Online] Available from: <http://www.petmin.co.za/about-mining-charter.php> [Accessed: 2010-02-04].
- PMI (Project Management Institute). 2008. *A guide to the project management body of knowledge (PMBOK)*. 4th ed. Project Management Institute. Pennsylvania, USA.
- Polit, D.F. & Beck, C.T. 2008. *Nursing Research: Generating and Assessing Evidence for Nursing Practice*. 8th ed. Philadelphia, PA: Lippincott: Williams & Wilkins.
- Powell, G. N. & Butterfield, D. A. 1994. Investigating the "glass ceiling" phenomenon: An empirical study of actual promotions to top management. *Academy of Management Journal*, 37: 68-86.
- Project IQ. 2011. Mining in South Africa. *Mining Intelligence Database*. [Online] Available from: <http://www.projects iq.co.za/mining-in-south-africa.htm> [Accessed: 2011-11-21].
- Raheja, C. 2005. Determinants of board size and composition: a theory of corporate boards. *Journal of Financial and Quantitative Analysis*, 40 (2):283-306.
- Randøy, T., Thomsen, S. & Oxelheim, L. 2006. A Nordic Perspective of Corporate Board Diversityll, *Nordic Innovation Centre Working Paper No. 05030*: 1-28.
- Rauter, E. 2001. Good governance equals sustainable performance. *The Sport Educator*, 14(1):5-7.
- Rechner, P. L. & Dalton, D. R. 1991. CEO duality and organizational performance: A longitudinal analysis. *Strategic Management Journal*, 12(2):155–160.
- Republic of South Africa. 2003. Broad-based Black Economic Empowerment Act 53 of 2003. *Government Gazette* No 25899. Department of Trade and Industry. Pretoria: Government Printer.
- Republic of South Africa. 2002. *Broad-based Socioeconomic Empowerment Charter for the South African Mining Industry*. Department of Minerals and Energy. Pretoria
- Republic of South Africa. 1998. Employment Equity Act 55 of 1998. Department of Labour. Pretoria: Government Printer.
- Richard, O. 2000. Racial Diversity, Business Strategy, and Firm Performance: a Resource-Based View. *Academy of Management Journal*, 43:164–177.
- Robertshaw, A.M. 2006. *Transformation of the civil engineering sector: a review of the response of established civil engineering consultancies to this challenge*. Unpublished Masters Thesis. Pietermaritzburg: University of KwaZulu-Natal.
- Robinson, G. & Dechant, K. 1997. Building a business case for diversity. *Academy of Management Executive*, 11:21–30.
- Roelf, W. 2010. South African mines could be nationalised by 2012 – Malema. [Online] Available from: <http://www.mineweb.com/mineweb/view/mineweb/en/page72068?oid=105434&sn=Detail> [Accessed: 2010-08-10].

- Rosengren, K. E. 1981. *Advances in Scandinavia content analysis: An introduction*. In K. E. Rosengren (Ed.), *Advances in content analysis*: 9-19. Beverly Hills, CA: Sage.
- Rossouw, GJ. 2005. Business ethics and corporate governance in Africa. *Business and Society*, 44(1): 94–106.
- Rossouw, D., Van derWatt, A. & Malan, D. 2002. Corporate governance in South Africa. *Journal of Business Ethics*, 37(3):289-302.
- Ruigrok, W., Owtscharov, A. & Greve, P. M. 2005. *On the Stickiness of Local Roots: Trajectories of Top Management Team and Board Internationalisation in Four European Countries*. Working paper: Research Institute for International Management. Switzerland: University of St. Gallen.
- Ruigrok, W., Peck, S. & Tacheva, S. 2007. Nationality and Gender Diversity on Swiss Corporate Boards. *Corporate Governance: An International Review*, 15:546–557.
- Rungan, S.V., Cawood, F.T. & Minnitt, R.C.A. 2005. Incorporating BEE into the new mineral law framework for the South African mining industry. *The Journal of the South African Institute of Mining and Metallurgy*, November (105):735-744.
- SA Info. 2011. Mining and minerals in South Africa. [Online] Available from: <http://www.southafrica.info/business/economy/sectors/mining.htm> [Accessed: 2012-06-12].
- SAMDA (South African Mining Development Association). 2011. History. [Online] Available from: <http://www.samda.co.za/History.aspx> [Accessed: 2013-08-13].
- Sapa. 2010. Mining charter has not achieved aims, says minister [Online] Available from: <http://www.mg.co.za/article/2010-09-13-mining-charter-has-not-achieved-aims-says-minister> . Mail and Guardian. [Accessed: 2010-09-23].
- Saunders, M., Lewis, P. & Thornhill, A. 2007. *Research methods for business students*. 4<sup>th</sup> ed. Essex, England: Pearson Education.
- Saunders, M., Lewis, P. & Thornhill, A. 2012. *Research methods for business students*. 6<sup>th</sup> ed. Essex, England: Pearson Education.
- Scherer, K. 1997. Women directors: Talent before gender. *Corporate Board*, XVIII (104):1-5.
- Schoeman, N. 2010. The drivers and restraining factors for achieving employment equity at management level in gold mining companies. Unpublished MBA Thesis. Johannesburg: Gordon Institute of Business Science.
- Segal, N. & Malherbe, S. 2002. A perspective on the SA's mining industry in the 21<sup>st</sup> century [Online] Available from: <http://www.southafrica.info/pls/procs/iac> [Accessed: 2011-11-13].
- Selby, K. & Sutherland, M. 2006. "Space creation": a strategy for achieving employment equity at senior management level. *South African Journal of Labour Relations*, 30(2):42-65.
- Sethi, S.P., Swanson, C.L. & Harrigan, K.R. 1981. *Women Directors on Corporate Boards*. Richardson, Texas: Center for Research in Business and Social Policy. Dallas: University of Texas.

Shabangu, S. 2010. Mining charter aims not met. [Online] Available from: <http://www.news24.com/SouthAfrica/Politics/Mining-charter-hasnt-achieved-aims-Shabangu-20100913> [Accessed: 2010-09-23].

Shleifer, A. & Vishny, R.W. 1997. A survey of corporate governance. *Journal of Finance*, 52: 737–783.

Simpson, W.D., Carter, D.A. & D'Souza, F. 2010. What do we know about women on boards?. *Journal of Applied Finance*, 20:27–39.

Singh, V. & Vinnicombe, S. 2004. The 2004 Female FTSE Report. Cranfield School of Management Report, Cranfield.

Slack, T. & Parent, M.M. 2006. *Understanding sport organizations: The application of organization theory*. 2nd ed. Champaign, IL: Human Kinetics.

Spoken. 2009. ANCYL's position on the nationalisation of mines. [Online] Available from: <http://www.spoken.co.za/node/46> [Accessed: 2010-07-19].

StatsSA (Statistics South Africa). 2009. Mining Industry. [Online] Available from: <http://www.statssa.gov.za/Publications/Report-20-01-02/Report-20-01-022009.pdf> [Accessed: 201-05-05].

StatsSA (Statistics South Africa). 2011. Quarterly Employment Statistics. [Online] Available from: <http://www.statssa.gov.za/publications/P0277/P0277June2011.pdf> [Accessed: 2012-01-21].

Strauss, G. 2002. Good Old Boy's Network Still Rules Corporate Boards. *U.S.A. Today*. (Friday, November 1), B1–2.

Steele, M. 1999. The rise of shareholder intervention. *Management focus*, 12 (Summer):2-6.

Swart, E. 2003. The South African legislative framework for mine closure, Proceedings of the Colloquium on Mine Closure for Sustainable Development. *South African Institute of Mining and Metallurgy*. Johannesburg, July:489

Sweetman, K. J. 1996. Women in Boardrooms: Increasing Numbers Qualify to Serve. *Harvard Business Review*, 74 (13).

The Cadbury Report. 1992. Committee on the Financial Aspects of Corporate Governance) Report with Code of Best Practice London: Gee Publishing.

Thomas, A. 2002. Employment equity in South Africa: lessons from the global school. *International Journal of Manpower*, 23(3):237-255.

Thomas, A. & Robertshaw, D. 1999. Achieving Employment Equity Strategies: A Guide to Effective Strategies – Developing the Fabric of Organisations. Randburg: Knowledge Resources.

Tupy, M.L. 2002. A well-intended Mining Charter could be a recipe for disaster. CATO Institute. [Online] Available from <http://www.cato.org/publications/commentary/wellintended-south-african-mining-charter-is-recipe-disaster> [Accessed: 2010-02-21].

UNECA (United Nations Economic Commission for Africa). 2002. The African Peer Review Mechanism: Process and Procedure. *African Security Review*, 11(4): 7–13.

- Van der Zwan, P. & Nel, P. 2010. The impact of the Minerals and Petroleum Resources Royalty Act on the South African Mining industry: A critical analysis. *Meditari*, 18(2) 89 – 103.
- Visagie, R. 2012. *Research Paradigms (positivism, post-positivism, interpretivism, constructivism): Choosing among paradigms*. Research Workshop, Unisa, 11 July 2012.
- Visser, W. 2005. Corporate citizenship in South Africa: A review of progress since democracy. *Journal of Corporate Citizenship*, 18:29–38.
- Wahid, A.S. 2010. Director heterogeneity and its impact on board effectiveness. Working Paper. Unpublished. Harvard Business School.
- Weber, R.P. 1990. *Basic content analysis*. 2nd ed. Newbury Park, California: Sage Publications.
- Wessels, F. 2009. ANC U-turn on mines. [Online] Available from: <http://www.mg.co.za/article/2009-07-12-anc-uturn-on-mines> [Accessed: 2010-07-18].
- West, A. 2006. Theorising South Africa's Corporate Governance. *Journal of Business Ethics*, Springer: 433 – 446.
- Westphal, J. D. & Milton, L. P. 2000. How Experience and Network Ties affect the Influence of Demographic Minorities on Corporate Boards. *Administrative Science Quarterly*, 45:366-398.
- Westphal, J. D. & Zajac, E. J. 1995. Who Shall Govern? CEO/board Power, Demographic Similarity, and New Director Selection. *Administrative Science Quarterly*, 40(1):60–83.
- White, M.D. & Marsh, E.E. 2006. Content Analysis: A flexible methodology. *Library trends*, 55(1):22-45.
- Wiersema, M. & Bantel, K. 1992. Top management team demography and corporate strategic change. *Academy of Management Journal*, 35(1):91-121.
- Williams, M.J. 1985. Why Chief Executive' Pay keep rising. *Fortune*, 1:66-76.
- Welman, C., Kruger, F. & Mitchell, B. 2009. *Research methodology*. 3rd ed. Cape Town: Oxford University Press.
- Yeh, C. M. & Taylor, T. 2008. Issues of governance in sport organisations: A question of board size, structure and roles. *World Leisure*, 1:33–45.
- Yermack, D. 1996. Higher market valuation of companies with a small board of directors. *Journal of Financial Economics*, 40:185-211.
- Young, J. 2010. Corporate governance and risk management: a South African perspective. *Corporate Ownership and Control*, 7(3):136-145.
- Zahra, S. & Pearce, J. 1989. Board of directors and corporate financial performance: a review and integrative model. *Journal of Management*, 15:291-334.
- Zikmund, W. G. 2003. *Business research methods*. 7th ed. Ohio-USA: Thomson, South-Western.

## APPENDIX A

# INTERVIEW SCHEDULES

Company	Interview date	Interviewee	Designation
Company A	10 September 2012	Female, Black	Head of Transformation
Company B	12 September 2012	Male, White	Manager: Sustainability
Company C	17 September 2012	Male, Black	Group Human Resources and Transformation
Company D	19 September 2012	Female, Black	Chief People Officer: Human Resources
Company E	12 October 2012	Female, Black	Executive: Transformation
Company F	26 October 2012	Female, Black	Executive: Human Resources
Company G	26 November 2012	Male, Black	Senior Manager: Group Transformation
Company H	05 December 2012	Male, Black	Executive: Human Resources
Company I	05 December 2012	Female, Black	Sustainable Development Manager
Company J	19 December 2012	Male, Black	Head of Employee Relations

## APPENDIX B

# INTERVIEW REQUEST LETTER

Date:

Executive: Human Resources  
Name of participant  
Company of the participant

I would like to acknowledge your busy schedule as the Executive responsible for transformation... and to sincerely **thank you** for taking the time to open this email. My name is **Violet Moraka**. I work at Unisa as a full time Lecturer of Strategy in the Department of Business Management.

Given Minister Susan Shabangu' s adamancy on the Mining Charter conformance, the nationalisation debate and the public interest on transformation status in the mining industry, I am hopeful that you will be interested to know that I am undertaking a research study on this topic. This research is undertaken towards a Master's degree registered at Unisa under the supervision of Prof Mari Jansen van Rensburg.

The title of my research is: *“EE scorecard implementation- progress made and barriers to transformation by JSE listed companies in the South African mining industry”*. The main aim of the study is to gain insight into the current status of transformation in the mining industry with reference to board appointments. Your views will help us to understand how the mining industry deals with barriers to and challenges of transformation, board diversity and finding suitably qualified candidates to be represented in all job levels.

In view of the above, I would like to schedule an appointment with you at your earliest convenience in order to share experiences in your respective environment. This will provide a better understanding of your EE scorecard implementation efforts. Please advise of the time and date which will suit you best during this month. This will only take 45 minutes of your valuable time.

Your participation is completely voluntary and your responses will only be used for the purposes of research and will be treated with utmost confidentiality (See enclosed ethical consent). The results of the study can be made available to you on request.

I am hopeful that you will respond positively to my request and I am looking forward to meeting you. Please contact me if you have any queries.

Thank you again for your time.

Kind regards,  
Nthabiseng Violet Moraka  
E-mail: [moraknv@unisa.ac.za](mailto:moraknv@unisa.ac.za)  
012 429 8752 (Office) 07844 74 109 (Cell)

## APPENDIX C

# INTERVIEW QUESTIONNAIRE

**Student** : Mrs. Violet Moraka  
**Field of study** : MCom: Business Management  
**Student number** : 46741720  
**Supervisor** : Prof Mari Jansen van Rensburg

### 1. Background questions

- 1.1. What is your position in this company
- 1.2. How long have you been with this company
- 1.3. What is your functional and educational background

### 2. Employment equity questions

- 2.1. What do you understand by the meaning of transformation in South Africa, specifically for companies in the mining industry
- 2.2. What does your company understand about the Mining Charter and the Mining Scorecard?
- 2.3. Who are the beneficiaries of the Mining scorecard
- 2.4. What does your company understand by the term HDSA
- 2.5. Do you have an employment equity plan for this year or report for the past 5 years?
- 2.6. The mining industry is currently faced by charges of the lack of transformation, is this a case with your company
  - If yes, answer the following questions:
    - 2.6.1 What are the major challenges facing your company in terms of EE scorecard implementation, submitting EE plans and reports?
    - 2.6.2 What are the barriers to transformation in your company??
    - 2.6.3 What initiatives are currently undertaken to address these challenges?
    - 2.6.4 What is the way forward?
  - If no, answer the following questions:
    - 2.6.5. What are the successes recorded in your company?
    - 2.6.6. Highlight initiatives undertaken?
    - 2.6.7. What were the challenges faced?
    - 2.6.8. What is the way forward?
- 2.7 Comment on the nationalisation debate of mines
- 2.8 Describe your future plans for your company in addressing EE scorecard targets?

### Governance questions

- 3.1. Comment on the structure of your board.
- 3.2. How are board members recruited?
- 3.3. Which positions are represented on board level?
- 3.4. What is the criteria for board appointment/ criteria for selecting directors.
- 3.5. What criteria do you use on appointing the directors as independent, non-executive and independent non-executive?

- 3.6. Do you consider EE scorecard on board appointments?
- 3.7. Share insight on your board composition.
- 3.8. What is the current size of your board?
- 3.9. What are the challenges faced and initiatives undertaken in appointing HDSA?

## APPENDIX D

# ETHICAL CLEARANCE LETTER

UNISA

MEMO

FROM: Prof EJ Ferreira  
Department of Business Management  
TO: Sunette Steyn  
CEMS Ethical Committee  
Prof M Jansen van Rensburg  
Department of Business Management  
RE: **ETHICAL CLEARANCE**  
DATE: 21 June 2012

STUDENT: NV Moraka (46741720)

TOPIC: Employment equity scorecard implementation: progress made and barriers to transformation by JSE listed mining companies in South Africa.

Dear Prof Jansen van Rensburg

We have reviewed the completed Summary Sheet and are satisfied that it meets the methodological, technical and ethical standards as set in the Department of Business Management in the College of Economic and Management Sciences and that it is in compliance with the UNISA policy on research ethics.

All matters (such as protection from harm, informed consent, right to privacy and honesty) were found to be satisfactorily and Ms Moraka may continue with her research.

Sincerely



Prof EJ Ferreira  
On behalf of the Department of Business Management Ethics Committee