

**IMPLEMENTING PERFORMANCE MANAGEMENT AT LOCAL
GOVERNMENT LEVEL IN SOUTH AFRICA: A CASE STUDY ON THE
IMPACT OF ORGANISATIONAL CULTURE.**

A thesis submitted in partial fulfillment of the requirements of the degree of

Masters of Business Administration

Rhodes Investec Business School

RHODES UNIVERSITY

Submitted by

Quinton Walter Williams

January 2006

Executive Summary

Local Government in South Africa has undergone much transformation since 2000. Although much of the change has been to correct imbalances, inequities and disparities within our local communities as a result of Apartheid, change has also been motivated by National Government's realisation that, as with governments throughout the world, there is a need to modernise all spheres of Government. Part of this transformation process at a local government level in South Africa has been to ensure that municipalities become more responsive to the communities' needs.

The guiding principles for this transformation are contained in the White Paper on the Transformation of the Public Service (1995) and the Batho Pele White Paper (1997). This has informed the Municipal Systems Act: Act 32 of 2000 of which Chapter 6 determines that municipalities will have a performance management system to promote a culture of performance management amongst the political structures, political office bearers, councillors and administration. The performance management system must ensure that the municipality administers its affairs in an economical, effective, efficient and accountable manner.

A literature review contained in this research, indicates that internationally, implementing performance management systems at a local government level is impact upon by a number of factors such as the organizational culture of an institution.

This research, which has been grounded within a constructivist paradigm, describes the impact organizational culture has had on the implementation process of the performance management system at Buffalo City Municipality. Interviews were conducted amongst the Section 57 employees (i.e. the Directors) and those employees directly responsible for implementing performance management. The four Directors, two General Managers and the portfolio councilor were interviewed.

Semi-structured interviews were conducted with the interviewees and this culminated in a total of 10 hours of interviewing. The protocols were analyzed using the guidelines suggested by Boyatzis (1998) and the findings are detailed in two chapters. The findings of the research were that the implementation of the performance management system at Buffalo City Municipality has been impacted on by the dichotomy between the political and administrative leadership, resulting in non-implementation of council resolutions, the lack of an organizational strategy, poor institutional arrangements and inadequate resource allocation, are reported.

However, the most important finding was the impact that a culture of fear has had on the implementation process. This culture of fear and its impact on the implementation of performance management system is described as the most pervasive and insidious of all the findings to have negatively impacted on the implementation process.

This research ends with recommendations for further research and it is argued that each organization has its own unique organizational culture. The conclusion is that no single typology, as contained in the literature, which can account for the specific impact organizational culture will have on the implementation process of a performance management system at local government level in South Africa. Consequently, implementers of performance management systems must assess the unique characteristics of each organization's culture prior to implementation, in order to evaluate its impact that the organizational culture can have on the process.

Acknowledgements

I would like to express my sincerest appreciation to the following people who have made this research possible:

- Buffalo City Municipality, for supporting me throughout my studies.
- Bernadine Scharneck, my secretary for transcribing hours of recorded interviews and dedication to the task.
- Mr Noel Pearse, for his professional support and advice.
- All the respondents, who openly and willingly participated. Without your support, none of this would have been possible.
- My wife, Marianna for walking the walk yet once again with me.

Hopefully, in some small way this research will improve the lives of all South Africans through the effective delivery of municipal services.

Quinton W. Williams

TABLE OF CONTENTS

	Page No.
EXECUTIVE SUMMARY	2
ACKNOWLEDGEMENTS	4
CHAPTER 1: INTRODUCTION	8
1.1 Introduction	8
1.2 An overview of the Performance Management Legislation at Local Government Level	11
1.2.1 Implementation of the legislation	16
1.3 Conclusion	20
CHAPTER 2: PERFORMANCE MANAGEMENT AND CULTURE	22
2.1 Introduction	22
2.2 Defining Performance Management	24
2.3 Organizational culture, performance management and the construct of effectiveness in local government	28
2.4 Understanding Organizations	30
2.5 A definition of Organizational Culture	33
2.5.1 Understanding Organizational Culture	36
2.5.2 Understanding Organizational Effectiveness: The Quinn and Rohrbaugh Model	41
2.6 Conclusion	46
CHAPTER 3: RESEARCH METHODOLOGY	47
3.1 Introduction	47
3.2 The scientific method of knowing	48
3.3 The appropriate research design to study the impact of organizational culture	53
3.3.1 Qualitative research design: The case-study	55
3.3.2 Collecting the data	56
3.3.3 Analyzing the data	62
3.4 Ethical Consideration	64
3.5 Conclusion	66
CHAPTER 4: FINDINGS – INTRODUCING PERFORMANCE MANAGEMENT TO BUFFALO CITY MUNICIPALITY	68
4.1 Introduction	68
4.2 Implementing Performance Management	69
4.2.1 Performance management as a new concept	69
4.2.2 Performance management and the impact of the dichotomy between political and administration leadership	70
4.2.3 Performance management and the impact of the non-implementation of council resolutions	72
4.2.4 Performance management and the impact of the lack of organizational strategy	73
4.2.5 Performance management and the impact of the poor institutional arrangements	74
4.2.6 Performance management and the impact of inadequate resource allocation	75
4.2.7 Performance management as a legislative imperative	77
4.2.8 Performance management as being complex	79
4.2.9 Performance management and the impact of integration of local government	80
4.2.10 Performance management and the impact of poor delegation of powers	83
4.3 Conclusion	84

	Page No.
CHAPTER 5: FINDINGS – THE IMPACT OF CULTURE ON PERFORMANCE MANAGEMENT AT LOCAL GOVERNMENT	86
5.1 Introduction	86
5.2 The impact of the cultural assumptions on implementing performance management: the culture of fear	87
5.2.1 The municipal manager’s management style	89
5.2.2 The centralization of power and lack of consensus	91
5.2.3 Municipal amalgamation	92
5.2.4 New conditions of service	92
5.3 The consequence of this culture of fear: A policeman coming to town	93
5.4 Conclusion	94
CHAPTER 6: DISCUSSION, RECOMMENDATIONS AND CONCLUSIONS	96
6.1 Introduction	96
6.2 Discussion of findings	96
6.2.1 Organizational culture at Buffalo City Municipality	97
6.2.2 Limitations of the research	99
6.3 Recommendations	101
6.3.1 What role does the leadership play in influencing the organizational culture when implementing a performance management system at a local government level?	101
6.3.2 What is the appropriate bureaucracy for the implementation of performance management system?	102
6.4 Conclusion	105
REFERENCES	106
ANNEXURE A	115

LIST OF FIGURES

		Page No.
FIGURE 1	Municipal Scorecard	17
FIGURE 2	South African Excellence Foundation Model	19
FIGURE 3	Organizational Analysis	32
FIGURE 4	Competing Values Framework	42
FIGURE 5	Interview Questions	60

Chapter 1

Introduction

“If managers are to become the backbone of government agencies, the management information systems must become the nervous system of government agencies.”

(Altman, 1979: 32)

1.1 Introduction

Local Government in South Africa has undergone much transformation since 5 December 2000. Much of this change has been implemented to correct the imbalances, inequities and disparities within our local communities as a result of Apartheid policies. However, motivation for this change is also because National Government has realised that like other governments throughout the world, there is a need to continuously modernise all spheres of Government.

This chapter will set out the contextual background and motivation for this research. In establishing the background, the reader will be exposed to the implicit objectives contained in the new local government legislation and specifically, the legislation relevant to performance management. Further, this chapter will describe the organizational culture envisioned by this new legislation, which aims at transforming municipalities into more efficient, effective and economical spheres of government.

The development of a performance management system at local government level in South Africa is a highly structured process which is determined by various sets of legislation. To develop a comprehensive understanding of the impact that the municipal organizational culture has on the implementation of a performance management system, a review of the legislation is therefore imperative.

Parker and Bradley (2000: 130), in their analysis of public sector management, state that as a result of the “volatile economies” since the 1970’s, there has been significant

pressure on the public sector to reduce the cost of government. Barnhart, (1997: 7) in reviewing the public administration in the United States, quotes the National Performance Review which states:

Most of the personnel reductions will be concentrated in the structure of over-control and micromanagement that now bind the federal government: supervisors, staff, personnel specialists, budget analysts, procurement specialists, accountants, and auditors. The central control structures not only stifle the creativity of line managers and workers, they consume billions per year in salary, benefits and administrative costs.

Similarly, Calitz and Siebrits (2002), in analyzing South Africa, state that throughout the Americas, Europe, Asia and Africa, government reforms have entailed allowing the 'market', rather than government to dictate economic activity. The result has been a shift from the interventionist policies of the 1970's to that of the free market ideology currently prevailing. This 'market' thinking has influenced how governments go about their business with issues of government efficiency coming under particular scrutiny.

In South Africa, the Government's response since 1994 (Calitz and Siebrits, 2002) has been to re-align its economic policies in terms of Growth Employment and Redistribution (GEAR). This has required that Government becomes more efficient in the delivery and production of its services. Further, the focus has been on technical efficiency with emphasis on better or improved Government services without an increase in taxes. Calitz and Siebrits (2002) concluded that the South African Government's focus at a national level has definitely shifted from its regulatory role to that of a facilitator of growth.

The transformation has required fundamental changes in the way Local Government exercises its role, and this shift is evident in the now transparent budgeting process, efficient tax administration and implementation of performance contracts of public sector managers, to improve accountability. To achieve these objectives the following legislation has been implemented:

- Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Municipal Systems Act, 2000 (Act No. 32 of 2000)
- Municipal Finance Management Act, 2003 (Act No.56 of 2003)
- Municipal Planning and Performance Management Regulations, R 796 of 24 August 2001.
- Batho Pele White Paper (1998)
- White Paper on Local Government (1995).

In accordance with the new legislation, Buffalo City Municipality has since June of 2003 embarked on a process of institutionalizing a performance management system. However, according to the Auditor General's report of 2003/2004 (Buffalo City Municipality, 2005), the indications are that the implementation and cascading of the system to all levels within the organization has not progressed well.

In attempting to develop an understanding as to why the implementation has not progressed well, literature describing international experiences of other governments may offer some explanation. Nutt and Backoff (1993) for instance, after having reviewed international studies on the transformation of public organizations, state that factors such as political interference, scrutiny by outsiders, a shift in performance expectations and the limited authority of the leadership because of legislation, all hinder transformation efforts.

Further, Mwita (2000) has argued that inter-alia, leadership, personal, team and environmental factors influence performance in the public sector; while Buch and Rivers (2001) have shown that in a utility organization, leadership and culture are important factors impacting on performance measures. Similarly, authors such as Hofstede, Neuijen, Ohayv, and Sanders (1990), suggest that organizational culture and competing values within an organization not only play an important role in influencing the overall effectiveness of an organization, but also influence individual behaviour and their willingness to welcome and implement change. This would be true for the change processes required to support the implementation of a performance management system.

Owing to the fact that performance management at local government in South Africa is newly legislated, little published or formal research exists on how the implementation process has progressed during the first five years of the 'new' local government era. The goal of this thesis will be therefore to describe the impact that organizational culture has on the process of implementing performance management at Buffalo City Municipality by identifying and describing the key values and assumptions, which have impacted on the implementation process.

1.2 An overview of the Performance Management Legislation at Local Government level

The South African Government's response in entrenching the transformation of the public service has its beginning with the White Paper on the Transformation of the Public Service which was published on the 24 November 1995 and the Batho Pele White paper which both uphold section 195 of Act 108 of 1996. Section 195 of the Constitution states:

- (1) Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:
 - (a) A high standard of professional ethics must be promoted and maintained.
 - (b) Efficient, economic and effective use of resources must be promoted.
 - (c) Public administration must be development orientated.
 - (d) Services must be provided impartially, fairly, equitably, and without bias.
 - (e) People's needs must be responded to and the public must be encouraged to participate in policy-making.
 - (f) Public administration must be accountable.
 - (g) Transparency must be fostered by providing the public timely, accessible and accurate information.
 - (h) Good human resource management and career development practices, to maximize human potential, must be cultivated.
 - (i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

The Batho Pele White Paper values entrench a culture which values the ideal of ‘putting the people first’. These values are:

- consultation on service standards,
- the making aware of service standards,
- improving access to services,
- the treatment of citizens in a courteous manner and
- the offering of apologies when necessary,
- the offering of full and accurate information,
- employees acting in an open and transparent manner,
- while services should be offered and provided economically and efficiently.

The Batho Pele White Paper values are operationalized through the Municipal Systems Act 32: 2000 which states that the objective of institutionalizing Performance Management at local government level is to monitor, review and improve the implementation of the municipality’s Integrated Development Plan. According to section 35 of this Act, the Integrated Development Plan is the principal strategic planning instrument of the municipality, which guides and informs all of management’s planning and development activities. In section 38 of the same Act, it is stated that the Performance Management System must monitor the performance of the political office bearers, councillors and that of the administration as a whole.

According to the Department of Provincial and Local Government (DPLG Guide Pack: VI: undated), the performance management system, must inter-alia, achieve the following objectives:

- Act as an early warning signal of under-performance so as to enable the implementation of proactive and timely interventions,
- improve efficiency, effectiveness and accountability of the services delivery programs,

- promote decision-making and resource allocation,
- guide the development of municipal capacity building programs,
- create a culture of best practice and share learning among municipalities,
- and create pressure for change at various levels.

Chapter 3 of the regulations (No. R. 796 of the 24 August 2001) sets certain criteria which the municipality's performance management system must satisfy. These include inter alia:

- The nature of the performance management system
- How the performance management system should be adopted
- How the setting of key performance indicators should be done
- The listing of the seven national key performance indicators
- The reviewing of the key performance indicators
- The setting of performance targets for officials, councillors, service providers and administrative units
- The monitoring, measurement and review of performance
- The auditing of performance measures

A review of all these criteria indicates that the following important legislative requirements need to be upheld when implementing a municipal performance management system:

- A municipality must demonstrate how it is to operate and manage the performance management system from the planning phase through to the performance reporting phase. This, in municipal planning terms, is often referred to as a process plan.
- The roles and responsibilities of each of the role players, as well as that of the local community must be stated. These are delineated in the process plan.
- The process of implementing the performance management system within the framework of the Integrated Development Plan must be delineated.

- The community must be involved in setting and reviewing Key Performance Indicators.
- Indicators must be set for the development of priorities and objectives which are stated as input, output, and outcome indicators.
- Indicators must be set for all administrative units, employees, municipal entities and service providers with whom the municipality has entered a service delivery agreement.
- Indicators must be reviewed annually and reported at least twice a year to council.
- Indicators must be designed to allow the municipality to detect early under-performance.
- Indicators must also allow for corrective measures where under-performance is detected.
- The indicators must measure efficiency, effectiveness, quality and impact of the performance of the municipality and those to be measured.

Importantly, and as already stated by Calitz and Siebrits (2002), performance contracts for managers is one of the focus areas in transforming the public service. In Section 57 of the Municipal Systems Act: Act 32 of 2000, it is stated that the municipal manager (who is the head of the administration and the chief accounting officer) and those managers directly accountable to him/her, must have written employment contracts.

In the case of the municipal manager, the contract must be between the manager and the mayor, who represents the municipality; while for the rest of the managers directly reporting to the municipal manager, signed contracts must be between the incumbent and the municipal manager.

The written contract for the Section 57 managers must consist of a performance agreement with stated performance objectives and targets with indicators set from the municipality's Integrated Development Plan. In the case of the municipal manager, the

contract is for a fixed term which must not exceed two years after the election of the next council.

Further, the municipal manager's contract must make provision for cancellation of the contract for non-performance. The performance contract must also contain the values and principles as stated in section 50 of the said Act. Further, the contract must also uphold the management standards and practices of section 51 of the said Act. Lastly, the contract must reflect the values as stated in the Code of Conduct contained in Schedule 2 of the said Act.

Section 50 of the said Act upholds section 195 of the Constitution of the Republic of South Africa. In essence, section 195 is reiterated by the values of Batho Pele as stated in the Batho Pele White Paper (1997). This according to the Department of Provincial and Local Government (undated) forms the basis for the performance management system. In Section 50 of Act 32 of 2000 the emphasis is on maintaining a high standard of professional ethics, the making of the public administration accountable and the efficient, effective and economical use of resources. The emphasis of section 51 of Act 32 of 2000 is to again re-emphasize the development of a culture of accountability and the aligning and organising of the administration in such a manner that it is flexible and responsive to the needs of the community.

Importantly, in this section it is clearly stated that the municipal manager is accountable for the overall performance of the administration. Section 51 of the said Act also requires the administration to be performance orientated so as to uphold the objectives of local government as stated in sections 152 and 153 of the Constitution.

The Municipal Finance Management Act: Act 56 of 2003, states that the municipality must also implement a service delivery and budget implementation plan, which according to Chapter One of the said Act is:

...a detailed plan approved by the mayor of a municipality in terms of section 53 (1)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate –
(b) service delivery targets and performance indicators for each quarter...

Further, section 53 (c)(iii) of Act 56 of 2003 states that the performance agreements of the Section 57's must be linked to measurable performance objectives approved with the budget and service delivery and budget implementation plan. It is apparent that this section of legislation monitors the quantum of the strategic intent (namely the Integrated Development Plan) and through the service delivery and budget implementation plan, Section 57's are being held accountable for the performance against the plan which is monitored through the performance management system.

In conclusion, performance management is a relatively new concept for local government in South Africa. The current legislation prescribing the implementation of performance management has as one of its objectives the need to transform the organizational culture of local government to support the principles and values as contained in the Batho Pele White Paper. The important values that the legislation is striving to implement include inter-alia, the sharing of information, transparency, consulting broadly with stakeholders within the municipal area, holding government and those working for government accountable, improving government flexibility and responsiveness, and ultimately, general improvement in the levels of professionalism.

Lastly, and importantly, National Government, which strives to ensure political stability throughout South Africa, is appreciative of the fact that community consultation is a cornerstone of effective communication. Hence, unlike in the private sector, the community is encouraged to set and review the key performance indicators of the municipality.

1.2.1 Implementation of the legislation

Amathole District Municipality (of which Buffalo City Municipality forms part) is responsible for ensuring that performance management systems are developed in its

district or area of jurisdiction. To facilitate this process, a guide has been published entitled *Guidelines for Development of Municipal Scorecards*. This guide stipulates that the municipalities within the Amathole district should attempt to develop an institutional scorecard covering the four core areas or ‘performance perspectives’ (2003: 3) as depicted in Figure 1.

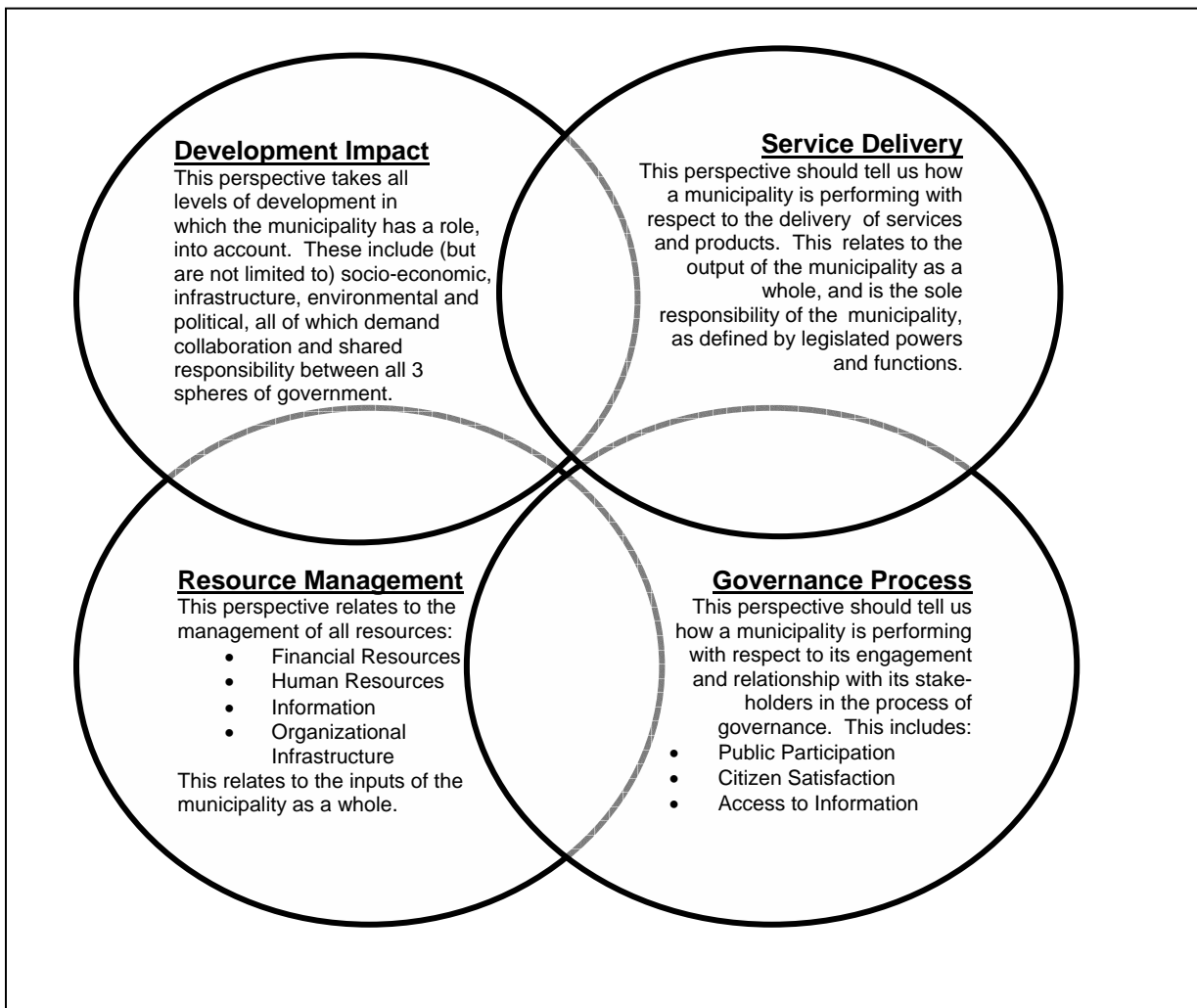


Figure 1: Municipal Scorecard

(adapted from Amathole Guidelines for Development of Municipal Scorecards, 2003: 3).

From the Figure 1, it is evident that the four core outcomes for the Amathole district, to which Buffalo City Municipality should align itself, are: Development impact, Service delivery, Resource management and Governance processes. Buffalo City Municipality, in

developing its own performance management system, tabled at the Mayoral Committee on the 21 October 2003, a Performance Management Process Plan (MC 1056/03). In this report, it was recommended to the committee that:

- That the Municipality align itself to the South African Excellence Foundation
- That the Municipality adopt the Performance Management Framework to guide the City with the preparation and implementation of an Institutional and Individual Performance Management System.

The Performance Management Process Plan was formally adopted on the 25 November 2003 by Council (MC: 1056/3: 164) and the report from the Mayoral Committee to Council is attached as Annexure A. In essence, the Process Plan adopted, gave a 17 phase approach to implementing the performance management system. It identified internal and external stakeholders as well as roles and responsibilities.

In the first year of development, it was anticipated that by the end of June 2004, an Institutional Scorecard, Directors (Section 57's) and their departmental scorecards would be completed. It was recommended that during this phase, only the Institution, the Executive Mayor, the Mayoral councillors, the Municipal Manager and his Section 57's be measured, monitored and audited. The reasoning behind this motivation was to ensure that the system was workable in the first year and to amend it where necessary before cascading the system throughout the Municipality.

Buffalo City Municipality's Integrated Development Plan (BCM: Integrated Development Plan: 2004/5) states that the model, against which at an institutional level the Performance Management System has been benchmarked, is the South African Excellence Foundation Model. The required input and process indicators have been grouped into the enabler's component, while the output and outcome indicators have been grouped into the result component as depicted in Figure 2.

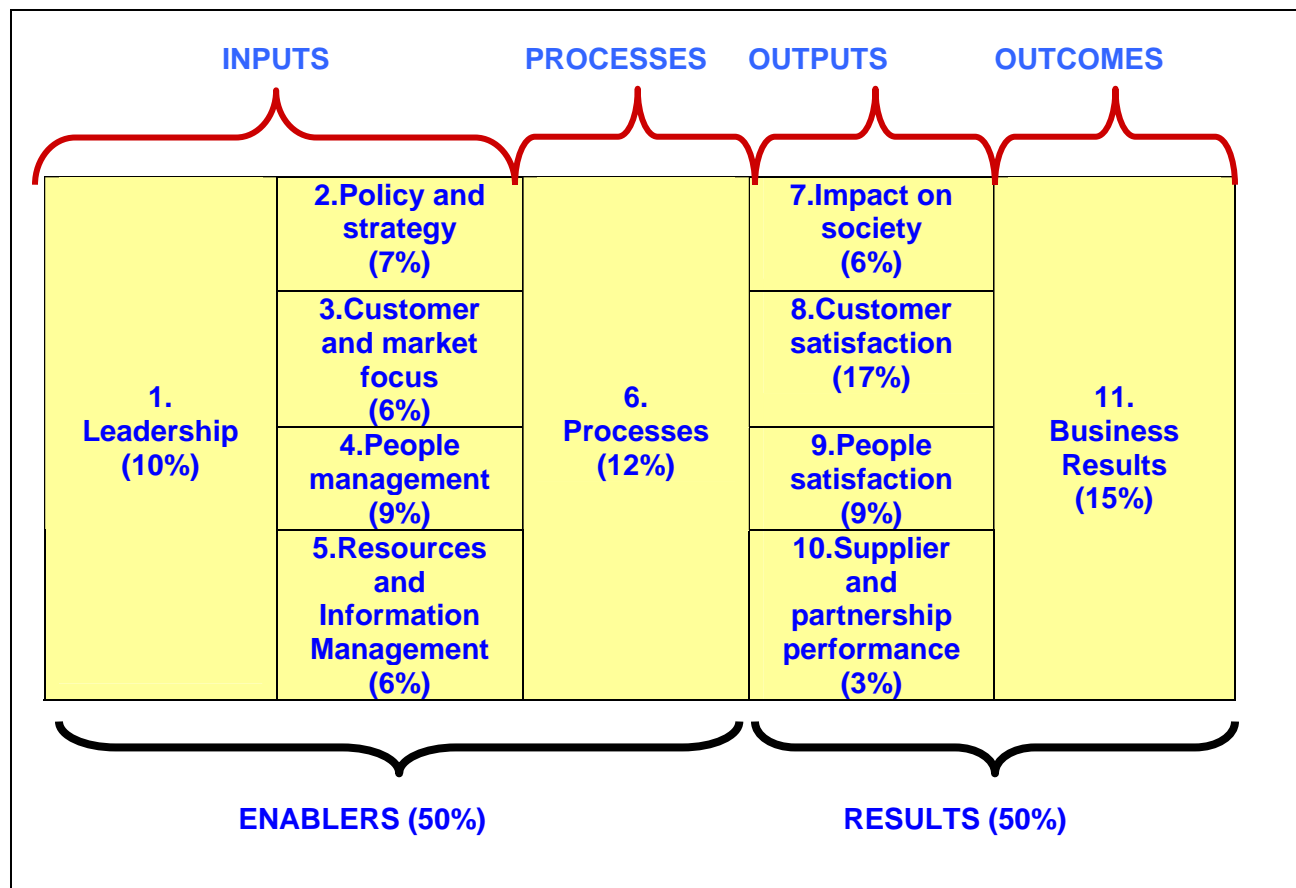


Figure 2: South African Excellence Foundation Model

(Adapted from South African Excellence Model: 1999)

As reported earlier, the implementation of performance management and the associated transformation efforts at Buffalo City Municipality have not progressed well. According to Buffalo City Municipality’s own internal audit of the performance management system, for the year 1 July 2004 to 30 June 2005 (Unpublished, 2005) the following factors amongst others; have been identified as reasons for the slow progress:

- There appears to be a divided and unclear understanding of what the objectives of performance management are, namely, a tool to pay bonuses versus a tool for continuous improvement.
- There is no evidence of how management or council have deliberated the South African Excellence Foundation Assessment.

- Roles and responsibilities have not been clarified.
- No change management process accompanying the performance management process has been instituted.
- The performance management system provides a platform to improve the culture of performance, but the implementation appears to be lacking.
- No quarterly reviews were performed.
- There is a “lack of understanding by management of the fact that the performance management system is about changing organizational culture, identifying training needs and making sure the strategy is working.” (2005, 4).
- The report also concludes that there must be a review of the extent to which council directives have been complied with, indicating the possibility that not all Council resolutions pertaining to performance management were implemented.

It is clear from the above evidence that organizational culture has an impact on the implementation performance management system and this in turn creates challenges to truly transform Buffalo City Municipality. At a local government level in South Africa, the challenges are exacerbated by the fact that for the first time in local government’s history, there now exists contract employees commonly referred to as Section 57’s. Further, the challenge, as well as the expectation, is that performance management will amongst many other management practices, serve to entrench this new democracy by holding local government accountable.

1.3 Conclusion

The implementation of a performance management system for Buffalo City Municipality has not progressed well and it would appear that senior management (Section 57’s) have not as yet been successful in entrenching performance management and making it part of the organizations daily management practices.

The implementation of a performance management system at a local government level in South Africa is inter-alia about transforming the culture of the organization. The objective of transforming the organizational culture is to create a more efficient and effective sphere of government, which is responsive to the needs of the community served.

This chapter has argued that to effectively implement a performance management system at a local government level, an understanding of the influence that organizational culture has on the implementation process, must be developed. This research is therefore an attempt to develop an understanding of the organizational culture of Buffalo City Municipality and the impact that the organizational culture has on the implementation process.

Chapter 2

Performance Management and Culture

“When placed in the same system, people, however different, tend to produce similar results”.

(Senge, 1990: 44)

2.1 Introduction

Wilkins and Ouchi (1983) state that although many economists and organizational theorists believe culture to be irrelevant to organizational performance, organizational performance cannot be fully understood without the comprehension of the culture. As Denison and Mishra (1995: 204) state:

The relationship between the culture and functioning of social organizations has been a recurring theme in the social sciences for over 50 years...but with few exceptions little attention has been given to the issue of organizational culture and effectiveness.

Further, Parker and Bradley (2000: 125) state that:

From a management perspective, a lack of understanding of organizational culture in the public sector is of concern because research on organizational culture is central to the change process and to the attainment of strategic objectives.... There is further argument that organizational strategies designed to achieve new forms of public management need to be developed with an awareness of existing organizational culture within public sector organizations.

The conclusion drawn is that if performance management is to ensure that the strategic objectives of the municipality are to be attained and that there is to be a change in the culture of local government, a sound understanding of culture and more specifically organizational culture must be developed. This argument is supported by Medonca and Kanungo (1996) who state that when implementing a performance management system, it is necessary to address the cultural beliefs, values and norms to identify issues which can either hinder or facilitate the implementation process. Further, Medonca and

Kanungo (1996: 71) state that to successfully implement a performance management system, the organizational interventions must “ensure a culture fit...and Organizations should consider a systemic approach to remove cultural constraints and build on those cultural beliefs and values which have the potential to enhance the effectiveness of management practices.”

Therefore, by taking cognizance the works of Wilkens and Ouchi (1983), Denison and Mishra (1995), Medonca and Kanungo (1996) Parker and Bradley (2000), it can be concluded that if a complete understanding of performance management and its resultant outcome of organizational effectiveness is to be developed, the impact that organizational culture has on the implementation of performance management at a local government level must be understood.

This chapter will explore the relationship between performance management and organizational culture and the impact that organizational culture has on the implementation of a performance management system. The emphasis is on understanding what performance management represents in terms of the organizational culture at a local government level. Further, the purpose is to develop a clear understanding of how a culture of best practice, appropriate to local government in South Africa, can be developed.

The underlying assumption is that performance management and the striving for an ideal culture is an iterative process. However, in striving for the development of a culture of best practice, it is important to have a thorough understanding of the organizational culture prior to the implementation of the performance management system. In developing a clear understanding of the impact that organizational culture has on performance management, this chapter will focus on:

- Defining performance management.
- Defining culture and more specifically defining what is meant by organizational culture, as well as the various dimensions that constitute the definition of culture.

- Discussing the impact of organizational culture on performance and the impact it has on the implementation process of a performance management system.

To develop a thorough understanding of how a performance management system can potentially improve the effectiveness of local government as well as create a culture of best practice, an in depth understanding of organizational culture, effectiveness and the role of performance management therein will be developed. This chapter will serve to develop such an understanding.

2.2 Defining Performance Management

According to Williams (2002), defining performance management is a difficult task. However he states that generally there are three main perspectives on the topic; namely:

- performance management is a system devised to manage employees,
- it is a system to manage the organization and
- lastly, it is a system to manage the integration of the former two.

Ultimately, his definition of performance management places emphasis on the fact that it is a system that ensures organizational performance through the alignment and integration of all the organizational actions such as the vision, mission, values and culture of the organization. The National Department of Provincial and Local Government's (undated: 3) definition of performance management is more expansive and in the introduction to performance management it is stated that:

Broadly, performance management is a strategic approach to management, which equips leaders, managers, workers, and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets for efficiency, effectiveness and impact.

De Waal (2002) in a similar fashion emphasizes the strategic nature of performance management and defines it as:

...the process that enables an organization to deliver a predictable contribution to sustained value creation. A world-class performance management process consists of excellent strategy development, budgeting/target setting, performance measurement, performance review, and incentive compensation sub-processes.

Thus, the management principle underpinning performance management is that performance management is a management 'tool' that integrates the business operations with the strategic intent of the organization. The success of any organization is said to depend on its ability to execute its functions against its strategies and as Flapper, Fortuin and Stoop (1996: 27) argue, strategies within the organization must ensure that "all noses are pointing in the same direction", and that every person within the organization is contributing to the organizations objectives via their daily activities in support of measurements as contained within the performance management system.

A measure then of how effectively a performance management system has been implemented is the degree to which synergies in organizational performance are achieved because all employees are working towards the same objective or goal.

At a local government level, this entails that all programs, efforts and service delivery activities are aligned and integrated to the municipal strategic intent as contained in the Integrated Development Plan. The performance management system according to the Municipal Systems Act: Act 32 of 2000 must achieve the above objective. However, as Altman (1979) states, as far back as the nineteen-seventies, students and practitioners have come to realize that the developing of policy and the implementation of these policies are two separate processes with the implementation of the various policies often failing because of weaknesses in the management processes.

Altman (1979) argues that implementation of government programs often fails because of weak management technology, poor information systems and importantly, poor control or monitoring mechanisms. Altman's (1979) model on performance monitoring is based on what has already been referred to in this chapter as the Batho Pele principles with the focus on efficiency and effectiveness. Altman's (1979) contention is that for an improvement in the implementation of government policies to occur, clearly defined

goals aligned to the broader objectives would need to be stipulated. The measuring of performance against these goals would need to be monitored to hold administrators accountable while allowing for corrective action to be taken on an incremental basis where necessary.

Similarly, Radnor and McGuire (2004) argue that to transform the public service, the performance management system should focus on reinforcing accountability so that the outcome is the efficient, effective and economical use of resources. They go on to state that an integrated performance management system should be able to do more than measure what has happened in the past. It should also ensure effective teamwork, create a shared vision, facilitate improved employee involvement, and enhance multi-competence in employees, which in a proactive manner, improves the performance of the organization.

Further, Radnor and McGuire (2004: 47) state that a performance management system can be classified into four main groups depending upon the variables that one wishes to measure, influence or control. The four classifications are the “belief systems” which pertain to issues of vision, “boundary system” which surrounds issues of internal controls, the “diagnostic control system”, which looks at monitoring budgets and the “interactive control systems”, which focuses on project planning.

Although it could be argued that performance management at local government level as prescribed by the legislation is intended to cover all four categories, a review of the legislation on performance management as discussed in Chapter 1 indicates that there is more of an emphasis on “belief systems” and “diagnostic control”. However, as Radnor and McGuire (2004) maintain, a successful performance management system should attempt to cover all four groups.

Importantly, they state that when introducing a performance management system, it is often viewed as increasing overheads as well as diverting resources away from frontline services. Further, Radnor and McGuire (2004) caution that a performance management system may in the beginning tend to measure the wrong things or objectives and as the

performance management system evolves, it tends to measure too many indicators. This, they argue, leads to information overload for those who have to implement the system.

Noe, Hollenbeck, Gerhart and Wright (2000) state that a highly committed work force is the source of an organization's sustainable competitive advantage. Further, the state (Noe, Hollenbeck et al.: 200) that a well-designed and developed performance management system can ensure worker commitment to the organization's goals. According to Hendry and Pettigrew (1992), a performance management system will only be able to achieve the above if the organization also implements a sound job analysis and design procedure, effective recruitment policy, good training and development programs, competitive pay structure and incentives, with good labour and employee relations. All these coupled with a well-developed performance management system helps to ensure a culture of effectiveness.

According to Jackson and Schuler (2003), to ensure that the organization is on the correct path of success, it needs to benchmark its performance against accepted best practices. In terms of performance management, a 'scorecard' assists in benchmarking performance and as a 'snapshot' of performance it should contain criteria, acceptable as a valid measure of performance.

A balanced scorecard as part of management system enables the organization to clarify its vision and strategy by evaluating customer satisfaction, supplier's performance, processes adopted, technology employed and innovative actions taken and gauging performance against actions taken. According to Kaplan and Norton (1996), the balanced scorecard must provide feedback on both internal business processes and external outcomes or results if strategic performance and results are to be achieved. Ultimately, once the scorecard has been refined, it becomes the 'nerve center' or dashboard of the organization's overall performance.

Although a performance management system does hold benefits for a municipality through ensuring better planning and decision making, improved utilization of resources, increased commitment from employees, and finally the development of a culture of best

practice, the implementation of such a performance management system is fraught with difficulties. This thesis will provide an understanding of some of these difficulties.

2.3 Organizational culture, performance management and the construct of effectiveness in local government

Kroukamp (2001), states that the South African Government's challenge is to improve the quality of life for all which has meant that the Government has had to focus on meeting the basic needs of all its citizens while reducing government consumption. Transforming service delivery in South Africa as discussed in Chapter 1 has in part been achieved through new legislation pertaining to performance management, which strives to improve the effectiveness of local government by ensuring increased professionalism, rationalisation, restructuring and affirmative action.

It would appear that Buffalo City Municipality is not an isolated case in experiencing difficulties with implementing a performance management system. In a review undertaken by PriceWaterhouseCoopers (2003:6), of eThekweni Municipality's (Durban) performance management system, they state that:

In comparison to best practice cases where PMS has evolved over 10 to 15 years the South African municipalities must, due to legislative requirements, establish a system in a relatively short time. Due to the rushed process it is a challenge to ensure the quality of indicators, baselines, targets, means of verification, and the data systems required to support these.

Further, the report states that the emphasis worldwide within the public sector over the past fifteen years has been to shift the focus away from merely measuring how busy government has been. The focus is now on the overall impact the actions of government has had on society, with emphasis on the managing of results.

In comparing Johannesburg and Cape Town's performance management system (PriceWaterhouseCoopers, 2003) to that of eThekweni, it was stated that because Johannesburg lacked baseline information, it was difficult to determine clear standards

or targets and because of the absence of mechanisms to measure, certain indicators were left out. In Cape Town, the report stated that the most significant challenge was to obtain buy-in from the staff. Further, the report lists some of the typical ‘pains’ that municipalities go through in South Africa when implementing performance management systems. These ‘pains’ include inter-alia:

- preparing the organization for change and getting all on board to understand why performance management is necessary,
- to remove the perception that performance management is a mechanism to get rid of people within the system,
- the concern that salaries and bonuses will be negatively affected,
- the difficulty of embedding performance management into the management processes.

It is thus evident, that although municipalities in South Africa are striving to achieve the stated objectives of performance management as stipulated by legislation, the process of a fully functional system is a lengthy and difficult process. Further, it is evident that for a performance management system to be fully functional, it has to be accepted by the staff of the municipality and the senior leadership must take responsibility for embedding the system into the management systems of the organization. Only once top management have embedded the performance management system into the overall management system will a cycle of continuous improvement be entrenched into the organizational culture.

The White Paper on the Transformation of the Public Service (1997:3) describes the public service as being “immensely centralised, hierarchical and rule-bound”, which makes it all quite difficult to hold individuals accountable. Further, because of the inward-looking, inflexible attitude of the public service, the service is thus “at odds” in the servicing of the people. Therefore, for a performance management system to be effective in improving the total effectiveness of local government, it would appear that the system would need to drive local government out of its bureaucratic culture and allow for the development of a more effective organizational culture.

2.4 Understanding Organizations

In studying the impact of culture on the implementation of a performance management system, the question raised is how best can this be undertaken? A further important question is: How can one in a fairly systematic and rigorous manner come to *know* the role that culture plays in organizations? According to Gharajedaghi and Ackoff (1984: 289), “To think about anything requires an image or concept of it, a model”. Hence, to understand an organization requires that some model is used to structure the thought surrounding the subject. The first step to developing an understanding of an organization therefore begins with the manner in which the researcher thinks about the phenomenon under study.

Johannessen (1998), by drawing on the works of Bateson (1972), offers a possible way to develop an understanding of organizations – namely to view organizations as ‘social systems’. The model of social systems in the context of this thesis is a useful map to understanding the relationship between organizational culture and performance management. Systemic thinking as described by Johannessen (1998) states that to understand a phenomenon or system, the system, as well as its sub-system, must be viewed in its context, and that the key question to understanding any phenomenon is to look for patterns and interconnections between the parts.

Johannessen (1998: 360) states that in studying a social system, there are four systems which can be viewed, namely, “the biological, the cultural, the economic and the political” and that it is these values that constitute the “media” or expression of the cultural sub-system. Therefore, to fully understand the impact organizational culture has on the implementation of performance management at local government, the values of the organizational culture need to be made overt or explicit. The focus of this study is then to understand the cultural system of a specific type of organization, namely Buffalo City Municipality by describing the values of the organization that may impact on the implementation of the performance management system.

Ackoff and Gharajedaghi state (1996) that to understand any system, the system must be understood as a whole as the parts lose their essential properties when separated from the whole. The parts of the system are interdependent and the performance of a system is not the sum of the independent performances of its parts, but rather, performance is a product of the interactions between the interdependent parts.

Hence, to understand an organization fully requires that the researcher study all of its sub-systems. If all the sub-systems cannot be explicitly studied, the interconnections and interdependence of the parts must at least be described. Therefore, when studying an organization's cultural system and the impact that this system has on the performance management system, the interconnections and the interdependent relationships must be understood or at least, described.

To understand or manage organizational behaviour, Nadler and Tushman (1983: 112) state that managers are required to understand and predict behaviour of individuals, groups and the organization as a whole. To accomplish this, they state (Nadler and Tushman) that a diagnostic model (figure: 3) based on "social systemic thinking" assists the understanding of organizational behaviour. The model requires one to study the inputs, transformation processes, outputs and feedback loop, and that organization must be viewed as a "dynamic" and "open social system".

Lastly, the model states that the organization is responsible for transforming the inputs and to understand how effective the organization is in transforming these inputs, the congruence or 'fit' (Nadler and Tushman, 1983: 113) between the organizational components must be understood. The "fit" between the organizational components exist between the tasks, the individuals, the formal organizational arrangements and the informal organization.

Both the formal and informal organizations are said to possess definite and distinct characteristics. The formal organization has the characteristics of organizational design, the structure of its units, issues of coordination and control, job design, work environment, and human resource management systems, whilst the informal organization

relates to the issues of structure, processes and relationships. The critical features of the informal organization are said to be inter and intra group behaviour, leader behaviour, informal working relationships, communication and patterns of influence. Lastly, Nadler and Tushman (1983) state that all social systems will strive for equilibrium, a balance, as the system adapts to the changes which have impacted on the total system.

This then implies that when attempting to develop an understanding of an organization, it is probably best understood as a system, a social system that receives input from the external environment. It then processes these inputs and in turn produces outputs. The system is not static, but always in a dynamic flux and the feedback loops within the system ensure that constant re-adjustment is made so that a state of equilibrium is reached. Further, any understanding of a system or process within a greater system can at best only be understood momentarily, but to be fully understood, the connections and interconnections as well as their impact must be observed.

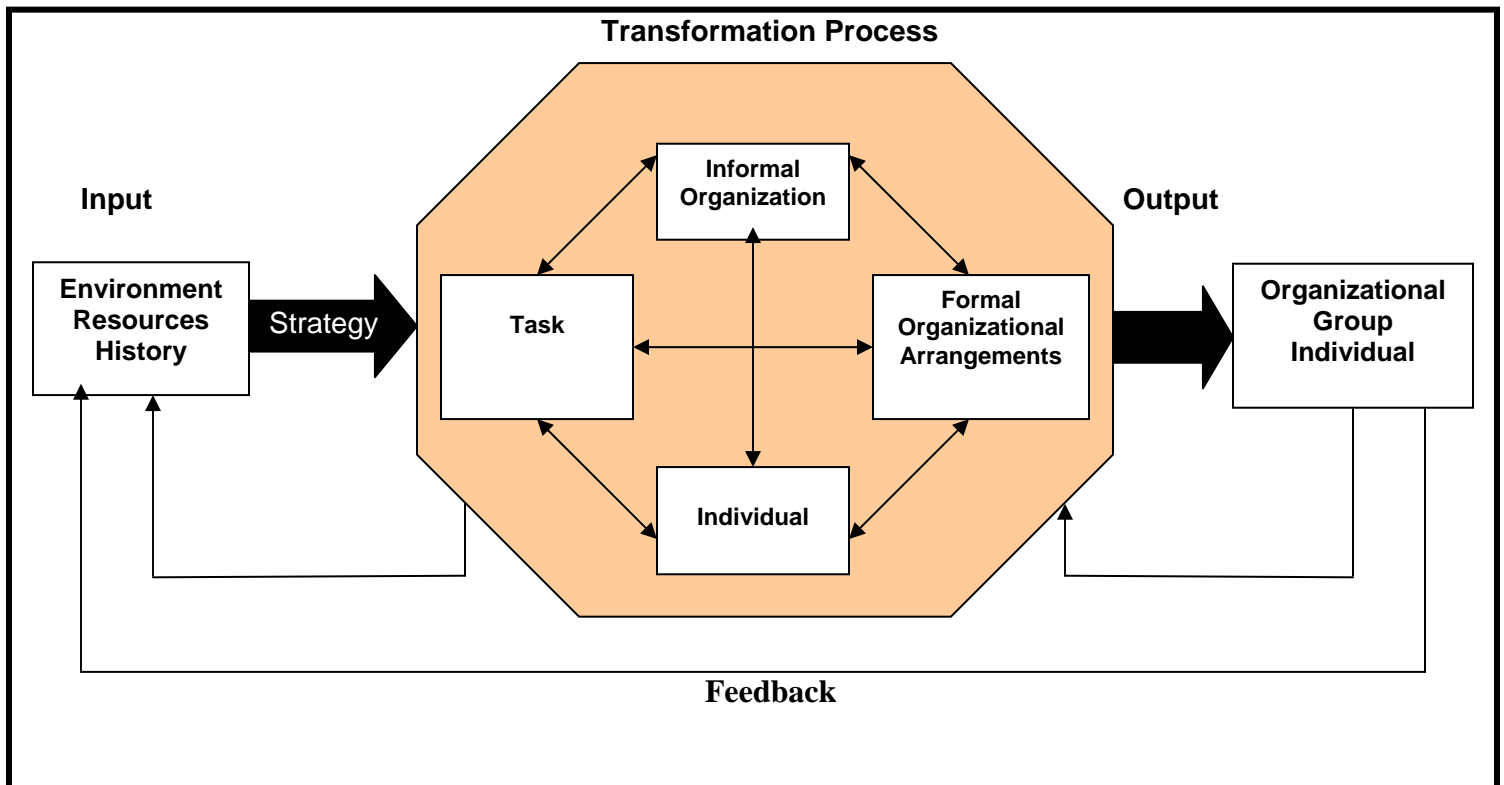


Figure 3: Organizational Analysis
 (Adapted from Nadler and Tushman, 1983: 121)

In conclusion, to understand organizations, and more specifically organizational behaviour, a model is required. This section has suggested that for an organization to be understood, a social systems model based on systems theory would provide a useful map. To fully comprehend the functioning of an organization, the 'fit' between the organizational components or sub-systems must be understood. Further, a social system such as an organization can be understood by describing the culture of the organization or the culture of the sub-components such as the culture of informal organization.

Lastly, to understand the culture of any sub-component, the values of this component should be described. Therefore, to understand the impact organizational culture has on the implementation of a performance management system at Buffalo City Municipality, the values of the informal organization must be described. This thesis is an attempt to describe these values so as to ensure that in future, when implementing a performance management system at a local government level, the 'fit' between the values of the informal organization and those of the performance management system are ensured.

2.5 A definition of Organizational Culture

According to Marcoulides and Heck (1993), organizational culture is a relatively new concept and to fully understand an organization's performance in relation to its organizational culture, it is imperative to begin with a broad understanding of the *concept* of culture. Once a thorough understanding of culture has been developed, a more precise understanding of organizational culture and its impact on performance can evolve. Culture, as argued by anthropologists such as Kottak (1982) is necessary for human existence.

In defining culture, Kottak (1982: 5) states that:

Humans are animals with a difference and that difference is culture, a major reason for our adaptability and success. Human groups are equipped with cultural adaptive kits – containing customary tasks and activities and tools – that enable them to wrest a living from their

environment. The cultural adaptive apparatus also consists of its ideology – that is, ideas about how things should be done and what things should be done in every day life.

In a broad sense, the importance of culture to effective human existence is that it assists people to adjust and adapt to their environment in a set or specific manner. Part of this adjustment may be observed in the actual manipulation of the environment, while an equally important component is the manner in which people believe and think about their environment. As Hofstede and Peterson (cited in Ashkanasay, Wilderom and Peterson, 2000: 402) states, culture is the “collective programming” of the mind. Simply put, culture influences how we think, feel and behave.

Culture then, in any setting, whether societal, organizational or in general, assists human beings to adapt and manipulate both their internal and external environment at both a conscious and unconscious level. Although Hofstede et al. (1990) state that the literature often uses the term organizational culture, interchangeably with terms such as, organizational climate and corporate culture, Schein (1984: 3) states that:

Organizational culture is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to problems.

Schein’s (1984) definition emphasizes a number of important aspects of organizational culture with the most important to this study being the emphasis on culture as a pattern of basic assumptions, which also comprise unconscious values. The definition also emphasizes how organizational culture assists an organization to adjust or adapt to both the external environment, while concurrently ensuring internal integration. In doing so, it tells the employees how to perceive, think and feel when faced with new problems.

A review of the literature indicates (Lamond, 2003, Denison and Mishra, 1995, Schein, 1984, Wilkens and Ouchi, 1983, Pettigrew, 1979) that there are varying definitions of organizational culture. While Wilkens and Ouchi (1983: 469) state that organizational

performance cannot “adequately” or “accurately” be understood without a comprehension of the concept of culture. Further, Lamond (2003), Denison and Mishra (1995) state that culture is one of the most powerful and stable forces operating within organizations and is pivotal to organizational success and effectiveness. Therefore, to fully comprehend or understand any organization, a thorough understanding or description the culture of that organization is necessary.

Authors such as Hofstede et al. (1990), suggest that the organizational culture not only plays an important role in influencing the overall effectiveness of an organization but also influences individual behaviour and the willingness of these individuals to welcome and implement change. This is supported by writers such as Sørensen (2002) who claim that research demonstrates that corporate culture can improve a firm’s performance because it ensures internal behavioural consistency among the employees. The organizational culture ensures that there are strong norms and values, which lead to enhanced co-ordination and control with improved goal alignment between individuals as well as consistent performance within the organization.

Sørensen (2002: 70) accepting that organizational culture means, “a system of shared values (that define what is important) and norms that define appropriate attitudes and behaviours for organizational member’s”, emphasizes the role that culture plays in integrating individual and organizational behaviour. Organizational culture therefore has the capacity to regulate behaviour in both an adaptive and stabilising manner and defines in many instances how people in an organization respond and perform to challenges. Sørensen’s (2002) definition of culture within an organization is clearly seen as that factor which ensures consistent behaviour among employees and the performance of the organization.

Authors such as Schein, (1984), Denison and Mishra, (1995), Sørensen (2002) and Lamond, (2003) emphasize the adaptive capacity of the organizational culture through its ability to direct the organization’s response to both the internal and external environment. Pool (2000: 33) emphasises how organizational culture serves as the foundation for an

“organization’s management system” which specifies to all the members of the organization the expected approach to work. Pool (2000: 33) goes on to state that the expectations and norms of a culture “represent strategies for survival that worked well in the past and members believe will work again in the future”.

Therefore, culture and more specifically organizational culture integrates a variety of factors and thereby regulates the ‘what?’ and ‘how?’ questions of what is to be done or undertaken by an organization. The organizational culture therefore not only influences an organization’s strategic response to imposing challenges, but also forms the basis upon which management sets its actions and expectations required from the employees.

However, Parker and Bradley (2000: 127) argue that culture does not always act in an integrating manner as suggested by some researchers, but may also differentiate groupings, leading to a lack of integration and homogeneity. This phenomenon will be discussed in more detail in the following section.

To conclude, culture as a sub-system of an organization serves to influence how the employees adapt to the demands of the environment. The organizational culture and the values and ideology held true by that organization influences the way employees think, feel and behave. Organizational culture also has the capacity to integrate or differentiate individuals or groupings within an organization.

2.5.1 Understanding Organizational Culture

Schein (1990: 112)) states that there are three levels at which organizational culture is manifested. These are at the level of the most visible, namely artifacts and creations, (such as the dress code, company records, statements of philosophy, annual reports), then the level of values, (namely the espoused norms, ideologies and charters) and lastly, assumptions (namely thought processes, feelings and behaviour). Further, Schein (1984: 4) states that the artifacts and creations are “visible, but often not decipherable”, while

“assumptions are the taken for granted, invisible and preconscious values of the organizational culture”. Thus the values of an organizational can be divided into:

...(1)ultimate, non-debatable, taken-for-granted values, for which the term assumptions is more appropriate; and (2) debatable overt espoused values, for which the term values is more applicable.

Importantly, Schein (1984: 3) states that:

To really understand a culture and to ascertain more completely the group's values and overt behaviour, it is imperative to delve into the underlying assumptions, which are typically unconscious but which actually determine how group members perceive, think and feel. Such assumptions are themselves learned responses that originated as espoused values.

Therefore, according to Schein (1984), organizational culture can only be fully understood if both the observable and unobservable aspects of the culture are studied. Further, to fully understand an organizational culture, both the conscious and unconscious responses of the individuals need to be analyzed and the pre-conscious values made explicit.

However, a review of the literature indicates that not all researchers support Schein's approach. Parker and Bradley (2000) for example, state that because it is so difficult to access or interpret assumptions and artifacts, it is better to emphasize the values which are more accessible than assumptions and more reliable than artifacts. They therefore suggest that when researching organizational culture, the focus should be at the level of values.

Deshpande and Parasuraman's (2001) definition and understanding of organizational culture however supports Schein's approach and argues that the researcher should focus on those factors which are not directly observable and need to be understood. Deshpande

and Parasuraman (2001: 31) state that:

Organizational culture refers to the unwritten, often unconscious message that fills in the gaps between what is formally decreed and what actually takes place; it involves shared philosophies, ideologies, values, beliefs, expectations and norms.

Further, Hofstede et al. (1990: 291) argue that although there are many different aspects to culture, ultimately all cultures can be understood according to four categories, namely “symbols, heroes, rituals and values”. Symbols are categorised into “words, gestures, pictures or objects” that represent a particular meaning within that culture. Heroes are said to be people “alive or dead, real or imaginary, who possess characteristics highly prized in a culture and who thus serve as models of behaviour”. Rituals are said to be “collective activities” that technically are superfluous, but essential to the culture. Values, are said to be at the core of culture and are driven by feelings and in themselves cannot be observed, yet do influence behaviour.

Therefore, it can be concluded that any understanding of organizational culture requires an investigation or interpretation of conscious and unconscious thoughts, feelings and beliefs. Espoused values are easier to access. However, assumptions, which contain the taken for granted or unconscious values, are important to elicit, as they determine how members of the organization perceive, think and feel.

Lastly, symbols, heroes and rituals are said to constitute practices, which according to Hofstede et al. (1990) have been empirically shown to give rise to six dimensions of organizational culture, namely:

- **Process orientated** versus **results orientated** cultures, which can be distinguished by technical and bureaucratic routines versus the concern for the outcome.

- A **job orientated culture** versus an **employee-orientated culture** characterised by a responsibility for job performance versus a responsibility for the members' well-being.
- **Professional** versus **parochial cultures** which is characterised by members either identifying with their profession or identifying with the organization.
- **Open-system** versus **closed-system culture** characterised by the level or degree of openness or closedness to internal and external communication and the ease with which outsiders and newcomers are admitted into the organization.
- **Tightly controlled** versus **loosely controlled culture** characterised by the degree of formal and punctuality versus the informal and casual approach.
- **Pragmatic** versus **normative cultures** which are characterised by the flexible versus rigid ways of dealing with the environment and in particular, the customer.

Further, in comparing national cultures to that of organizational cultures, Hofstede et al. (1990), states that these are five dimensions based on a continuum on which one can explore or understand how a culture functions. These are:

- **High power distance** versus **low power distance**. In a high power distance culture, key factors inter-alia are such that authority cannot be challenged, hierarchy is seen as necessary and beneficial, management style is too autocratic and close supervision is expected. A low power distance culture is characterised by authority being questioned, hierarchy is minimised, and the management style is consultative and participative.
- **Individualistic** versus **collectivist cultures**. In an individualistic culture, the values of independence and privacy, where the management style is often directive with rewards and punishment, is linked to individual achievement. In an individualistic culture, management's job is to ensure that the individual and employer's interests coincide. In a collectivist culture, loyalty to the group is important, and the management style is seen as participative, and an employee is not dismissed for poor performance. The organization is seen as a family.

- **High uncertainty avoidance** versus **low uncertainty avoidance** with the focus on the means used to adapt and cope with uncertainties. In a low uncertainty avoidance culture, there is a minimisation of rules and rituals that govern interaction, dissent is encouraged, and openness to change and conflict is regarded as normal. In high uncertainty avoidance, dissent is not tolerated, there is a resistance to change, stability is valued and conflict is not regarded as natural.
- **Masculine/achievement** culture versus **feminine/nurturing** culture. In an achievement orientated culture, ambition is seen as important and people are judged on the basis of their performance. The management style is more achievement orientated where those who perform are praised and rewarded. In a nurturing orientated culture, emphasis is placed on the importance of life choices and the improvement in the quality of life. The management style is more consultative and participative in nature.
- **Long-term** versus **short-term** orientation where a long-term orientation is characterised by the sparing use of resources and value is attached to future rewards. Traditions are adapted and modernised as required. The short-term orientation is characterised by respect for tradition and the fulfilment of social obligations.

It is thus evident that when attempting to understand the construct of organizational culture and in analyzing its various components, it is important to acknowledge both the quantifiable and observable, whilst also taking into account those components not quantifiable or directly observable and are informal and inferred. Similarly, Marcoulides and Heck (1993: 209) state that research has demonstrated that an organization with a “strong culture” exhibited by a “well integrated and effective set of values, beliefs, and behaviour patterns...” does perform at higher levels of productivity.

Although Lamond (2003) and Denison and Mishra (1995), argue that culture is one of the most powerful and stable forces operating within organizations and is pivotal to organizational success and effectiveness, Mwita (2000) argues that leadership, personal, team and environmental factors are also important criteria influencing performance in the public sector. Lastly, Buch and Rivers (2001) have shown that within a utility

organization, leadership and culture are important factors impacting on performance measures.

2.5.2 Understanding organizational effectiveness: The Quinn and Rohrbaugh Model

To describe or understand the impact that organizational culture has on the implementation of performance management at a local government level, a framework is required to assess its degree of effectiveness. The question often may arise: how effective have we been in implementing a performance management system or how does the organizational culture impact on the effectiveness of the performance management system?

In understanding organizational culture, a number of typologies exist which assist in describing the culture. Depending on the theoretical underpinnings (as already presented by Schein (1983), or Hofstede (1990)), particular emphasis will be placed on certain criteria along the continuums' by the respective researchers.

According to Quinn and Rohrbaugh (1983), understanding organizational culture and the construct of effectiveness becomes a difficult task because of the varying definitions and criteria which constitute effectiveness. They argue that effectiveness is not a concept, but a construct and that the construct is derived from lower levels of abstraction in the form of concepts. These concepts are often based on criteria such as productivity (which can be measured in varying ways) or capital growth. Therefore, because there are varying definitions of the concept of effectiveness, the construct becomes difficult to define.

Quinn and Rohrbaugh (1983: 369) state that to understand the construct of organizational effectiveness, an analysis using a continuum consisting of three "axes or value dimensions" of competing values should be used. These value dimensions are organizational focus, which can be either internal, with emphasis on the well being and development of people in the organization, or externally focused, which is more macro orientated focus with the emphasis on the development of the organization.

The next value dimension is related to organizational structure, which either emphasizes stability or flexibility. The last value dimension relates to what is termed organizational means and ends with the means dimension emphasizing important processes versus the ends dimension highlighting the outcomes of the processes. This is diagrammatically represented as in Figure 4.

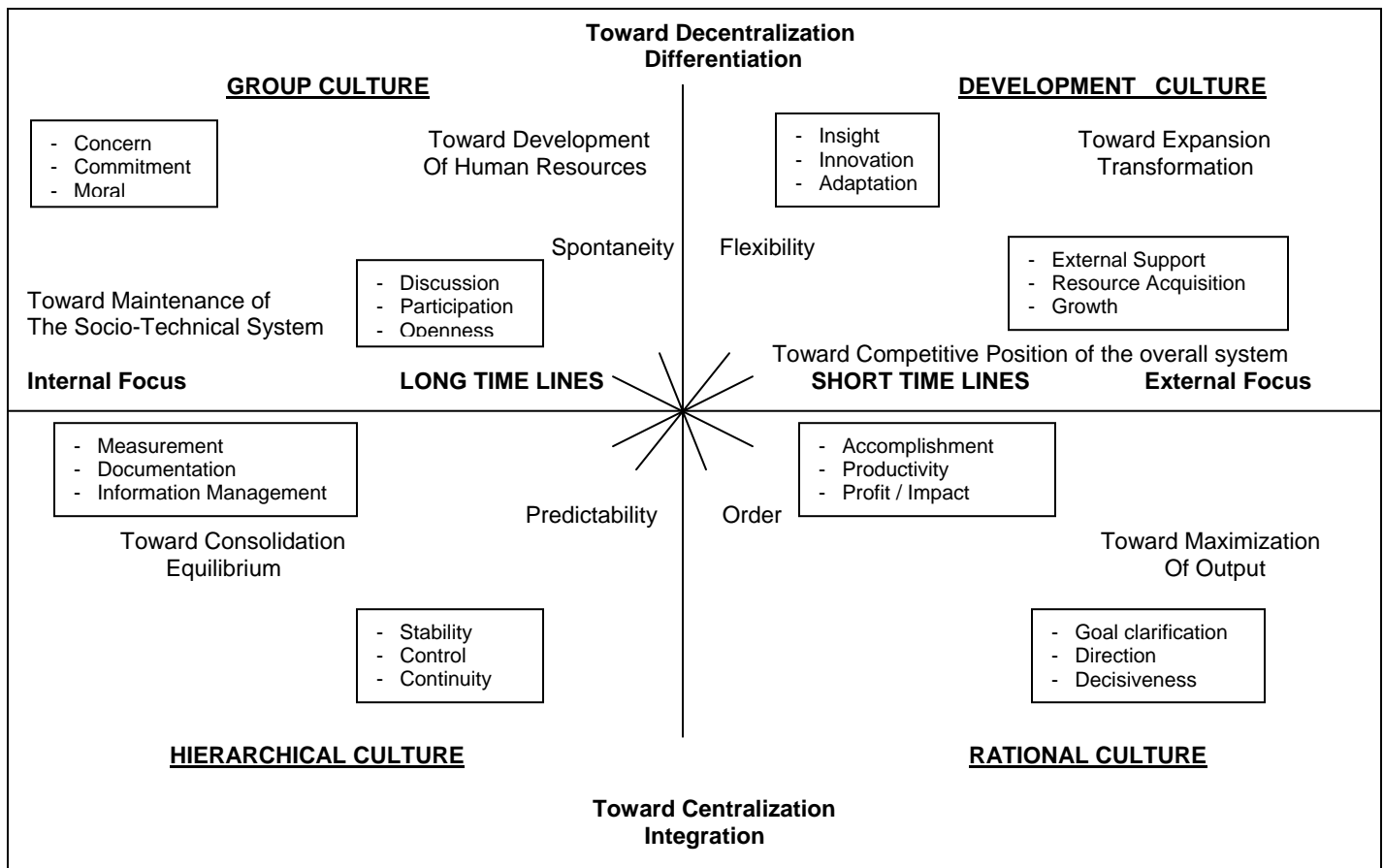


Figure 4: Competing Values Framework
(Adapted from Al-Khalifa and Aspinwall: 2001)

According to Quinn and Rohrbaugh (1983), these competing values are dilemmas for an organization as there is a need to be flexible yet controlled, while also ensuring both an external and internal focus. Effectiveness is reached when the organizational design and systems ensure that the values of both integration and differentiation are balanced. Hence, organizational effectiveness cannot be judged until the issue of values and the choice of

values is comprehended. Effectiveness then is the product of how these competing values are balanced and the resultant equilibrium maintained within an organization.

Hence, to comprehend the impact that culture has on the implementation of a performance management system, it becomes necessary to understand the current values of the organizational culture and how these values are coordinated harmoniously with the intended values of the performance management system.

Effectiveness and the culture of effectiveness at a local government level is not merely a product of how the Batho Pele principles have been entrenched. Rather, the effectiveness of performance management at a local government level is the outcome of how the values of the organizational culture as well as the values of Batho Pele (as contained within the performance management system), are balanced against each other.

Importantly, as Al-Khalifa and Aspinwall (2001: 420) state, the four predominant organizational cultures (namely: group, development, hierarchical and rational) are “modal or dominant, rather than mutually exclusive”. Al-Khalifa and Aspinwall also suggest that when implementing an organizational culture change, one has to reduce the “bureaucracy, freedomless, useless rules, procedures and dictatorship” and shift toward a “group culture” which, is characterised by the “feeling of belonging, participation, employee ownership, broader decision making, trust, teamwork and participation” (2001: 427).

Further, Parker and Bradley (2000: 128) maintain that the competing values framework (CVF) of Quinn and Rohrbaugh (1983) has been utilized in a number of studies to examine organizational culture and the competing demands within an organization. They state that organizations with an **internal focus** emphasize the issues of integration, information management and communication. Organizations with an **external focus** are said to rather emphasize issues of growth, resource acquisition and interaction with the external environment. The **control-flexibility** dimension is said to be concerned with competing tensions surrounding the aspect of control with the emphasis on stability and

cohesion. The flexibility dimension on the other pole of the continuum emphasizes issues of adaptability and spontaneity.

Of particular relevance to this research is the hierarchical culture, which reflects the traditional bureaucratic culture of the public administration. The values of a hierarchical culture are such that they ensure individual conformity and compliance when an organization is internally focussed with the emphasis on control. Because the organization is arranged in a hierarchical manner, the emphasis tends to be on rules, conformity and attention to issues of a technical nature. Rules are enforced to ensure conformity. Key values of the internal process type are stability and predictability.

In a local government context, Parker and Bradley, (2000) have identified a unique feature of public organizations, namely the role that politics plays in the controlling of what is to be done. They state that in public organizations, objectives, structures and processes are defined by the politics and legislation. Owing to the various political constraints and the need to control as a result of the conflicting demands from various interest groups, strategic objectives often become blurred, whilst the autonomy of the managers and those responsible for implementation is often severely constrained.

Further, public sector performance is directed less by financial considerations so that it is often the political imperatives of the ruling party that determine strategic direction. This point is argued by Madsen (1995: 166) who states that:

The fundamental conditions of the public organization are different from the conditions of the private enterprise because of political allocation instead of market allocation... The political system constitutes an environment for the public organization. This system/environment puts up contextual settings for the public organization which are different from the contextual settings of a private company.

Madsen's (1995) point is further reiterated by other writers who argue that when developing an understanding of effective decision making at local government level, the differences between local government and the private sector must be highlighted. A further important difference is that in local government, there is a separation between

management (the officials) and control (the politicians), so that as Claver, Llopis, Gasco, Molina and Conca (1999: 455) state, "... public organizations have less autonomy and flexibility at decision making than private corporations". The culture of the public sector is such that accountability for decisions often does not lie with those who have to implement them.

Therefore, in terms of Quinn and Rohrbaugh's (1983) model, the **means-ends** continuum is also of particular relevance to local government as the performance management system may be measuring the ends and neglecting the means or process dimension. The impact of this could be that managers believe because they do not have all the authority, therefore cannot be held accountable for the ends. Hence, they should rather be measured on the processes or means that they have instituted.

However, not all bureaucratic cultures are ineffective, rigid and clumsy. In understanding organizational effectiveness and the formalization of procedures, Adler and Borys (1996), argue that a distinction can be drawn between an enabling or coercive bureaucracy. Their basic tenet is that not all bureaucracies stifle creativity or have a negative impact on employee commitment. It is argued that an "enabling bureaucracy" (Alder and Borys, 1996: 78) in fact helps employees do their work more effectively.

Important to this study is the observation made by Alder and Borys (1996:84) who state that:

If the bureaucratic form is only discussed in its disfigured variants - synonymous with rigidity, goal displacement, and authoritarian command and control - our ability to grasp the changes taking place in the organizational landscape is terribly limited.

Clearly, to fully comprehend the impact that organizational culture has on the implementation of performance management system (and the culture it represents) at a local government level, an understanding of both the formal and informal arrangements within the organization is required. However, as the study will show, a thorough understanding of the informal arrangements often remains elusive, but can however, be understood through an assessment of the organizational culture.

2.6 Conclusion

A performance management system ensures that an organization implements its strategic objectives by measuring, monitoring and holding employees accountable for the implementation of actions in support of a strategy. An effective performance management system ensures that every person is contributing to the strategic intent of the organization through their daily activities.

To successfully implement a performance management system, writers such as Medonca and Kanungo (1996) have argued that the cultural values of the organization need to be identified to ensure that there is a fit between the organizational culture and the performance management system being implemented.

This thesis is an attempt to describe what the best fit would be for an organization such as the Buffalo City Municipality. In order to describe this fit, this chapter has argued that a social systems model is a useful map. According to this map, to understand the fit, one must study the culture of the organization, and to study the culture of the organization one should describe the values at the core of the culture. The values of the informal organization must be made explicit.

To fully understand the organizational culture and to make the values explicit within the informal organization, inter and intra group behaviour, leader behaviour, informal working relations, communication and patterns of influence must be described. This thesis, in attempting to understand the impact that organization culture has on the implementation of a performance management system, will therefore describe the values at an informal organizational level.

Chapter 3

Research Methodology

“It requires ten pounds of common sense to
make use of one pound of learning”

(Persian Proverb)

3.1 Introduction

Henle (cited in Chadwick, 1984) argues that there are five ways in which knowledge of the World can be gained - scientific, philosophical, mathematical, theological, and humanistic. This chapter describes how this research was undertaken within the scientific realm of knowledge development. However, Remenyi (1996: 22) states that when undertaking research, there are “three major philosophical questions” that should be addressed at the outset of research. These three philosophical question underpinning any research within the scientific way of knowing are:

- Why research?
- What to research
- How to research?

The why and what questions have been addressed in the preceding chapters. However, to evaluate how this research has contributed to the already existing body of knowledge, an account of the road chosen to reach the documented outcome should be stated. The ‘how’ part of the research must be stated and this chapter gives a detailed analysis of how the research was conducted.

Contained in this chapter is a discussion on the scientific method of knowing. This serves as a foundation upon which the reader is able to evaluate the quality of the research undertaken for the purposes of this particular case-study. This chapter then outlines and motivates why Buffalo City Municipality serves as a valuable case-study for investigating the impact of organizational culture on the implementation of performance management at local government level in South Africa. The issues of paradigm,

epistemology and methodology are detailed and the motivation as to why a constructivist case-study as a research design was chosen by this researcher is presented.

3.2 The scientific method of knowing

According to Remenyi (1996: 24), research can be described as “a voyage of discovery” and that for the researcher to claim that their research is adding valuable information to the already existing body of knowledge; the researcher must comply with the “scientific method”. The scientific method ensures that a standard system for interpreting the phenomenon investigated or observed is upheld.

This then ensures that consensus can be developed as to the value the new knowledge adds to the existing body of knowledge, and as stated by Einstein (cited in Remenyi, 1996: 24):

Science is the attempt to make the chaotic diversity of our sense-experience correspond to a logically uniform system of thought. In this system single experiences must be correlated with the theoretical structure in such a way that the resulting co-ordination is unique and convincing.

Gould (cited in Remenyi, 1996: 24) indicates that although science attempts to be an objective, rational undertaking, it is in essence and exercise driven by human emotions and cultural traditions and states that, “Science is not an objective, truth-directed machine, but a quintessentially human activity, affected by passion, hopes and cultural biases. Cultural traditions of thought strongly influence scientific theories.”

It is thus evident that a number of definitions of the scientific method exist and that these definitions can be placed on a spectrum varying from one pole, which claims that the scientific method is an objective, dispassionate undertaking which logically makes sense of what we perceive, to the other end of the spectrum, which suggests that science is a culturally laden exercise that in essence is subjective and driven by the emotions of the researcher. However, common to all the definitions is that in any scientific research an underlying thread of logic must exist, which not only disciplines the thought processes of the researcher, but also ensures that the research is undertaken in a systematic manner.

According to Guba and Lincoln (1994), the scientific method or discipline is based upon four paradigms which are based on a set of beliefs to which the researcher subscribes. The paradigms are “positivism, post-positivism, critical theory and related ideological positions and constructivism.” (cited in Denzin and Lincoln, 1994: 105). Further, the paradigm of the researcher is based or grounded on the researcher’s ontology, or assumptions about truth. The paradigm is also based on the researcher’s epistemology, or that is relationship the researcher has with the phenomenon being studied. Lastly, the paradigm of the researcher influences the methodology used to investigate the phenomenon.

It can therefore be argued that the quality of scientific research is an outcome of choosing the appropriate methodology which should not only be well located within a specific paradigm, but that the paradigm must also be consistent and congruent with the researcher’s worldview and appropriate to the phenomenon to be studied. Further, for the researcher to ensure quality, scientific rigour must be present, which according to van der Mescht (2002: 50) is the outcome of the “systematic” and “methodological” development of knowledge in which the researcher has critically evaluated his/her work, considered the ethics of his/her position, honestly disclosed the shortcomings of the study and lastly, questioned the validity of the findings.

Remenyi (1996: 26) states that within the scientific method, the positivist paradigm argues that the researcher is able to become an “objective analyst and interpreter” of a “tangible social reality”. The assumption is that as within the physical and natural sciences, the social scientist who adopts a positivist paradigm is able to develop law-like generalizations. Hence, the positivist ontology claims that there is an objective reality which is observable and quantifiable, whilst the epistemology is based upon the premise that an objective, detached relationship between the researcher and phenomenon being studied, is possible.

Lastly, the positivist paradigm (Remenyi, 1996) posits that the researcher is able to study the phenomenon by using a methodology based on the quantification of that observed, which in the last instance either verifies or nullifies a stated hypothesis. Through this

quantification and testing of the phenomenon against the prevailing theory, the researcher either supports or rejects the existing theory.

However, there are researchers, according to Babbie and Mouton (2003: 28), who would argue that when studying people, it is more appropriate not to view people as being primarily biological organisms, but as “...conscious, self-directing, symbolic human beings”. The aim of the research should be to understand people and not to merely explain people, as humans are in the process of making sense of their lives through interpreting, creating and giving meaning to observed and experienced phenomena.

This has given rise to the phenomenological position, which according to Babbie and Mouton (2003: 28), has arisen out of “...the fact that people are continuously constructing, developing, and changing the everyday (common-sense) interpretations of their world(s)...” and that the researcher should strive to describe or understand these interpretations when undertaking social research.

Similarly, within this constructivist paradigm, the contention is that there is no *absolute* truth. According to Guba and Lincoln (1994: 106), the ontology or assumptions about the truth of the researcher working within the constructivist paradigm, is to argue that reality is dependent upon “the individual persons or group holding the constructions” and that the truth only exists through the constructs of the researcher and that the researcher in fact “creates” the findings through their subjectivity.

Constructions of the truth (Guba and Lincoln, 1994: 106) are not “true” in the “absolute sense”, but are “informed” and “alterable” depending on the new information “created”. Therefore at an epistemological level, the “truth” is an outcome of the interplay between the researcher and the phenomenon under study.

Lastly, at the methodological level, the researcher chooses techniques of investigation that according to Denzin and Lincoln (1994), are hermeneutical (interpretive), dialectical, or as state phenomenological, ethno-methodological or symbolic interactional. All these methodologies emphasize that through interpretation or debate the researcher is able to construct a transient truth of the phenomenon being observed.

According to Babbie and Mouton (2003), there is logic to the process of research and as stated by Yin (2003: 21), the research design is "...a logical plan for getting from here to there." Yin (2003: 22) goes on to state that the research design is the "blueprint" of the research detailing at least four issues, namely what question to study, what data is deemed relevant, what data to collect and how the data is to be analysed. Similarly state that once the research question has been stated, the research design must be developed, which then leads to the evidence being collected and results reported.

The research design is said to be different to that of the research methodology. The research design is focuses on the logic of the research, and according to Babbie and Mouton (2003: 647) is the "...structured framework of how you intend conducting the research process in order to solve the research problem".

The research methodology has a different focus and is concerned with the steps, procedure, techniques and specific tasks to be followed by the researcher to implement the research design. Lastly, the quality of the research is gauged against four criteria which according to Yin (2003: 34) are the "construct validity", "internal validity", "external validity" and "reliability".

According to Yin (2003), construct validity refers to the degree to which correct operational measures for evaluating the concept under study, are applied. Construct validity is upheld when the researcher uses multiple sources of evidence as well as establishing a chain of evidence during the data collection phase.

To ensure quality, the construct validity criterion was upheld during this research by the researcher using multiple sources of evidence. Firstly, all the recorded interviews were transcribed verbatim, and these transcripts acted as the base protocols from which and where possible, further evidence was collected. For example, evidence to substantiate statements was collected from Council resolutions, the Auditor General's reports, policy documents and other studies such as the Climate Survey (Buffalo City Municipality: 2004). Further, the quality criterion of maintaining a chain of evidence has been upheld, as all the written data gathered during the data collection phase is available for scrutiny.

External validity is the extent to which a study can be generalized to other similar contexts and ensured through a sound research design. Within the constructivist paradigm, Lincoln and Guba (1985) and Trochim (2004) state that it is more appropriate to speak of the “transferability” of the study as opposed to the external validity. Transferability refers to the extent to which a study can be applied to other contexts and according to Trochim (2004: 1) is ensured by the researcher who does “...a thorough job of describing the research context and the assumptions that were central to the research”.

Arguably, and as will be discussed later in the section detailing how the data was collected, Buffalo City Municipality is a typical example of a category B municipality Constitution (Act 108:1996) which is struggling to implement a performance management system. Further, the research context has been detailed in Chapter 1, making it possible for other researchers to apply or ‘duplicate’ this research in other similar type municipalities.

Internal validity is ensured when a causal relationship is shown to exist between two sets of conditions and the effect cannot be explained as being merely spurious. Internal validity is upheld during the data analysis phase and is ensured primarily through the logic of the models and the adequate addressing of rival explanations. Within the paradigm of qualitative research, Trochim (2004: 2), states that the internal validity is best translated as “credibility”, which refers to the extent to which the researcher is able to demonstrate that the results are believable.

Arguably, issues of credibility have been upheld during this research as the reader will discern that from the findings Chapters, namely Chapter 4 and Chapter 5, that they are indeed believable. Lastly, according to Yin (2003), reliability, which is predominately concerned with demonstrating to the reader that the collection of data can be replicated and that the operations of the study are clear to the extent that others attempting the same type of research would derive similar results. Reliability is therefore ensured during the data collection phase where the researcher has attempted to minimize errors and biases in the research.

Trochim (2004) states that within the qualitative research, the concept of reliability is to an extent moot because we cannot measure the same thing twice. To measure twice is in effect the measuring two different things. Trochim (2004: 1) therefore argues that it is more appropriate to use the concept of “dependability”, which emphasizes the researcher’s responsibility “to account for the ever changing context within which the research occurs.”

In conclusion, rigorous or quality research must start with a clear paradigm. The research design must complement and support the paradigm of the researcher and the research problem to be investigated. There must be consistency between the phenomenon being investigated, the paradigm of the researcher and the research design chosen by him or her. Rigorous research is also a function of the degree of consistency and the complementary relationship which exists between the research design and the research methodology. Lastly, quality is a function of the extent to which the researcher has satisfied the tests of construct, internal, external validity and reliability.

The following section will give further detail of how this particular research has satisfied and upheld the quality criteria require of scientific research.

3.3 The appropriate research design to study the impact of organizational culture

A central question to this thesis is to ask: what is the most appropriate research design to scientifically study the construct of organizational culture and its impact on performance management? According to Denison and Mishra (1995:205), when studying organizational culture, most culture researchers advocate a “phenomenological approach with emphasis on the qualitative understanding of meaning and interpretation”. They even go as far as to state that several researchers have argued that culture should not be studied as a variable with outcomes and “have thus discouraged the integration of culture research with other constructs of organizational theory which are primarily discussed in terms of variables, dimensions, causes or effects”

Denison and Mishra's (1995) argument is consistent then with the underlying logic that when a researcher studies the phenomenon of organizational culture, a research methodology based on a constructivist paradigm that seeks not to disprove the theory, but is able to add to the existing theory, is most appropriate. The reasoning is based on past experience and prevailing literature which emphasizes that organizational culture (unlike phenomenon found in the natural world) is laden with values and that culture is a creation of symbolic human beings who are continuously changing their everyday interpretations of the world. The researcher too has values which are either similar or dissimilar to that of the culture being studied, and consequently, the researcher's truth about culture cannot be absolute, but is at best, a construction of the researcher's experience of that culture.

Further, organizational culture and more specifically the assumptions within that culture as discussed in Chapter 2, are often elusive, invisible and pre-conscious. Because of this elusive nature of assumptions, it is the task of the researcher to make these assumptions explicit. As has already been stated, according to Schein (1984), organizational culture can only be fully understood if the observable, unobservable, the conscious and unconscious aspects of culture are studied in an attempt to make the values explicit.

Further, Winegardner (2004) suggests a qualitative approach is more appropriate when the goal of the researcher is to develop a theory to explain the data through a process of inductive reasoning, as opposed to the researcher whose aim is to locate data and then match it to theory through a process of deductive reasoning.

According to Winegardner (2004), the qualitative approach is said to be most appropriate when the researcher's focus is of an emic perspective, namely the researcher works from within the phenomenon being studied. This emic perspective is juxtaposed to the *etic* perspective where the researcher's perspective is to look from the outside in on the phenomenon. Arguably then, the etic perspective is best supported by a positivist paradigm, whilst the emic perspective is suitably supported by a constructivist paradigm. Hence, this thesis has approached the studying of the impact of organizational on the implementation of performance management from a qualitative research position.

3.3.1. Qualitative Research Design: The Case-study

Both Yin (1981) and Winegardner (2004) state that when the goal of the research is to understand rather than to predict, to interpret rather than to manipulate the phenomenon being studied, the *case-study* as a research strategy is arguably most appropriate. The case-study, as opposed to an experiment or survey, is said to answer the how and why questions, but unlike the experiment does not require control over the behavioural events. They go on to argue that the case-study lends itself well to a process where the aim of the researcher is to interpret and to inductively develop further constructs. To this effect, the case-study represents one of the broadest research strategies within the realm of qualitative research.

According to Yin (1981: 59), the distinguishing characteristic of the case-study is that it attempts to examine: “(a) a contemporary phenomenon in its real-life context, especially when (b) the boundaries between phenomenon and context are not clearly evident.” Similarly, Stake (1988: 258) defines the case-study as “... a bounded ‘system’, emphasising the unity and wholeness of that system, but confining attention to those aspects relevant to the research problem at the time.” Importantly, the case-study according to both writers, can be used in both a positivist and non-positivist paradigm (Stake, 1994: 237) and is not so much a “research method as it is a sampling or selection question”.

Important to this study is the choice and motivation for a research design, which must not only fit the personal ontology and epistemology of the researcher, but the research design in a triadic relationship, must be congruent with the phenomenon being studied. At the same time, a fit must exist between the researcher’s world view, the phenomenon being studied, and the choice of research design. This is particularly true if the researcher is to ensure that the principles of credibility, transferability and dependability are to be entrenched.

Stake (1994) argues that a case-study is appropriate when detailed information on a particular case in context is sought and when the goal of the researcher is to describe and

understand the human complexities within that context. In understanding the phenomenon and the associated complexities, the case-study is also said to be best suited when the subject matter does not lend itself to quantification as exercised via survey or experiment. This researcher's worldview is such that there is no absolute truth, that there is no absolute objectivity and that information at best, is transient or in a state of flux.

Further, it is the belief of this researcher that when studying humans, and when studying human behaviour within a cultural context, quantification of behaviour and observations does not give rise to a *thick* or rich understanding. It is thus the contention of this researcher that a richness of understanding can only be sought through a "constructivist case-study" (Denzin and Lincoln, 1994) which will ultimately allow for an interpretation of the impact of organizational culture on the implementation of performance management at a local government level.

As a researcher who has been enmeshed in trying to implement performance management at Buffalo City Municipality, as someone who has experienced the impact that organizational culture has had on the implementation process, as someone who has had to deal with the ambiguities and frustrations of the lived experience within the culture of the organization, a constructivist case-study is arguably the best fit.

3.3.2 Collecting the Data

In terms of collecting data within the qualitative paradigm, Babbie and Mouton (2003), state two important procedures need to occur. There needs to be a sampling process followed by the collection of data. Flick (1998: 22) points out that there are two types of sampling procedures that generally exist within the interpretive paradigm. Firstly, when the researcher decides prior to embarking upon the research as to what important criteria should be studied, the sampling is referred to as "purposeful" sampling. Merriam (1998) states that in purposeful sampling; the intention is to use a sample, which is either typical, atypical or an exceptional example of the phenomena being studied.

According to Merriam (1998) and Winegardner (2004), the researcher can also decide to undertake the study first and after certain information is revealed, a decision (based on

what is revealed according to the theoretical orientation) on further categories of samples to be examined, is undertaken. This type of sampling is referred to as theoretical sampling. Further, state that within the case-study research paradigm, there are various types of case studies, namely the individual case-study, community studies, social group studies, studies of organizations and institutions, studies of events, roles and relationships and studies of countries and nations. In terms of this study, this researcher has chosen a case-study in the study of an organization.

Yin (2003) states that prior to data collection and in designing the case-study, the researcher needs to distinguish between single and multiple case-studies. When choosing a single case design, the researcher applies various rational in coming to this choice. The criteria includes inter-alia the representativeness of the case, the critical features of the case, which can either confirm, challenge or extend the prevailing theory, and the extent to which the case represents the uniqueness or extremeness of the phenomenon being studied.

Buffalo City Municipality therefore represents an organization/institution of a single case design that is arguably typically representative of a municipality, which has not successfully implemented a performance management system during the first term of the new local government dispensation. Further, Buffalo City Municipality is also typical of a municipality in which the impact that organizational culture can have on the implementation of a performance management system can be studied. Like all municipalities in South Africa, and as discussed in Chapter 1, Buffalo City Municipality is an example of municipalities coming to terms with the transformation as determined by the new legislation as enacted since the year 2000. The challenges faced by Buffalo City Municipality are not dissimilar to those of other municipalities in South Africa.

When gathering data, Spradley (1979) states that when selecting respondents for the collection of data, several criteria should be applied, namely, the respondent should be thoroughly enculturated into the institution, which requires that the respondent be versed with the subject matter being examined. The second requirement is that the respondents

should be currently involved in the matter being studied and lastly, the respondents must be able to make time available for the interview.

In terms of this study, the interviewees met the above criteria as they had all worked for the institution for at least four years and were arguably enculturated. Four of the six Directors, two General Managers and the political portfolio head, who worked and made the decisions on performance management, were interviewed. One of the general managers was responsible for implementing individual performance management, whilst the other was responsible for the auditing of the performance management system. These employees form part of the senior management team and are the officials responsible for implementing performance management at Buffalo City Municipality.

The interviews were therefore conducted amongst the Section 57 employees (i.e. the Directors) and those employees responsible for implementing performance management. The four Directors are employees who in terms of the Municipal Systems Act: Act 32 of 2000 have a performance-based term contract and are directly accountable to the Municipal Manager. These interviewees therefore, also satisfied the criteria of being currently involved with performance management. Further, only interviewees who were willing to make time available for the interviews were interviewed.

Two of the six Directors were not interviewed. One was not interviewed because he had been placed on probationary suspension during the fieldwork phase of the project, whilst the other had only recently been appointed and had not been intimately involved in the implementation of performance management system and as such, did not have a working knowledge of the performance management system.

Although Buffalo City Municipality was awarded a national prize for being the best governed municipality in South Africa in 2003, the municipality went through much internal turmoil as tensions between the Mayor and Municipal Manager became progressively worse from the beginning of 2004. As a result of the deteriorating relationship between the two, the Municipal Manager suspended two of his Directors on

the 6 October 2005. The Mayor later re-instated both Directors during the first week in November 2005, whilst the Municipal Manager was placed on cautionary probation on the 8 November 2005. The Municipal Manager therefore, could not be interviewed. The Mayor was also not interviewed as an appointment could not be secured.

However, a total of seven recorded interviews were still conducted, which culminated into 89 pages of transcripts consisting of 41 069 words. The interviews were conducted over a three-week period which took place during the last two weeks in October 2005 and the first week of November 2005. The length of each interview ranged from 38 minutes to 1 hour 10 minutes. The total recorded interviewing time was approximately eight hours.

After each interview, informal non-recorded discussions took place with each of the respondents which allowed each respondent to bring to the interview matters they did not feel 'safe' to discuss while being recorded. It was felt that this was necessary especially where this researcher sensed that the recording could have compromised the interviews as well as the quality of information being shared. As a result of this process, the total interviewing time for all the respondents was increased by an additional two hours. Therefore, the total interviewing time was approximately 10 hours.

All the respondents participated freely during the interview process in accordance with the suggestions made by Rubin and Rubin (1995: 47) who state that qualitative interviewing should be characterized by being "flexible, iterative and continuous". Further, the interviewing schedule and questions were adapted during each interview in accordance with Rubin and Rubin's (1995) suggestion that the interviewing process should be conducted in such a manner that the interviewer does not overly pre-plan the questions. Guideline questions were prepared, which did allow for redesign as the research progressed. This researcher at all times was guided by the quest to elicit rich or thick responses and was always aware of the iterative manner in which questions should be developed when working within a constructivist paradigm.

Further, although the interview schedule contained 17 open-ended questions (see Figure 5), not all seventeen questions were asked during each interview, and at times, more appropriate questions, not on the schedule, were asked. This was done in accordance with the suggestion by Winegardner (2004: 4) who states that the researcher should strive to “...empathize...” and “...establish rapport...” as they attempt to “...elicit richly descriptive interview responses...”

1. Why do we have a performance management system?
2. Has the implementation of a performance management system at Buffalo City Municipality been successful or not? Please give your reasons.
3. What are the factors that are driving or restraining the implementation of the performance management system?
4. How would you describe Buffalo City’s organizational culture?
5. What is the desired culture
 - Internally looking vs externally looking?
 - Means vs ends?
 - Flexible vs control?
6. How does the organization view its employees? Are they seen as inherently productive people?
7. How do you believe the organization wants its employees to behave toward each other?
8. How does the organization treat its employees?
9. How does the organization develop consensus?
10. How does the organization decide on its important goals?
11. What means does the organization use to attain its goals?
12. How did the organization monitor performance in the past?
13. How does the organization develop consensus in developing remedial goals when it fails to meet its goals.
14. Describe the boundaries –who decides on important issues?
15. How does the organization decide on important issues?
16. How does the organization reward and punish behavior?
17. What decisions have been taken by the organization which you did not agree about? How was this decision explained to you? How did you feel about the explanation?

Figure 5: Interview Questions

Metaphorically speaking, Kvale (1996: 3) states that the interviewer can be seen either as a traveller or miner. An interviewer acting as a miner, approaches the interview with the purpose of digging out information, whilst the traveller is on a journey meandering through the interview allowing information to be revealed. In both approaches, the attempt is to have a conversation with the interviewee in such a way that as Lofland and Lofland (1995: 56) suggest, the interviewee experiences the interviewer as being

“socially acceptable incompetent” on the subject matter. This researcher’s approach was to treat the interviews as a traveller, allowing the interview process to unfold naturally. This researcher attempted at all times to ensure that the ‘process’ determined where next to travel.

The intention then is to approach the interview as someone who does not understand the situation and therefore looks to the interviewee as someone who can assist. This researcher attempted at all times to approach the interviewees as people tasked with implementing institutional performance management system, but who had experienced difficulties with the implementation process. Further, it was communicated that this researcher’s objective was to understand why the implementation had progressed as it had.

This researcher attempted at all times to create an atmosphere of trust and strived to (Winegardner, 2004: 4) simply, “... listen to what is said, what is implied and what is not said.” This therefore required flexibility in the use of the questions within the schedule. Lastly, as this researcher listened and where appropriate, asked probing questions. Where it was required to ask questions that would deliver some ‘depth’, the schedule of questions became secondary and the interview process itself determined those questions. The questions were also structured, but as open-ended as possible, allowing *space* for the interviewees to move where they felt most comfortable.

The mood of the interview could best be described in many instances as quasi-therapeutic, as at times this researcher oscillated between being a researcher and that of a counselling psychologist and therapist. As a psychologist, this researcher relied on his therapeutic training and systemic thinking, which has been greatly influenced by Karl Rogers (1961). Hence, this researcher’s quest was to develop a relationship with the interviewees based on unconditional positive regard. At all times, an attempt was made to treat the interviewees with warmth and empathy, whilst remaining congruent. This it is believed allowed for a more open sharing of information as neither researcher nor the interviewee felt threatened to share their information or emotions.

During the interviews, interviewees were given the opportunity to vent any pent up emotions or frustrations whilst answering any question. The intention of this researcher and in accordance with Schein's premise (1983) was to allow for the assumptions of the respondents to be revealed.

At all times, the researcher attempted to create an environment where the respondents could speak openly of how they perceived, thought and felt about the organization. It is the contention of this researcher that this objective has been accomplished and the reader will be able to discern this from the open and honest responses as detailed in the findings. To this effect, this researcher would contend that issues of quality have been upheld as the information offered by the interviewees is credible.

3.3.3 Analyzing the Data

According to Babbie and Mouton (2003: 490), there is no one “..neat and tidy approach...” to qualitative data analysis. However, Hitchcock and Hughes (1995: 227) state that within the hermeneutic tradition, (which is based on the philosophical works of Droysen and Dilthey) there is an acceptance that the human sciences should be concerned with the ‘inner’ understanding of ‘meaningful’ conduct. As the pursuit is for an understanding of the human phenomena, there is an appreciation that to truly understand, the researcher must look for meaning. The researcher should therefore strive to understand the ‘lived experiences’ of the being; that is to strive for an interpretative understanding or (Hitchcock and Hughes, 1995: 227) ‘Vestehen’ of the human phenomena.

Hitchcock and Hughes (1995: 227) go on to state that within the hermeneutic tradition, the researcher must strive for an “...interpretative understanding of individual concepts embedded within the text”. Secondly, the researcher must show an appreciation of the “social and cultural” contexts that influence the concepts revealed, and lastly, an evaluation of the text as a whole must be evaluated for meaning and significance.

To develop an ‘interpretative understanding of individual concepts embedded in the text’ is not an easy task as the researcher will come from a specific context and therefore understanding may be directly linked to a particular life experience. Further, the text may have different meanings for readers at different times and the researcher’s own cultural differences do influence their experiences and interpretations of phenomenon.

During the data analysis phase, this researcher attempted, as suggested by Boyatzis (1998) to allow the emerging data and themes to speak for themselves. This was done to ensure that the issues of credibility, as previously discussed, were upheld. Boyatzis (1998) states that when researchers are developing themes from protocols, they may decide on three different alternatives to develop the thematic codes. Firstly, the codes can be theory driven, prior data or prior research driven, or inductively or data driven. Each of the approaches is said to present benefits and challenges to the researcher.

Arguably, to develop a ‘Verthehen’, Boyatzis (1998: 31) would suggest, inter-alia, data-driven codes which are constructed inductively from the raw information where the task of the researcher is to “...interpret the meaning after obtaining the findings and to construct a theory after the discovery of results.” The credibility of the findings is enhanced by the closeness of the code to the raw information. To this effect Boyatzis (1998: 31) states:

Working directly from the raw information enhances appreciation of the information, in addition eliminating intermediaries as potentially contaminating factors. With a complete view of the information available, the researcher can appreciate the gross (i.e., easily evident) and intricate (i.e., difficult-to-discern) aspects of information. Previously silenced voices or perspectives inherent in the information can be brought forward and recognized.

Boyatzis (1998: 31) goes on to state that “A good thematic code is one that captures the qualitative richness of the phenomenon.” This requires the researcher to immerse him/herself in the data. This is partly achieved in the repeated reviewing of the written material. Further, in developing themes, Boyatzis (1998: 45) states that there are five steps involved which are summarized as follows:

- Reducing the raw information

This requires reading each protocol entirely and then creating an outline for each protocol. The researcher is then required to paraphrase or summarize. The consequence of this is that the information enters the researcher's unconscious while also being consciously processed.

- Identifying theme

This requires the researcher to compare the various summaries to identify similarities or convergences of evolving themes.

- Comparing themes

The aim is to reduce the information into smaller 'packets'. The researcher aims to look for patterns without trying to impose a theoretical framework. Further, up to this stage, the researcher attempts to inhibit their own inferences or cognitive abilities from trying to interpret what is being revealed.

- Creating a code or set of themes

This requires re-writing a grouped set of themes. Keeping the research objective or research focus becomes essential for framing the theme and converting themes into codes. There should also not be too many codes and parsimony in the number of themes within a code should be limited so that themes do not go missing.

- Determining the reliability

This requires of that the researcher allows another person to apply the code or themes to the material to check for the reliability.

3.4 Ethical Considerations

According to Remenyi (1998: 110), there are three major ethical considerations to consider when undertaking research. These are how the "information is collected", how the "information is processed" and lastly, "how the findings are used". Remenyi (1998)

states that when applying the first ethical consideration, namely how the information is collected, it is necessary for the researcher to be open and honest with the informants, to keep informants anonymous or the information they offer confidential if so requested, and that information should not be obtained under duress.

This researcher declares that this study has upheld the first ethical consideration, as at all times during and prior to the interviews, the relationship was open and honest. The researcher declared upfront the motivation for undertaking the research and how the results would be used.

Remenyi (1998: 114) also states that confidentiality should be upheld to avoid potentially “unsatisfactory practices which endanger staff”. To uphold this ethical consideration, the identity of all the respondents was kept anonymous. Further, only respondents, who were willing to be interviewed, were interviewed. The reader should also note that most of the respondents were in fact superiors and could have declined to be interviewed by a junior staff member. The fact that they were willing to be interviewed indicates to this researcher that positive levels of trust existed between this researcher and the interviewees. Further, written permission was obtained from the then Municipal Manager to conduct the research.

Remenyi (1998) states that when processing information, it is important that the researcher avoid any manipulation because of his or her personal biases. Further, the findings must be honestly presented and not manipulated or adjusted merely to satisfy the researcher’s biases. Remenyi (1998) also states that sometimes researchers are often not aware of his or her biases, but where he or she is aware that they are biased; the integrity of the research is maintained if they declare their bias. In light of this statement, this researcher declares that the only conscious bias known is the desire to understand the reasons why the implementation of performance management at Buffalo City Municipality has not progressed as well as had been hoped.

Lastly, Remenyi (1998) states that the research should be placed within the public domain for others to use. However, this research will be embargoed for one year so as to protect the respondents who participated in this research and because the Municipal Manager has instituted legal action against Buffalo City Municipality in an attempt to have his suspension overturned. Part of his application to be urgently re-instated is based on the fact that he still needs to do performance assessments. The Directors have publicly responded by saying that they would rather forfeit their bonuses than have him return.

3.5 Conclusion

As presented earlier, Nadler and Tushman (1983) have argued that to effectively diagnose an organization requires that the researcher analyzes the fit or congruence between the formal, informal, individual and tasks that transform the inputs into the system. It was also shown that because of the inherent nature and characteristics of social systems, organizations, as open social systems, are constantly in a state of flux and dynamisms. Thus, when researching organizations, the researcher should adopt an appropriate research design to study the phenomenon. The research design must accommodate the constantly changing nature of the system as well as appreciate the contention that organizational culture is in itself a construct that cannot be understood as a variable with outcomes.

The thrust of this chapter has been to argue that when researching concepts such as organizational culture, it is more useful to focus on describing the phenomenon rather than attempting to quantify what is being studied. This is particularly true when attempting to study the more elusive concepts such as the concept of assumptions as suggested by Schein (1983).

Hence, this chapter has given an account of the research methodology employed by this researcher and given reasons as to why a constructivist case-study within the qualitative research paradigm was employed. Further, issues concerning quality were discussed and

this researcher demonstrated how issues of credibility, transferability and dependability have been upheld. This chapter also gave an in-depth account of how the data was collected and analyzed. Lastly, ethical issues were also discussed and this researcher gave an account of how these ethical issues, as detailed by Remenyi (1998), were upheld.

Chapter 4

Findings: Introducing Performance Management to Buffalo City Municipality

“...Local authorities generally are becoming obsessed with systems and mechanisms to measure performance at the expense of actual performance.”

(An interviewee's response)

4.1 Introduction

As stated in Chapter 1, the motivation for undertaking this particular research was to develop a better understanding of the impact that organizational culture has on the implementation process of a performance management system at a local government level in South Africa.

It was also reported in Chapter 1, that in the unpublished internal audit report (2004 to 2005), various reasons were given as to why the implementation process of a performance management system at Buffalo City Municipality had not progressed well. The reasons stated included, inter-alia that there appears to be a divided and unclear understanding of the objectives of performance management, that council resolutions pertaining to performance management have not been adhered to by the administration and that there is a lack of appreciation for the potential of performance management to act as an instrument to be used to change the organizational culture.

This research supports the internal audit finding in that the overwhelming perception of the interviewees is that the implementation of a performance management system at Buffalo City Municipality has not been successful. Verbatim responses from various interviewees, when asked if the implementation of a performance management system had been successful, were as follows:

- I personally do not think it has been successful.

- The process of developing it went fairly smooth.... However, the implementation has been a headache...
- I do not believe it has been successful.
- I do not believe it has been successful institutionally...
- No, I don't believe it's been successful...

One General Manager did believe that the implementation had been “partially successful but do not believe that it was as successful as we'd like it to be.”

This chapter will deal with the findings as to the difficulties experienced with introducing the performance management system to Buffalo City Municipality and will deal more specifically with the non-cultural and practical factors influencing the implementation process. Chapter 5 will deal specifically with the impact of the assumptions contained within the organizational culture on the implementation process.

4.2 Implementing Performance Management

4.2.1 Performance management as a new concept

The responses from the interviewees clearly indicate that the institutional performance management system, as legislated, is a new concept, and currently there is a lack of an agreed understanding on the need and purpose of the system. Nevertheless, respondents were able to make the link between performance management, performance bonus and the use of a performance management system to improve both individual and institutional performance. As an interviewee stated:

...so Performance Management for me is a way of ensuring that we are able to set clear goals – set clear targets and be able to measure those targets against the goal.

Whilst another interviewee stated:

...if you cannot measure what you do then you will not know what in fact you're supposed to be doing and how the recipient of your service views it. You need Performance Management firstly, to ensure that what we are obliged to do in terms of service delivery happened at the end. You need

Performance Management again to ensure that development takes place...in a sense that if a person is not aware about how he or she is doing in his or her job she will never improve – she will never develop into a better person because she doesn't understand what she has done – what impact she has overall on the performance of the Department or unit where she is because you don't measure where she is supposed to be...Immediately when a person is measured she will have an idea at least what am I working for. You are developing a person in the process.

This indicates that certain respondents appreciate the fact that performance management is not merely about 'policing people', but that a performance management system is about developing the employees as well as ensuring that targets are set to improve service delivery. Certain respondents believed that the reason there was a mixed conceptual understanding of performance management was because in the past ...*there was no instrument...* and at best, people were assessed on an 'ad hoc basis', which was based on 'perceptions' with no 'empirical data' or 'no specific instrument'. As a respondent stated:

... now in 1989, municipalities had historically not had a performance management system of any major impact. So municipalities, their culture has not been in my view, performance driven. It has been in the old view of *staatsamptenaar*. It's been-you have got a job, do your job and just carry on and plod away. There has not been a measurement of how we are doing of any great impact or importance.

It is thus clear that there are mixed perceptions as to what performance management is, varying from an instrument to assist employees to improve their performance to a 'policeman' out to catch employees for not working.

4.2.2 Performance management and the impact of the dichotomy between the political and administrative leadership

The overwhelming response from interviewees was that a dichotomy exists between the political and administrative functionaries. The outcome of this dichotomy is that Buffalo City Municipality does not have a clear or agreed upon vision for all to work toward.

The impact of this on the implementation of performance management is that there is no real agreement as to what really needs to be measured or what is important. As one Director stated:

...but in practice that has not developed such a consensus among the politicians and the officials because my own personal experience is that the politicians will keep harping, notwithstanding your processes and why we do not have x, y, z on the budget, why we cannot do a, b, c even though the budget is theirs. They (the politicians) do not have any reasonable sense of what we can do with the budget and they (the politicians) still believe that we (officials) can change the whole world with the budget that we (the Council) have.

Further, another respondent stated:

I think it's a lack of teamwork between the political and administrative bodies. Institutionally there are a lot of self-interest type issues. Not everybody is working for Buffalo City Municipality or Buffalo City as a whole and rather seeing what is in this thing for me or what can I get out of this, rather than what can I get out of this for Buffalo City.

And another respondent stated:

...there's definitely a dichotomy between the political interface and the administration or the interface between the politics and the administration because the needs and drive between the two of them are very different and there is a very different mindset amongst the people sitting on the political side and the people sitting in administration.

The impact of this dichotomy and lack of decisive leadership is stated by a respondent who argued:

...because at the end of the day institutions need to be led today, they don't need to be forced along the road, they must be led along the road where you must know where you are going and everybody must going to the same place. At the moment we are just not doing that.

One respondent laid the blame for the lack of decisive leadership with the Mayoral Executive System and stated, "So there at a political level you needed decisive leadership

to assert itself and then be able to take control, particularly from an Executive Mayoral System.”

So great was the rift between the political leadership (i.e. the Mayor) and the administrative leadership (i.e. the Municipal Manager), that eventually (during the course of this research) the Municipal Manager was placed on ‘preventative suspension’. Motivation for placing him on suspension (Daily Dispatch, 8 November 2005) was said to be inter-alia that he had “disrespected council authority” and “undermined and failed to implement council resolutions.” Such was the breakdown between the two functionaries that as one respondent stated (prior to the suspension being made public), “There is no longer trust in this organization, especially between the political and administrative arms at all levels.”

Lastly, as one interviewee stated:

...you’ve got to get the right leaders in place to roll out the system and as another stated, the leadership is not championing the performance management system... and that ...we are having a period where we lack decisive leadership to give external focus and to champion internal change...

4.2.3 Performance management and the impact of the non-implementation of council resolutions

The negative impact of the political dichotomy that exists at Buffalo City Municipality has been that Council resolutions taken on performance management have not been fully implemented by the Administration. As one respondent stated:

...they deliberately ignore and do not implement Council resolutions...the resolutions of Council which would respect Performance Management have been disrespected... However, management doesn’t bring the review in line with the Integrated Development Plan review. They go and review the Scorecard in their own different approach and style and they bring up a Scorecard which is different and that is totally not talking to the Integrated Development Plan.

This perception is supported by the Auditor General's in Draft Final Management report (2005: 32) which states that:

The municipality adopted a performance measurement system in 2003 and the first phase was going to be implemented during 2003/04 financial year. In the first year of inception only employees were to be linked to the performance measurement system i.e. Municipal Manager, Directors and General Managers...It was noted that phase two was not implemented as the municipality is still in the process of assessing the employees using the South African Local Government Association (SALGA) guideline, and it was noted that there is no council resolution adopting the SALGA guideline as a method of assessing the institution.

The report (Auditor General's Draft Final Management Letter, 2005: 32) goes on to state that the root cause of the problem is that there is a "lack of adequate procedures to implement the framework adopted by the council". Further, the risk to the Municipality is said to be that the process followed by the municipality in implementing performance management system "may not be in accordance with the performance management framework adopted by the council." Finally, the recommendation made to the Municipality is that it "fully implements the adopted performance management framework."

Clearly, the failure of the Administration to fully implement Council resolutions pertaining to performance management has negatively impacted on the implementation of the performance management system.

4.2.4 Performance management and the impact of the lack of an organizational strategy

A theme that clearly emerged is that some respondents claimed that because of the lack of decisive leadership, Buffalo City Municipality has failed to articulate a clear strategy for ensuring that the Municipality meets the needs of the community in a sustainable manner. The perception exists that because the strategic intent and vision of the City is not clear, the current performance management system does not align activities or measure those indicators that necessarily lead to the Municipality's progress. As an

interviewee stated:

...because we do not seem to have any strategic direction and I think the strategic direction would come out of your performance management system institutionally...but first of all you need a strategy to say that in the next five years where we are going to concentrate on development and then you need to build a performance management system around that...

Thus, the conclusion is that Buffalo City Municipality has lacked decisive leadership which has been exacerbated by a political dichotomy. Consequently, a perception exists that no clear strategy for the City has been developed. This has impacted negatively on the implementation process of performance management.

4.2.5 Performance management and the impact of the poor institutional arrangements

The implementation process has been further frustrated because the institutional arrangements that should have been established to support the implementation process have not been adequately put in place. In terms of the institutional arrangements, the perception exists that the implementation functions of performance management have been fragmented without a single person being held accountable. The splitting up of the functions is also perceived as a source of conflict between the various officials responsible for different aspects of performance management. As a Director commented:

I would look at having Performance Management under one department, in a sense if you split it like we have done, each unit now having different functions...but if you leave it under one, at least you know that person or that unit is focusing on performance management and nothing else.

This concern was supported by another interviewee who stated:

...the system we are trying to put in has too many different aspects and by necessity involves different people trying to set that up and it can be conflicting...

This problem seems to be exacerbated by the fact that there appears to be a lack of co-operation between the Directors who are said to work in ‘silos’. This perception was supported by another interviewee who raised the question as to “...when was the last time the Directors sat together and took a collective decision?”

4.2.6 Performance management and the impact of inadequate resource allocation

The general perception of the respondents was that local authorities have limited resources with which to do their work and that because of this deficiency it is difficult to implement an appropriate performance management system. Further, employees do not always have the available resources or means to adequately execute all their functions as determined by the performance management system.

Therefore, the performance management system may be measuring functions not adequately resourced. Evidence to this effect is contained in the following statements from various interviewees:

...local authorities operate in a context where the resources are scarce, time is scarce and money is scarce, Okay. So beside your human resources and capacity and skills, those that are here are struggling along as best as they can to keep their heads above the water and to deliver service, under staffed, under resourced and under equipped do not want to be told that a smart tool has been created that whether they are succeeding or failing. Therefore there is a natural resistance in that context.

The same respondent went on to reiterate how the work of officials has been made difficult by the greater demands placed on local government which must now offer equitable services to all with less resources, and stated:

As soon as you started redistributing those resources and providing equitable access to resources, inevitably cracks would start to show, but it took a few years before Government decided, Okay. We see the cracks, now let’s decide what tool we can put in place to see if we can improve matters.

Another Director responded saying that because the legislation stipulates that there is to be four compartments to performance management, namely, institutional performance,

individual performance including councillors, the audit of the performance management system and the monitoring of service providers, all need to be effectively resourced.

However, inadequate resources have been allocated to ensure that this indeed does occur. As reported this Director:

...as I am saying, there are four compartments- each compartment does not have resources....for any system that you have to develop, you need financial resources, but to me there is no budget...For starting anything we depend on handouts...there is no designated funding in the budget...Immediately you don't allocate it means to me it is not a priority and therefore you don't blame the people doing the job if the Municipality doesn't see the priority of the program.

In this statement lies an indication of the low priority performance management has been ascribed by senior management. Tacitly, what is being expressed by the Director is that performance management is not seen as a priority because of lack of allocated funding. Arguably, if the Municipality was serious about implementing performance management, it would have over the past five years dedicated sufficient funding to the function which is now perceived as being dependant on 'handouts'.

An analysis of the budget for performance management, as contained in the Integrated Development Plan of 2004/2005 does indicate that under the prioritized programs and projects (Buffalo City Municipality, 2004/2005: 37) a sum of R300 000.00 was set aside for the development of a performance management IT system. The 2003/2004 Integrated Development Plan (Buffalo City Municipality Integrated Development Plan, 2003/2004: 74) indicates that no money was allocated for the development of a performance management system.

However, the manager institutional performance management did report that during the 2003/2004 financial, a grant of R 500 000.00 from Provincial Government was given to Buffalo City Municipality to develop a performance management system. However, money was also allocated to a 'change management process'. It must therefore be assumed that the change management process was deemed more important than the

implementation of the performance management system during 2003/2004 financial year as the Municipality was willing to use the limited financial resources for other programs rather than for allocating the resources to the implementation of a performance management system. .

It is also important to note that another interviewee responded that he believed that resources, although not always sufficient, are not effectively used and stated:

I feel that we're not using the resources that we currently have to our best advantage...So we're actually not using the resources we have...I don't believe we are managing our resources effectively.

The conclusion thus drawn by this researcher is that although there is sufficient evidence to suggest that performance management has not been prioritized in terms of budget and the allocation of resource to this function, it may also be true that the limited resources allocated to performance management have not been efficiently or effectively employed by management. Further evidence to this effect is found in the current Auditor General's Draft Final Management Letter (November 2005: 32-33) which states that an amount of R46 603.00, spent on the Institutional Scorecard, had no evidence of either community involvement or council approval. Hence, the risk to the Municipality is that this item "could result in fruitless and wasteful expenditure."

Lastly, it would appear that because of the lack of a sense of unity of purpose, a Director stated that they "...land up shifting budgetary resources more than dealing with the underlying problems." This indicates that when it comes to resource allocation at Buffalo City Municipality, the approach is arguably reactionary rather than proactively purposeful.

4.2.7 Performance management as a legislative imperative

According to one respondent, the lack of a conceptual understanding about performance management appears to start with the Directors who do not have consensus on what performance management should be monitoring. This responded stated:

Directors and senior people say that Budget and Performance management is actually draining and taking time...this means that there is no clear conceptual understanding and there hasn't been built a consensus of what it is that we need to be achieving and how we would be going about it.

The perception that the Directors perceive performance management as draining and taking time appears to be supported by a Director who stated that:

So, frankly speaking, I do not believe that anybody would be able to demonstrate any causal link between the Performance Management System and any improvement in performance at this stage...much as we are populating scorecards and creating documents and supposedly creating systems, in practice, officials treat those processes with a certain degree of contempt and scorn. They do not believe that those processes and tools will make a meaningful difference to their own advancement or recognition-that is their historical experience.

It is evident that the lack of a consensual or agreed upon conceptual understanding of performance management is a result of a number of factors. One of the important factors appears to be that performance management and the implementation thereof is being driven as a legislative imperative and not as a useful management instrument. This is borne out by the various responses from the interviewees, such as a Director who for example stated:

As far as a performance management system goes, National Government, in its wisdom decided that Local Authorities, historically, have not had sufficiently effective methods of measuring whether or not they're achieving the purpose for which they were created. So, chiefly, there is a statutory imperative, not only in the Municipal Systems Act and of course now that the Municipal Finance Management Act also spells out certain mechanisms for performance management like your service delivery and budget implementation plan. So we are compelled and I think that is the framework within which Municipalities have articulated performance management frameworks and created systems.

Another interviewee's response reiterates the understanding that the main reason Buffalo City Municipality is implementing a performance management system is because it is a legislative imperative, and stated:

There are a couple of reasons. The first reason is look, at a local level, it is a legislative imperative. In other words, we are told we have to have one. So that really is, at this stage, it is the main driving force behind putting a performance management system in place.

Therefore, it is evident that performance management at Buffalo City Municipality is primarily driven as a legislative dictate because the Municipality is ‘compelled’ to have one. The need to have a performance management system is not borne out of a management decision to implement such a system because it makes good management sense, but rather, such a system will satisfy the higher external authority, namely National Government. Although certain interviewees indicated that performance management is a useful management tool, the general sense was that currently it is not perceived as a management priority or necessarily a useful tool that assists people in solving their day-to-day work problems.

4.2.8 Performance Management perceived as being complex

The implementation of performance management has also been perceived as being complex and confusing process. This confusion is seen as being a result of the legislation which appears to be insensitive to the unique difficulties experienced by officials at local government level. The transformation difficulties faced by local government are seen to be exacerbated by the plethora of new legislation and the transformation requirements demanded by this legislation. As a respondent stated:

It is complex, it is confusing and that has caused a lot of confusion at Local Government...there has been a lot of information not coming through-a lot of confusion and people are still very cautious when it come to performance management. I am talking individual performance management. Generally because they believe it is a means to target them.

This perception was supported by a Director who stated that performance management:

...is too complex the way it is defined in terms of our legislation, but the agreement is that we have to comply with the legislation, but to me it's a

complex task that we have been left with. To me it should be simplified by whoever wrote the legislation...

4.2.9 Performance management and the impact of integration of local government

Further, besides being perceived as a complex legislative dictate there is a perception that the legislation has failed to be sensitive to the difficulties that the process of integrating the various municipalities has had on the staff. As a respondent stated:

The integration has taken a fair amount of steam out of the leadership and a fair amount of energy..., whilst another respondent stated, when you look back over last 10 years-much change we have gone through, never mind the new dispensation, we have gone through amalgamations and amalgamations and restructurings and restructurings and we have changed names and we have changed peoples work position, the work ethic has changed, the system of political structure has changed, this structure has changed, and unless you've got everybody pulling in the same direction, you're not going to get there. So the words that come to mind are nothing less than chaos and we are all floundering because we are not working as a team because the core of experienced people is now so small that it is not effective in running the big Municipality and giving it direction...we are in a state of self consumption-we are starting to collapse in on ourselves...

Another respondent went on to state:

...different ways of doing things from the former King Williams Town and some portions of the district capital also created a challenge in terms of bringing those cultures together that came from institutions and took time for Buffalo City to align in terms of people's way of looking at the Municipality as a service delivery compliment...I think people within the Municipality we are not customer related...we are a culture of people who needs to be pushed all the time and people who do not want to take responsibility – only looking specifically after themselves and not specifically after the needs of the people...

It is thus evident that the integration and rationalization of the former municipalities of East London, Gonubie, Beacon Bay, King Williams Town and Bisho has as yet not evolved into a single unified corporate culture with a unitary purpose. As a consequence of the integration process, even systems are not fully integrated. As one respondent

stated that because there is no single corporate culture, "...people do not know how to relate in the new entity".

Another respondent reiterates this point and states that Buffalo City Municipality's organizational culture is derived from "a false compromise amongst the past cultures..." with the consequence being the perception that, "...this institution is by no means a settled institution. We still have this huge flux within the institution."

This point is further reiterated by another respondent who stated:

...in my view, the whole approach to performance management has not taken into account where we come from, the way local authorities operate. The fact that local authorities were not performance driven and ja, it is a problem. You do need to change through processes and that to me is one of the big problems.

Importantly, one of the interviewees expressed the untenable situation regarding the legislation and performance management in which the Section 57's are entitled to a performance bonus, yet the subordinates are not being similarly rewarded.

The concern expressed was as follows:

So even for the Section 57's it is an untenable situation at the moment. It was untenable while they are getting rewarded financially because their subordinates were not getting rewarded and I warned at the time that you cannot have a performance management system that provides material reward only for the top level of the organization when that top level depends entirely on the level beneath it and the level beneath that for their success.

It is thus evident that the lack of unified corporate culture and the lack of a unity of purpose have negatively impacted on the implementation of performance management at Buffalo City Municipality. As one interviewee stated:

I think that is part of the problem, because we don't have a corporate culture, if I can put it that way, in that we see ourselves very departmentally.

We see ourselves in departments, where I am responsible for me and I will look after me.

The impact of this is that Directors are perceived as only wanting to take responsibility for their own departments and are not sensitive to how their compartments are interlinked or inter-dependant. This is also exacerbated by the perception that even though Directors are responsible for their Directorates, there has not been a culture of wanting to take responsibility. As a respondent stated:

People have not had the culture and understanding that they are responsible for Departments or Directorates and then therefore they have the responsibility for what is not happening.

Further, the impact of not having a unified culture is perceived as going beyond the constraints of Directors and officials working compartmentally, or as one respondent stated, they are “working in silos”.

Lastly, a perception exists that Buffalo City Municipality is, “...an institution comprised of diverse backgrounds and cultures, which causes a problem between the staff...” This was elaborated upon by another interviewee who stated:

...the old East London Transitional Local Council had more of an institutionally based drive or focus...the focus was on more what is best for the institution -sacrifice-look after yourself, but also look more balanced...it goes to community. The King Transitional Local Council had a more look after yourself, then look after the institution...

The indication given by this interviewee was thus that certain employees’ willingness to implement the performance management system would be dependent on their organizational culture of origin.

4.2.10 Performance management and the impact of poor delegation of powers

Section 59 of the Municipal Systems Act: 32 of 2000, states that a municipal council must develop a system of delegation that will maximise the administrative and operational efficiency while providing adequate checks and balances.

However, as one respondent stated:

...no delegations were given-delegations were only given at the end of 2003... so you have the entire Mayoral committee operating in limbo-not knowing as to what authority they have...

This the respondent stated has negatively impacted upon the performance management system as the mayoral councilors and the Directors are often held accountable for functions, but do not have delegated authority. As another respondent stated, “you are given the responsibility, but not the authority.” This statement was further supported by another respondent who stated:

...because if the institution is not being correctly led; then a certain culture starts to develop, for example, delegations. We do not have the best system for delegation within the institution... we seem to be delegating functions and tasks as opposed to delegating powers and authority.

The result is that the Directors have as one put it, “extremely limited decisions...” with the result that they do not have the freedom to make decisions or as another respondent stated, “the organizational culture does doesn’t give space to employees...they just issue a command and they must follow into that command-not necessarily inputting into that command.” As a result, there is a lack of creativity and innovations within management or as stated verbatim, management are “unable to openly imagine”.

The net effect of this is that the Directors are reluctant to make decisions. This not only compromises their individual performance, but the performance of the institution as a whole. The management principle of efficiency becomes severely compromised and

because of delays in decision making, the effectiveness of what they are supposed to do is undermined.

This research has demonstrated that Buffalo City Municipality's organizational culture is very bureaucratic. As a respondent reported:

What we are being forced to do is come to work and shuffle papers. They are forced to come to work and fill in spreadsheets...they are driven mad by the bureaucracy of the organization.

Another respondent stated, "The whole culture is more bureaucratic than it was. It is less certain and it is very confusing." It was also felt that in the past the municipality was not as bureaucratic and now there is less flexibility in organizational culture, as "...people are only guided by what is in their job description..."

4.3 Conclusion

This chapter has demonstrated that a number of organizational factors have impacted upon the introduction and implementation of the performance management system at Buffalo City Municipality. Arguably, this research has demonstrated that for there to be a successful implementation of the performance management system, there must be a unity of purpose at the level of leadership between the political and administrative functionaries. This unity of purpose must translate into a relationship of trust and the commitment to working toward a common vision.

The dichotomy that exists between the leadership of the two functionaries has prevented the efficient and effective performance of the Municipality. This is clearly evident in the lack of implementation by the administration of Council resolutions pertaining to performance management.

Hitt, Ireland and Hoskisson (2003) argue that organizational structure, (which is a firm's formal reporting of relationships, procedures, controls, authority and decision making process), affects an organization's performance. If the structure does not match the firm's strategy, performance declines. This research has shown that at Buffalo City

Municipality, little informal agreement exists on the strategy. The impact of this on the implementation process for performance management has been that there is an organizational structure not fully supportive of the process. This has been supported by the respondents when they mentioned poor institutional arrangements, inadequate resource allocation, and poor delegation of powers.

The successful implementation of performance management at Buffalo City Municipality is dependant on there being a clear strategy with the institution supporting and monitoring the mechanism of the strategy, namely a performance management system. At Buffalo City Municipality, this is not happening. Evidence at the formal level shows poor institutional arrangements, inadequate resource allocation and the poor delegation of authority in support of the performance management system.

Besides the formal organizational constraints in implementing the performance management system, the perceived complexity of performance management, the perception that performance management is an imposed system and that this legislative dictate is not sensitive to the complexities and integration issues faced by the officials at local government level, has in a sense, caused certain officials, who are responsible for driving the system, to hold this system in a certain amount of contempt and scorn. However, as will be discussed in the following chapter, it was ultimately the culture of fear and mistrust and the need for self-preservation that led to the officials being skeptical about the performance management system.

Chapter 5

Findings: The impact of culture on performance management at local government.

“The core value of the institution is Self-preservation.
No, I’m serious, look at-and let me add this-don’t think that it is necessarily any
different to what it’s always been in the local authority.
The self-preservation motive if you wish, or value, has always been strong amongst
Government style and local authority style in particular.”

(An interviewee’s comments)

5.1 Introduction

As stated earlier by Schein, (1984) if one is to understand the organizational culture of an organization, it is imperative that the basic “assumptions” of that culture are made explicit. As stated by Schein (1984: 3):

To really understand a culture and to ascertain more completely the group’s values and overt behaviour, it is imperative to delve into the underlying assumptions, which are typically unconscious but which actually determine how group members perceive, think and feel. Such assumptions are themselves learned responses that originated as espoused values.

Further, as stated in chapter 2, Deshpande and Parasuraman’s (2001) have argued that when attempting to understand the impact of an organizational culture within an organization, the researcher should focus on those factors which are not directly observable, but still need to be understood. Deshpande and Parasuraman (2001: 31) state that:

The organizational culture refers to the unwritten, often unconscious message that fills in the gaps between what is formally decreed and what actually takes place; it involves shared philosophies, ideologies, values, beliefs, expectations and norms.

This chapter will deal specifically with those unconscious assumptions, (namely how the members perceive, think and feel) which were revealed during the course of this research. Further, this chapter will report on those (Schein, 1984: 3) “unconscious messages” or themes that have “filled in the gaps” between that which has been formally decreed and

that which actually takes place. This will be done by giving an account of the perceptions, beliefs, expectations and norms as expressed by the interviewees.

5.2 The impact of the cultural assumptions on implementing performance management: The culture of fear

The most pervasive and overwhelming theme to emerge from the interviews regarding the respondent's perceptions, thoughts and feelings pertaining to the organizational culture at Buffalo City Municipality, was the element of fear. Not only was there a fear of the performance management system, but also the existence of a general culture of fear amongst the senior leadership. This impacted not only on the implementation of the performance management system, but also on the Director's ability to do his work. As a Director stated:

...the understanding and the fear of Performance Management is the second problem area...I think any person or individual has a bit of fear of failure. So I think the bottom line is that nobody wants to fail and I think people are scared that Performance Management will highlight failure in that individual's contribution to the organization; and people don't like that.

This Director went on to state that it is quite possible that Directors are resisting the performance management system because they fear it and because the current climate at Buffalo City Municipality is not conducive to open evaluation.

Similarly, another Director reported that because of fear, he was unable to openly discuss solutions to problems as, "...things are run on mistrust and fear at the moment." He went on to state that:

...if you assume it's a critical decision that's going to affect the whole Municipality you need to have the opportunity to freely, without fear of repercussions, be able to discuss it and create. If you're going to make those sort of strategic decisions you've got to do them in an environment where everybody can speak freely and if the other guys say no, we're going to go that way and we don't agree with it, then you must accept and the reasons that they must go that way as long as it is for the benefit of Buffalo City Municipality.

Another respondent reported that often there exists a fear relationship between employees and supervisors at Buffalo City Municipality and stated:

The main reasons, in my view, are firstly, Performance Management is a very controversial subject. Everybody has their own views, people are scared of it, people don't necessarily just want to climb in and do it...The fear factor as well very often goes to the relationship between the employee and the Supervisor. There might not always be that measure of trust that needs to exist for this system to work. You need to trust your Supervisor to give you a fair assessment – that's not always there.

This respondent went on to state:

We were, some time ago, in a more confident situation, but I think due to circumstances at the moment we're in a situation where people are very cautious. Very ... I would go as far as to say very scared to put their necks out in any way. So your culture of your organization at the moment is fragmented and it's cautious, suspicious and manipulative.

The culture of fear is also coupled to a culture of mistrust, particularly amongst the senior leadership. As a Director stated:

...there seems to be a lack of trust amongst the leadership here, amongst the Directors, between the Directors and the City Manager, between the City Manager and the Mayor...

The concern expressed by a Director was that the impact of this fear was eventually going to cause the Municipality to become dysfunctional as it was already on a knife-edge of being dysfunctional and as such was non-conducive to the implementation of a performance management system. As this Director stated:

My humble view is that the organizational culture is flying by the seat of its pants, ad hoc, arbitrary, nepotistic, cronyism, irrational use of resources, naming and blaming, finger pointing culture. It is a culture of avoidance of taking responsibility, avoidance of work, avoidance of duty, obstructionism, gate-keeping, nit-picking, a culture of expediency-a damning indictment...I think this organization is on the knife-edge of being dysfunctional, a knife-edge and as with the Provincial Legislature and its administration, it will only be after the organization is completely dysfunctional that people come to realize that it is going to be far more difficult to build it up than it was to break it down.

Clearly, a significant finding of this research has been the unearthing of the existence of fear that exists in the organizational culture. There exists a specific fear towards the performance management system as well as a general culture of fear amongst the senior leadership, which has impacted on the implementation of performance management system at Buffalo City Municipality. The factors contributing to this culture of fear include inter alia, the municipal manager's management style, the centralization of power and lack of consensus, municipal amalgamation, and the new conditions of service. A detailed account of each is as follows:

5.2.1 The Municipal Manager's management style

The perception by certain Directors is that they need to protect themselves from the Municipal Manager, especially during the Municipal Manager and Directors' meeting which takes place every Monday morning. A Director even reported that the management meetings were experienced as a form of torture and that:

We go up there on a Monday morning and we get a sermon how kak this oke is and how wrong that is and you have to sit there and listen to it. They might not be directed at you personally, but you've got to endure that, you have got to absorb it... and it puts you on edge for the whole week... I mean it is a form of torture.

So insidious was the element of fear within the organizational culture, that besides all the negative impact that this fear has on the institutional performance, a Director also reported the negative impact fear has on his personal wellbeing and stated:

...we have got a big City syndrome in this Municipality because there is nobody to talk to which left him feeling lonely.

Similarly, another Director reported that the culture was not "...one of encouragement, but one which focuses more on what is wrong, which starts with the top leadership".

This Director stated:

I think the most important thing that should happen is respect and encouragement. Unfortunately at the moment, and it's coming from the top down, it is to concentrate more on things that are wrong or that people are doing wrong and to push that onto people from a power point of view; rather than to encourage people and to accept that people are going to make mistakes and to encourage people to move ahead. So, I think at the moment it's more focused on people making mistakes and wanting to turn that into a power play position.

This Director confirmed that they are called to meetings and in these meetings they are criticized for what they've done wrong in front of their peers, which instills fear in him and that he has learnt to "keep his nose clean to avoid being chastised in front of his peers." It was also revealed in the interviews that Buffalo City Municipality has passed through an era which certain Directors have described as an era of "maliciousness."

Evidence to support this perception is found in a report of the Daily Dispatch (19/11/05) in which it is stated that all the all Directors agreed to forgo receiving performance bonuses to prevent the Municipal Manager from being reinstated. In statements presented as evidence in the pending legal court case between the Municipal Manager and Buffalo City Municipality, it is argued by the Directors that the working environment at the municipality has become "completely untenable" under the Municipal Manager and that any consideration that he return to work "would render the work environment totally intolerable". It is further stated in the report that the Municipal Manager's management practice was cited as being "arbitrary and malicious".

The consequence of this lack of trust, suspiciousness, vindictiveness and the feeling of being tortured is that the Directors are cautious when making decisions. They focus more on protecting themselves when making decisions rather than making a bold decisions which may be in the best interest of the institution. Evidence to this effect was stated by another respondent who reported that because of the current organizational culture that has been set by the Municipal Manager at Buffalo City Municipality, Directors were not able to create strategic conversations as the culture is not open and creative or has not been created for people to be creative.

This respondent went on to argue that there are committed people at Buffalo City Municipality, especially amongst the General Manager's (some of whom are Section 57's) who merely require leadership to unleash their innovativeness. However, it was stated that the Directors (all of whom are Section 57's) are constrained by the current leadership arrangement which made the culture quite inflexible and non-responsive to creatively addressing the service delivery challenges.

5.2.2 The centralization of power and lack of consensus

Linked to the Municipal Manager's management style was the concern surrounding the centralization of power and poor delegation of responsibility. Evidence in support of this statement came from a Director who reported that the culture of fear and lack of consensus was being driven by the centralization of power within the organization. As this Director reported:

I think the major problem is because you have power being very centralized so that consensus is sometimes by fear or by non-participation...That's the unfortunate thing and it's also a case of what are you doing wrong – I'm going to get you – so that's the sort of enforcement of power and I think really to get real consensus for the organization to move forward it going to really allow people to participate and their ideas to be given enough or sufficient debate without trying to direct that idea because it doesn't particularly suite the way of your thinking.

Another respondent stated that consensus in the municipality was derived through fear or by staff not participating in events or activities. It was also stated that the "informal culture" rewards employees by giving them resources with which to do work and to "remove resources" from those individuals who needed to be disciplined and that if you do not obey, someone was, "...going to get you". The fear is exacerbated by the perception that there was a "centralization of power" and a "power play" being acted out with the centralization of power being in the hands of the Municipal Manager as head of the administration. The power play was also evident between the Municipal Manager and the Directors, and between the Municipal Manager and the Mayor.

To compound this feeling of fear, there is also the perception that decisions are not necessarily made in the best interest of the organization, but often made out of a “vague element of vindictiveness”. As a respondent reported:

A lot of the decisions are made also by virtue of how I get back at those okes, how can I make life difficult there? ...but there is a vague element of vindictiveness... Things are run on mistrust and fear at the moment

5.2.3 Municipal amalgamation

Certain respondents reported that the fear element within the organizational culture was also due to the amalgamation process which Buffalo City Municipality has gone through due to municipal restructuring. As a respondent stated:

Ja, I think it's very difficult, but I think we've come to some sort of resistant culture because of the culture of fear culture as a result of the amalgamation or the integration of different institutions so there's always that suspicion and fear whether there was a place for somebody in the Institution. So that culture was there – we've moved away from that culture towards a culture of people wanting to participate, but I don't think there are sufficient incentives at this stage for people.

The indication from the above response is that the integration process fuelled the element of fear because employees and specifically the Directors, were never too sure if they would have a position within the 'new' municipality. As a respondent stated:

Looking at organizational culture generally, in terms of trust, has in my view deteriorated since the inception of the of Buffalo City...at the time of integration of the two Transitional Local Council's, there was a lot of positioning occurring amongst not only political people, but amongst staff for their places. This led to a lot of suspicion, which still exists...

5.2.4 New conditions of service

Further, the issue of fear appears to have escalated by the existence of the new conditions of service for the Section 57's or contract employees as per the legislation. As a Director stated under the new conditions of the term contract, which runs for basically the same term as the Council, “...you can never be too confident that you will back here again for

another term.” The reason given is because either the same Councillors may return and not renew your contract, or a totally new Council is re-elected after five years and appoints new Directors.

The impact of this is that as a Director stated, they need to try and secure their future. This in effect means that they in a sense are competing against each other. This then impacts on their willingness to take risks as this could result in failure and result in the termination of their contracts. This also breaks down the trust between them, and stated:

...there is a lot of manipulation occurring at various levels...people are very cautious. Very...I would go as far as to say very scared to put their necks out in any way. So the culture of your organization at the moment is fragmented and it is cautious, suspicious and manipulative.

Therefore, the assumptions made by the Directors, who with the Municipal Manager are responsible for driving performance management, is that of a siege mentality. They fear that if they make a wrong decision they could in the short-term lose their jobs or in the long term fail to have their contracts renewed.

5.3 The consequence of this culture of fear: A Policeman coming to town

The implementation of a performance management system was in the perception of a respondent viewed by the Directors as ‘some policeman coming to town’. He stated that the reason that the implementation of the performance management system has not gone is because the leadership failed to champion the process and, “...secondly, the lack of drive to attempt and a resistance in a sense in that the people rather resist it because they feared that it is some policeman coming to town ...”

This perception was confirmed by another respondent who stated that they “worried” about the performance management system because the “system is going to show me up”. Another respondent stated that the performance management system would show up “inefficiencies and inabilities” of the employees. To this effect, a Director stated:

...the people are seeing that thing now as another policing tool, they're not seeing it as something they can sit down with...They get this thing and they're suspicious of it, they refuse to sign it or they sign it and it goes in the bottom draw...

Another Director stated that there was resistance to the performance management system not only because of the current culture at Buffalo City Municipality, but also because of the difficulty of working at local government. This respondent stated:

It is not a resistance that is necessarily universal and forever. It is a resistance borne of the context of local government being a terrain or struggle in a very practical sense. A terrain where people are trying as they can to keep the ship afloat and someone jumps onto the boat and says I'm now piloting this boat, I'm steering it in a different direction, we're going to go faster, but I'm not going to feed you guys that are rowing. I'm just going to tell you to row faster and I'm going to hold a stopwatch in my hand and tell you whether you are doing well or badly.

It is thus evident that the culture of fear has impacted on the implementation of the performance management system as the implementation process was perceived as not being sensitive to the difficulties and the feelings of fear experienced by the Directors and other employees.

5.4 Conclusion

This research has demonstrated that at Buffalo City Municipality, the officials responsible for implementing the performance management system have been working within an organizational culture, which according to their perceptions, thoughts and feelings, is wrought with fear and mistrust. This culture of fear has negatively impacted upon the implementation of the performance management system.

Feelings communicated by the interviewees were that they feel they have been "tortured, that the organizational culture has a "vague element of vindictiveness". The organizational culture was also experienced by some as a "manipulation" in which employees are scared to "put their necks out", while another respondent reported feeling "lonely". Fear that the performance management system was a "policeman" and that it could "show" people up was also expressed.

The conclusion drawn by this researcher is that the culture of fear has definitely impacted on the implementation of the performance management system at Buffalo City Municipality.

Chapter 6

Discussion, Recommendations and Conclusions

“Performance management as we have said at the beginning requires a change in organizational culture and there needs to be championed and organizational change processes alongside it to appreciate it...”

(An interviewees comments)

6.1 Introduction

According to the Department of Provincial and Local Government (DPLG Guide Pack, VI: Undated), performance management at a local government level is about changing the organizational culture to create a ‘culture of best practice’.

However, a review of the literature indicates that the impact organizational culture has had on the implementation process of the performance management system at a local government level in South Africa has not been extensively researched. Further, the understanding of how organizational culture can be influenced to create a context which facilitates the implementation process, has not been clearly stated.

This chapter will discuss how the culture of fear at Buffalo City Municipality has impacted on the implementation process of the performance management system. This is in support of the objective of this particular research, namely to understand the impact organizational culture has had on the implementation process.

6.2 Discussion of findings

This section will contain a discussion on the research findings as well as a discussion on the contribution that this particular research can make to the development of the body of knowledge on this subject.

6.2.1 Organizational culture at Buffalo City Municipality

The literature review contained in this research has shown that performance management is one of the instrumental management tools designed by National Government and contained within the 'new' local government legislation aimed at transforming municipalities in South Africa. Ultimately, it is the performance management system which must assist in transforming local government to ensure that the needs of the community are met through the improved delivery of municipal services to our citizens. This will be achieved through the delivery of these services in a more efficient, effective and economical manner.

This research has demonstrated that the culture of fear that exists amongst the senior leadership at Buffalo City Municipality has negatively impacted on the implementation of a performance management system. The findings have revealed that when introducing performance management to Buffalo City Municipality, the dichotomy between the political and administrative leadership, the lack of an organizational strategy, poor institutional arrangements for implementing a performance management system, inadequate resource allocation, poor institutional integration and the poor delegation of powers have all negatively impacted on the performance management system.

However, the most important finding of this research has been the identification of the culture of fear that exists amongst the senior leadership and the impact that this fear has had on the implementation process. Arguably, it is the culture of fear that has had the most negative effect on the implementation of the performance management system.

So entrenched was the culture of fear that a Director even reported feeling "tortured" during management meetings, while another respondent reported that there was a "vague element of vindictiveness" within the institution and that the organizational culture was characterised by "manipulation" and that the employees are scared to "put their necks out". Lastly, it was also expressed that the performance management system was perceived as a "policeman" coming to "town" that was designed "show" people up.

The findings of this research have in some instances been similar to other findings as contained in the international body of literature. For example, and as reported earlier by, Nutt and Backoff (1993), the transformation of public organizations is often hindered by factors such as political interference, shifts in performance expectations and the limited authority of the leadership because of legislation. Similarly, this research has shown that the dichotomy between the leadership and perceived political interference into the administration has impacted on the implementation process of the performance management system at Buffalo City Municipality.

Further, in a similar manner to Wilkens and Ouchi (1983), Denison and Mishra (1995), Medonca and Kanungo (1996), Parker and Bradley (2000) Buch and Rivers (2001), this research has shown that the important factors impacting on municipal transformation are commitment of the leadership to the transformation process and the influence of organizational culture.

In the literature review contained in this research, it was stated that in a study undertaken by PriceWaterhouseCoopers (2003) municipalities throughout South Africa have experienced “pains” during the implementation of their performance management systems, largely because of the rushed timeframes. These “pains” have included difficulty in embedding performance management into the management systems, as well as preparing the organization for change and obtaining consensus as to the need for a performance management system. Similarly, this research has also demonstrated that the performance management system as yet has not become “embedded” into the management systems of the Municipal Manager and his Directors and in many instances the performance management system is perceived as a legislatively “imposed” system that consumes resources.

Further, it was also shown that the White Paper on the Transformation of the Public Service (1997: 3) describes the public service organizational culture as being “immensely centralized, hierarchical and rule-bound” putting the public service “at odds” in servicing the people. Similarly, this research has demonstrated that because of the organizational

culture prevailing at Buffalo City Municipality, the bureaucracy is not experienced by the Directors as an enabling bureaucracy, but rather as highly centralized and hierarchical.

As stated previously, Nadler and Tushman (1983) have argued that to understand or manage organizations, a diagnostic model based on “social systemic thinking” is useful. Their model suggested that when diagnosing organizations, both the “formal” and “informal” organizations should be assessed as both are said to possess definite and distinct characteristics (Nadler and Tushman, 1983: 121).

This research has revealed that the assumptions contained within the informal organization, influence group behaviour, leader behaviour, informal working relationships and patterns of influence, which then impact on organizational behaviour and the employees willingness to adopt the performance management system.

This research has also demonstrated that as described by Nadler and Tushman (1983), the ‘fit’ between the formal, informal, individual and task components is important if officials at Buffalo City Municipality are to successfully implement a performance management system.

6.2.2 Limitations of the research

Although, similarities between the findings of this research and those as contained in the existing body of theory on culture and performance management can be shown, the importance of this research lies in the identification of the need to develop a comprehensive theory which will explain the conflict that may arise between a formal system (performance management system) and an informal system (organizational culture) and the impact that fear can have on the implementation process of a performance management system at a local government level.

As stated earlier, the aim of this particular research has been based on the constructivist paradigm in order to develop an understanding and insight into the phenomenon rather than attempt to either disprove or locate the findings in an already held theory. This

research has thus been successful in developing some understanding of the impact of organizational culture on the implementation of the performance management system.

However, having stated this, it must be noted that this research has limitations. The first of these limitations is that a detailed description of the total organizational culture has not been achieved as the focus of the study was limited to the senior management and those responsible for implementing performance management at Buffalo City Municipality.

It is thus acknowledged by this researcher that this study could have been enriched if the cultural typologies such as those presented by Quinn and Rohrbaugh's (1983) competing values framework and Hofstede's et al. (1990) had been used to analyze and describe the total organizational culture of Buffalo City Municipality. Arguably, using their frameworks would have assisted in developing a better understanding of the impact that the organizational culture has had on the implementation of the performance management system. However, owing to the time and space limitations of this particular research, this could not be undertaken but does suggest that future similar research is required to develop a more comprehensive understanding of the total impact of the organizational culture on the implementation of the performance management system.

However, it is the contention of this researcher that organizational effectiveness is the outcome of an organization's ability to balance the competing values or dilemmas inherent within the organizational culture. Thus the implementation of the performance management system at Buffalo City Municipality has possibly been compromised because the leadership has failed to effectively balance the competing values contained within the organization with those values being promoted by the performance management system.

A further limitation of this research was that the interviews were conducted during a period of 'upheaval' at Buffalo City Municipality, where the conflict between the Municipal Manager and the Executive Mayor had reached a hiatus. The cause of this hiatus was that the municipal manager firstly suspended two Directors, where after he

was suspended and the two Directors reinstated. The interviewees' responses could thus have been influenced by the organizational climate during this period and the element of fear exacerbated by these developments. It is quite possible that at the time of implementation of the performance management system in June 2003, the culture of fear described during this research could have been less acute.

Further, neither the Executive Mayor nor the Municipal Manager made themselves available for interview. Hence, this research does not include their feelings or perceptions, which is an important omission as their input would have enriched this study.

6.3 Recommendations

This research described the impact that certain assumptions, contained within the organizational culture, may have on the implementation of the performance management system at Buffalo City Municipality. This has raised questions requiring further investigation.

6.3.1 What role does the leadership play in influencing the organizational culture when implementing a performance management system at a local government level?

As stated earlier by Flapper, Fortuin and Stoop (1996: 27), performance management systems ensure that "all noses are pointing in the same direction." However, if the direction is undecided, the performance management system is rendered useless as it will merely monitor the disjointed daily activities of the employees and not the performance of an organization as a whole. Therefore, the success of implementing a performance management system depends upon there being consensus amongst the leadership as to the direction of the institution.

This research has revealed that the assumptions held by the Directors at Buffalo City Municipality have influenced the implementation of the performance management system. As Short and Ferratt (1984:15) have stated:

Organization Culture is an elusive concept generally explained in terms of company wide values and beliefs and the behaviours of employees resulting from them. There is little doubt that the value orientation of top management greatly influences employee behaviour; exactly how that influence is manifested, however, remains uncertain.

The question requiring further research is that even though certain senior leaders (the Directors) of Buffalo City Municipality reported the existence of a culture of fear, the Climate Survey (2004: unpublished) suggests that employees lower down the organizational structure appear to have a positive attitude toward the performance management system. This gives rise to the question as to how the value orientation of the senior leadership influences individual employee behaviour and the impact that their values have on individual behaviour when implementing a performance management system. A further question would be: What are the other mediating factors in the behaviour of top management which prevents the culture of fear from impacting on the implementation of the performance management system?

Daft (1999: 5) states that:

Leadership is an influence relationship among leaders and followers who intend real changes that reflect their shared purposes and that the 'intention' aspect of the definition means that both the leaders and followers are actively involved in the pursuit of change toward a desired future.

What has emerged from this particular research is that the culture of fear has impacted on the leadership's commitment to the implementation of the performance management system at Buffalo City Municipality. A further question therefore would be to ask is: What can the leadership do to facilitate the implementation of a performance management system when a culture of fear exists amongst them or what impact does the relationship between the organizational culture, the formal bureaucracy and the leadership have on the implementation of a performance management system?

6.3.2. What is the appropriate bureaucracy for the implementation of performance management system?

This research has demonstrated the need for implementers of performance management systems at a local government level to draw a distinction between what Adler and Borys (1996: 77) have referred to as an “enabling” bureaucracy versus “coercive” bureaucracy. Their typology underpins the notion that not all bureaucracies are necessarily rigid, and authoritarian, and that depending on the context, certain bureaucracies can be experienced as enabling.

This research has demonstrated that it is not merely the bureaucracy of an organization that can impact on the implementation process of the performance management system at a local government level, but the informal culture within a formal bureaucracy, which can negatively impact on the process.

It would be simplistic then to argue that the bureaucracy at Buffalo City Municipality does not enable the implementation of the performance management system. However, it would be logically correct to raise the question as to the impact that a culture of fear has on the effectiveness of the bureaucracy when implementing the performance management system at Buffalo City Municipality.

This research therefore suggests that further research is required to understand the appropriate culture required to create an enabling bureaucracy, which at a local government level, will create a culture of trust and belonging. Further, it is important that future research identify the type of organizational culture required not only for there to be an enabling bureaucracy, but also the type of organizational culture that supports the implementation of the performance management system.

As stated earlier, Quinn and Rohrbaugh’s (1983) competing values framework is a useful model to analyze how the “dilemmas” or competing values within an organization are balanced when attempting to understand the impact of the organizational culture on the implementation of a performance management system. Further, using Al-Khalifa and Aspinwall’s (2001: 420) research, it was argued that there are four predominant or modal organizational cultures (namely: group, development, hierarchical and rational) that exist within organizations, and that when implementing an organizational culture change, an

attempt should be to reduce the “bureaucracy, freedomless, useless rules, procedures and dictatorship” and shift toward a “group culture” which, is characterised by the “feeling of belonging, participation, employee ownership, broader decision making, trust, teamwork and participation”.

A question that needs to be asked is: What values should be present in the organizational culture, leadership and formal bureaucracy that will positively influence the implementation of a performance management system?

Schein (1997: 174) has argued:

Typologies are fun and give us a temporary sense of understanding. But in the end they are a trap that leads to superficial insights. Beware the Pied Piper of culture typologies. Better to deal with the complexity and develop processes to analyze culture that reveal the dimensions truly at work in a given organization.

Similarly, this research has demonstrated that although the available literature and models on performance management and culture do to some degree explain the phenomenon, no single model or typology can fully explain the complexity of any specific organizational culture. Each organization is unique requiring customized processes to analyze and reveal the culture and assumptions of that organization and these processes cannot necessarily, in an untailed manner, be applied to another organization. Simply, when analyzing the organizational culture of an institution, models are useful, but there is no shortcut to revealing cultural complexities or covert values. The door to analyzing the assumptions of a culture is only opened through developing an appropriate process best suited to the specific context.

Lastly, Bartlett and Ghoshal (1994:79) have stated that, “Structure follows strategy and systems support structure” which influences the architecture or institutional arrangements. This then gives rise to further questions that need to be investigated, namely: When a strong culture of fear exists within an organization such as Buffalo City Municipality, what are the institutional arrangements best suited for the implementation of the performance management system? A further question that must be asked is: What

is the impact of the newly created contract employment in the form of Section 57 on the implementation of the performance management system?

6.4 Conclusion

This case-study has identified the need for further research that will expand upon the existing body of knowledge which will describe how the organizational culture at a local government level in South Africa should be influenced to create a context that facilitates the implementation of a performance management system. Further, this research has revealed that organizational culture and more specifically, the culture of fear existing amongst the Directors at Buffalo City Municipality has negatively impacted on the implementation of the performance management system.

This research has described how the political dichotomy, the limited authority of the leadership, lack of consensus on the organizational strategy, poor institutional arrangements, poor resource allocation and the process of municipal integration have all impacted on the implementation of the performance management system. However, and most importantly, the culture of fear and mistrust, which has had a negative impact on the implementation of performance management, has been explicated. The causes of this fear appear to be as a result of the Municipal Manager's management style, the centralization of power, the perception that performance management is a "policeman" coming to town, municipal amalgamation and the new conditions of service.

It is thus the conclusion of this researcher that when implementing a performance management system at Buffalo City Municipality, the effectiveness of the implementation process is dependant on identifying and understanding the impact of the dominant identified assumptions. Thus, it has also been argued that for the implementation of the performance management system to be successful at Buffalo City Municipality, it is essential that the leadership be committed to creating an environment of trust. How best this trust can be created, is a matter for further research.

References

Ackoff, R.L. and Gharajedaghi, J. (1996). Reflections on Systems and their Models. **Systems Research, (March)** (1):13-23.

Adler, P.S. and Borys, B. (1996). Two Types of Bureaucracy: Enabling and Coercive. **Administrative Science Quarterly, 41** (1): 61-89.

Al Khalifa, K.N. and Aspinwall, E.M. (2001). Using the competing values framework to investigate the culture of Qatar industries. **Total Quality Management, 12** (4): 417-428.

Altman. S. (1979). Performance Monitoring Systems for Public Managers. **Journal of Public Administration Review, 39**(1): 31-35.

Amathole District Municipality. (2003). **Guidelines for Development of Municipal Scorecards.** (Unpublished).

Auditor General's Draft Final Management Letter (2005). (Unpublished): 1-73.

Babbie, E. and Mouton, J. (2003). **The Practice of Social Research.** Cape Town: Oxford University Press.

Barnhart, T. (1997). Save the Bureaucrats (While Reinventing Them). **Public Personnel Management, 26** (1): 7-13.

Bartlett, C.A. and Ghoshal, S. (1994). Changing the role of top management: Beyond Strategy to Purpose. **Harvard Business Review, (November/December):** 79-88.

Bateson, G. (1972). **Steps Toward and Ecology of Mind.** New York. Ballentine Books.

White Paper on Transforming Public Service Delivery (1998).

Boyatzis, R.E. (1998). **Transforming Qualitative Information: Thematic Analysis and Code Development**. Thousand Oaks, California: Sage Publications.

Buch, K. and Rivers, D. (2001). TQM: The Role of Leadership and Culture. **Leadership & Organization Journal**, 22(8): 365-371.

Buffalo City Municipality. (2002). **Integrated Development Plan**. (Unpublished).

Buffalo City Municipality. (2003). **Reviewed Integrated Development Plan**. (Unpublished).

Buffalo City Municipality. (2004). **Reviewed Integrated Development Plan 2004/05** (Unpublished).

Buffalo City Municipality. (2004). **Climate Survey**. (Unpublished): 1-45.

Buffalo City Municipality. (2005): **Mayoral Committee Minutes MC 106/05**. (15 February 2005: (Unpublished).

Buffalo City Municipality (2005). Auditor General's report of 2003/2004: 1-53.

Buffalo City Municipality (2005). Internal Audit Report. (Unpublished): 1-56.

Calitz, E. and Siebrits, K. (2002). Changes in the role of the Government in the South African economy. **Economic Perspective, Second Quarter, ABSA**: 1-10.

Chadwick, A. (1984). **Social Science Research Method**. New York: Prentice Hall Publishers.

Claver, E., Llopis, J., Gasco, J.L., Molina, H., and Conca, F.J. (1999). Public administration: From bureaucratic culture to citizen-orientated culture. **The International Journal of Public Sector Management**, 13 (5): 455-464.

Constitution of the Republic of South Africa: Act No. 108 of 1996.

Daft, R.L. (1990). **The Importance of Learning Leadership**. In Leadership: Theory and Practice: Harcourt Brace College Publishers.

Daily Dispatch (8/11/05).

Daily Dispatch (19/11/05).

Denison, D.R and Mishra, A.K. (1995). Towards a Theory of Organizational Culture and Effectiveness. **Organizational Science**, 6 (2): 204-223.

Denzin, N.K. and Lincoln, Y.S. (eds.) (1994). **Handbook of Qualitative Research**. Thousand Oaks, California: Sage Publications.

Department of Provincial and Local Government: Local Government: Municipal Planning and Performance Management Regulations. (2001). **No. R. 796**.

Department of Provincial and Local Government. (Undated). Integrated Development Plan Guide Pack VI: **Implementing the Integrated Development Plan**. (Unpublished).

Deshpande, R. and Parasuraman, A. (1986). Linking Corporate Culture to Strategic Planning. **Business Horizons**, (May-June): 28-37.

De Waal, A. (2002). The Power of world-class performance management: Use It! **Measuring Business Excellence**, 6 (3): 9-19.

Flapper, S.D.P., Fortuin, L. and Stoop, P.M.P. (1996). Towards consistent performance management systems. **International Journal of Operations and Production Management**, 6 (7): 27-36.

Flick, U. (1998). **An introduction to qualitative research**. London: Sage Publications.

Gharajedaghi, J. and Ackoff, R.L. (1984). Mechanisms, organisms and social systems. **Strategic Management Journal**, 5 (3): 289-300.

Guba, E.G. and Lincoln, Y.S. (1994). Competing Paradigms in Qualitative Research. In N.K. Denzin & Y.S. Lincoln (Eds), **Handbook of Qualitative Research**: 105-117.

Hendry, C. and Pettigrew, A. (1992). Patterns of Strategic Change in the Development of Human Resource Management. **British Journal of Management**, 3:137-156.

Hitchcock, G. and Hughes, D. (1995). **Research and the Teacher: A qualitative introduction to school-base research**. (2nd Edition). London: Routledge.

Hitt, M.A., Ireland, R.D. and Hoskisson, R.E. (2003). **Strategic Management: Competiveness and Globalization**. Fifth Edition. Ohio: South Western.

Hofstede, G., Neuijen, B., Ohayv, and D.D., Sanders, G. (1990). Measuring Organizational Cultures: A Qualitative and Quantitative Study across Twenty Cases. **Administrative Science Quarterly**: 35: 286-316,

Hofstede, G and Peterson, M.F. (2000). Culture: National values and organizational practices. In N.M. Ashkanasy, C.P.M. Wilderom & M.F. Peterson (Eds), **Handbook of organizational culture and climate**. Thousand Oaks, California: Sage.

Jackson, S.E. and Schuler, R.S. (2003). **Managing human resources through strategic partnerships**. (8th edition), Mason, Ohio: South Western Publishers.

Johannessen, J. (1998). Organisations as social systems: The search for a systemic theory of organisational innovation. **Kybernetes**, **27** (4): 359-387.

Kaplan, R.S. and Norton, D.P. (1996). **The Balanced Scorecard**. Harvard Business School.

Kottak, C. P. (1982). **Anthropology: The Exploration of Human Diversity. (3rd Edition)**. New York: Random House Inc.

Kroukamp, H. (2001). Strengthening the Public Administration and Management through Service Delivery Renewal in South African Local Government. **Politeia** **20** (2): 22-37.

Kvale, S. (1996). **Interviews: An introduction to qualitative research interviewing**. Thousand Oaks, California: Sage Publications.

Lamond, D. (2003). The value of Quinn's competing values model in an Australian context. **Journal of Managerial Psychology**, **18** (1): 46-59.

Lincoln, Y.S. and Guba, E.G. (1985). **Naturalistic Enquiry**. Newbury Park, California: Sage Publications.

Lofland, J.H. and Lofland, L.H. (1995). **Analyzing social settings: A guide to qualitative observation and analysis. (3rd Edition)**. Belmont, California: Wadsworth Publishing Company.

Madsen, O.N. (1995). Public enterprise and total quality management. **Total Quality Management**, **6** (2): 165-173.

Marcoulides, G.A and Heck, R.H. (1993). Organizational Culture and Performance: Proposing and Testing a Model. **Organization Science**, **4** (2): 209-225.

Mendonca, M and Kanungo, R.N. (1996). Impact of culture on performance management in developing countries. **International Journal of Manpower**, 17 (4): 65-75.

Merriam, S.B. (1998). **Case study research in education: A Qualitative approach**. San Francisco, California: Jossey-Bass Publishers.

Municipal Finance Management Act: Act 56 of 2003

Municipal Planning and Performance Management Regulations (2001). Unpublished.

Municipal System Act: Act 32 of 2000.

Mwita, J.I. (2000). Performance Management Model: A systems-based approach to public service quality. **International Journal of Public Sector Management**, 13 (1): 19-37.

Nadler, D.A and Tushman, M.L. (1983). A general diagnostic model for organizational behaviour: Applying a congruence perspective. In J.R. Hackman, E.E. Lawler & L.W.

Noe, R.A., Hollenbeck, J.R., Gerhart, B. and Wright, P.M. (2000). **Human Resource Management: gaining competitive advantage**. (3rd edition). Boston: Irwin McGraw-Hill.

Nutt, P.C. and Backoff, R.W. (1993). Transforming Public Organizations with Strategic Management and Strategic Leadership. **Journal of Management**, 19(2): 299-347.

Parker, C and Bradley, L. (2000). Organisational Culture in the Public Sector: evidence from six organisations. **The International Journal of Public Sector Management**, 13 (2): 125-141.

Pettigrew, A.M. (1979). On studying Organisational Cultures. **Administrative Science Quarterly, 24:** 570-581.

Pool, S.W. (2000). Organizational Culture and its relationship between job tension in measuring outcomes among business executives. **Journal of Management Development, 19** (1): 32-48.

Porter, M.E. (1983). **Perspectives on behaviour in organizations.** New York, McGraw Hill.

PriceWaterhouseCoopers. (2003). **Final Report on the evaluation of the eThekweni Municipality's Performance Management System.** (Unpublished): 2-12.

Quinn, R.E. and Rohrbaugh, J. (1983). A Spatial Model of Effectiveness Criteria: Towards a Competing Values Approach to Organizational Analysis. **Management Science, 29:** 363-377.

Radnor, Z and McGuire, M. (2004). Performance Management in the public sector: fact or fiction. **International Journal of Productivity and Performance Management, 53** (3): 245-269.

Remenyi, D. (1996). So you want to be an academic researcher in business and management studies! Where do you start and what are the key philosophical issues to think about? **South African Journal of Business Management, 27** (1/2): 22-33.

Remenyi, D. (1998). Central Ethical considerations for masters and doctoral research in business and management studies. **South African Journal of Business Management, 29**(3): 109-118.

Rogers, C. (1967). **On Becoming a Person: A Therapist's View of Psychotherapy.** New York: Houghton Mifflin Company.

Rubin, H.J. and Rubin, R.S. (1995). **Qualitative Interviewing: The art of hearing data**. Thousand Oaks, California: Sage Publications.

Schein, E.H. (1984). Coming to a New Awareness of Organisational Culture. **Sloan Management Review, (Winter): 3-17**.

Schein, E.H. (1997). What Holds the Modern Company Together in letters to the editor. **Harvard Business Review, (November December): 174-176**.

Senge, P.M. (1990). **The Fifth Discipline: Mastering the Art and Practice of the Learning Organization**. New York: Doubleday Publishers.

Short, L.E and Ferratt, T.W. (1984). Work unit culture: Strategic starting point in building organizational change. **Management Review, (August): 15-19**.

Sørensen, J.B. (2002). The Strength of Corporate Culture and the Reliability of Firm Performance. **Administrative Science Quarterly, 47 (1): 70-92**.

South African Excellence Model (1999). **South African Excellence Foundation**. Brummeria, Pretoria: South Africa.

Spradley, J.P. (1970). **The ethnographic interview**. Forth Worth: Harcourt Brace Jovanovich College Publishers.

Stake, R. (1988). Case study methods in educational research: Seeking sweet water. In R, Jaeger (ed). **Complementary methods for research in education**. Washington: AERA Publishers.

Stake, R. (1994). Case Studies in Denzin and Lincoln (eds). **Handbook of qualitative research**. Thousand Oaks, California: Sage Publications.

Trochim, W.M.K. (2002). Qualitative Validity. **Research Methods Knowledge Base**. On-line at <http://www.socialresearchmethods.net/kb/qualval.htm>. Accessed 10/12/04 2004.

Van der Mescht, H. (2002). Four levels of rigour in qualitative research. **Education as Change**, 6 (1): 43-50.

White Paper on the Transformation of the Public Service (1995).

White Paper on Local Government (1998).

Wilkins, A.I. and Ouchi, W.G. (1983). Efficient Cultures: Exploring the Relationship between Culture and Organisational Performance. **Administrative Science Quarterly**, 28: 468-481.

Williams, R.S. (2002). **Managing Employee Performance: Design and implementation in organizations**. London: Thomson Learning.

Winegardner, K.E. (2004) **The Case Study Method of Scholarly Research**. The Graduate School of America. On line at <https://cpub.brown.edu:8543/cpubshlRaymondHyatt-SO0105502/materialadd2.pdf>. Accessed 22/1/2004.

Yin, R.B. (1981). The Case Study Crisis: Some Answers. **Administrative Science Quarterly**, 26: 58-64.

Yin, R.B. (2003). **Application of a case study**. Beverly Hills, California: Sage Publications.

**REPORT TO THE MAYORAL COMMITTEE: 21 OCTOBER 2003
OFFICE OF THE CITY MANAGER**

PERFORMANCE MANAGEMENT PROCESS PLAN

1. INTRODUCTION

Buffalo City Municipality is in the process of institutionalising a Performance Management System. The objectives of institutionalising a Performance Management System, beyond the fulfilling of legislative requirements, is to serve as a primary mechanism to monitor, review and improve the implementation of the municipality's IDP. A Process Plan has been drafted to guide the process required in terms of the development and implementation of Buffalo City Municipality's Performance Management System.

2. BACKGROUND

In terms of Council Minute, BCC141/03, dated 29 July 2003, a decision was taken not to appoint any of the Service Providers that tendered for the development of a Performance Management system for Buffalo City Municipality. Also, it was resolved that the General Manager: IDP, Budget Integration and Performance Management undertake an investigation and determine the scope of the work to be handled internally and identify the scope of the work which might require external expertise. (It should be noted that the full report in this regard would be submitted to the next Tender Committee Meeting for consideration).

In light of the afore-mentioned, the General Manager: IDP, Budget Integration and Performance Management investigated the current reality. As result of the investigation, registered service providers from the South African Excellence Foundation (SAEF), Messrs Ferreira and Webb were commissioned to prepare presentations and workshop the Executive Mayor, Executive Councillors and Senior Management of Buffalo City Municipality on the implementation of the South African Excellence Model (SAEM). In addition, a presentation on the SAEM and Scorecard approach was presented to the afore-mentioned at the "Mpekwani Minute Bosberaad" held on the 2nd and 3rd September 2003.

It was agreed that Buffalo City Municipality adopt the SAEM as the Performance Management Model against which its Performance Management System could be positioned.

3. OUTLINE OF THE PERFORMANCE MANAGEMENT PROCESS PLAN

The Performance Management Process Plan, as attached to this report, has encapsulated the full extent of the development and implementation process and includes the following:

- Strategic Objectives
- Policy and legislative framework
- Adoption of Performance Management Framework

Implementation Process
IDP review process
Action Plan
Appointment of Service Provider/s
Way Forward
Annexures: Performance Management Framework
Performance Management Activity Plan

4. RECOMMENDATION

In order to guide the processes as required in terms of the development and implementation of Performance Management, it is recommended that Council:

- (a) Approve the attached Performance Management Process Plan;
- (b) Adopt the South African Excellence Model (SAEM) as the Performance Management Model against which it's Performance Management System could be positioned;
- (c) Adopt the Performance Management Framework, which will guide the municipality with the preparation and the implementation of an Institutional and Individual Performance Management System for 2003/2004 as outlined in Annexure A.

M. B. TSIKA
CITY MANAGER

ANNEXURE A
ANNEXURE B

MA/

MUNICIPALITY

IMPLEMENTATION OF

AN INSTITUTIONAL

AND INDIVIDUAL

PERFORMANCE

MANAGEMENT SYSTEM

PROCESS PLAN



TABLE OF CONTENTS

- 1. INTRODUCTION**
 - 1.1 Strategic objectives**
 - 1.2 Policy and Legislative Framework**
 - 1.3 Adoption of Performance Management Framework**
- 2. IMPLEMENTATION PROCESS**
 - 2.1 Setting up Institutional Arrangements**
 - a) Investigation of current reality**
 - b) Identification of stakeholders**
 - c) Creating structures for stakeholder participation**
 - 2.2 Setting of Key Performance Areas**
 - 2.3 Setting of Targets**
 - 2.4 Designing a Performance Measurement Framework/Model**
 - 2.5 Securing Partnerships with stakeholders**
 - 2.6 Linking of Institutional Performance with Employee Performance**
 - 2.7 Roles and Responsibilities**
- 3. INTEGRATED DEVELOPMENT PLAN REVIEW PROCESS**
- 4. ACTION PLAN**
- 5. APPOINTMENT OF SERVICE PROVIDER / S**
- 6. WAY FORWARD**

ANNEXURE A: PERFORMANCE MANAGEMENT FRAMEWORK

ANNEXURE B: PERFORMANCE MANAGEMENT ACTIVITY PLAN

1. INTRODUCTION

1.1 Strategic Objectives of a Performance Management System

South Africa and more specifically Buffalo City, continues to endure the legacy of underdevelopment, poverty, infrastructure backlogs and inequitable access to basic services. To respond to these, government is putting in place various mechanisms and measures to turn the situation around.

In the local government context, a comprehensive and elaborate system of monitoring performance of municipalities has been legislated. The system is intended to continuously monitor the performance of municipalities in fulfilling their developmental mandate. Central to the system is the development of key performance indicators as instruments to assess performance. The indicators help to translate complex socio-economic development challenges into quantifiable and measurable outputs. They are therefore crucial if a proper assessment is to be done of the impact of government in improving the quality of life of all.

Buffalo City Municipality is in the process of institutionalizing performance management. The Municipal Planning and Performance Regulations (2001) stipulate that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and improvement will be conducted, organized and managed, including determining the roles of the different role-players".

The objectives of institutionalizing a PMS, beyond the fulfilling of legislative requirements, is to serve as a primary mechanism to monitor, review and improve the implementation of the municipality's IDP. In doing so, it should fulfill the following functions:

- Promoting accountability
- Decision-making and resource allocation
- Guiding development of municipal capacity building programmes
- Creating a culture of best practice, share learning among municipalities
- Develop meaningful intervention mechanisms and early warning system
- Create pressure for change at various levels
- Contribute to the overall development of a local government system.

1.2 Policies and Legislative Framework for Performance Management

The framework for Performance Management is informed by the following policy and legislation on performance management:

- **The Constitution (1996)**
- **The Batho Pele White Paper (1998)**
- **The White Paper on Local Government (1998)**
- **The Municipal Systems Act (2000)**
- **Municipal Planning and Performance Management Regulations (2001)**

The Municipal Systems Act, No 32 of 2000, states that a municipality must:

- Develop a performance management system
- Set targets, monitor and review performance based on indicators linked to their Integrated Development Plan(IDP)
- Publish an annual report on performance for the councillors, staff, the public and other spheres of government

- Conduct an internal audit of performance before tabling the report
- Have their annual performance report audited by Auditor-General
- Involve the community in setting indicators and targets and reviewing municipal performance.

The Local Government: Municipal Planning and Performance Management Regulations, 2001, Section 7 (2) require that the municipality in developing its performance management system must ensure that the system: -

- a. Complies with all the requirements set out in the Municipal Systems Act;
- b. Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- c. Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system;
- d. Clarifies the processes of implementing the system within the framework of the integrated development planning process;
- e. Determines the frequency of reporting and the lines of accountability for performance;
- f. Relates to the municipality's employee performance management processes.

Furthermore, Section 43 of the Regulations prescribes the following 7 general key performance indicators:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- The percentage of households earning less than R1100 per month with access to free basic services
- The percentage of the municipality's capital budget actually spent on capital projects in terms of the IDP
- The number of local jobs created through municipality's local, economic development initiatives including capital projects
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan
- Financial viability with respect to: debt coverage; outstanding debtors in relation to revenue and cost coverage.

PROBLEM STATEMENT

There is currently no Performance Management System in Buffalo City Municipality to measure the performance of the Municipality as a whole or that of employees. Such a performance management system is required to be developed which will satisfy the legal requirements as summarized above.

1.3 Adoption of a PMS Framework

In terms of the Municipal Systems Act (2000), a PMS Framework must be adopted by Council. This document, as outlined as Annexure A, will guide the municipality with the preparation and the implementation of an Institutional and Individual PMS for 2003/2004.

It expresses in a simple and transparent manner what has to be done, by when, by whom, with whom, and where, and it should include a cost estimate.

The PMS Framework deals with the following components:

- The legislative requirements which a performance management system will need to fulfill,
- The principles and objectives that will inform its development and use,
- A model that will describe what areas of performance will be managed, in Buffalo City Municipality,
- Roles and responsibilities have to be clarified in advance and internal human resources have to be allocated accordingly,
- A programme needs to be identified which sets out the envisaged planning and implementation activities, with a time frame and the resource requirements. Such detailed programmes of the process is crucial to keep track and to interact with other role-players,
- Special attention has to be paid to deciding on mechanisms and procedures for community and stakeholder participation during the planning, implementation and monitoring process. Such a strategy should describe who has to be involved, consulted or informed, at which stage of the process this will happen and by which means,
- Mechanisms and procedures for alignment with external stakeholders such as the PIMMS office, Business Sector, Community forums and NGO's, etc, have to be determined. Such alignment activities have to be decided on a mutually binding basis.

2. IMPLEMENTATION PROCESS

We envisage that the following activities need to undertaken:

- The process of developing the system which entails the investigation of the current reality, identification of stakeholders and creating structures for stakeholder participation
- Setting of KPI's based on the Municipality's priority issues and objectives and incorporating the general key performance indicators that are prescribed in Ministerial regulations
- Setting targets
- Developing a monitoring framework
- Designing a Performance Measurement Framework
- Linking the Institutional Performance with Employee Performance.
- We are required to identify an appropriate framework against which an organizational PMS should be positioned.

2.1 Setting up of Internal Institutional Arrangements

a) The investigation of the current reality,

- An analysis needs to be done of the current reality in terms of the human and financial resources available for the implementation of a PMS for BCM,
- Officials are to be made aware, understand and accept why a PMS is needed,
- The principles governing the development and use of a PMS need to be identified.

b) Identification of stakeholders

- The development and implementation of the IDP and PMS involves the municipal officials as well as other stakeholders outside the administration itself (private and public on different levels),
- That means that responsibilities in the municipal administration have to be defined to both the internal and the external perspective,
- Building strategic partnerships also includes clearly defined responsibilities amongst stakeholders.

The following key stakeholders can be grouped as internal and external to the municipality:

INTERNAL	EXTERNAL
Executive Mayor Mayoral Committee Municipal Council	National Government Minister of Provincial and Local Government Auditor General
City Manager Directors General Managers Line Management Employees Internal Audit	Provincial Government MEC for Local Government Provincial Departments PIMSS office
Local Communities Performance AUDIT Committee IDP Representative Forum Ward Committees Business Partnerships CBO's NGO's	External Suppliers Service Providers Private Sector Organised Labour Professional Bodies The Media

c) Creating structures for stakeholder participation

- It is intended to resuscitate the stakeholder forums which existed during the formulation of the IDP process stage,
- Stakeholders will be allowed to represent their interest in terms of the inclusiveness of the system and process of deciding and communicating expectations and results,
- A series of workshops will be arranged, in conjunction with DPLG and the PIMMS office with the view of capacitating all stakeholders.

2.2 Setting of KPI's based on the Municipality's priority issues and objectives and incorporating the general key performance indicators that are prescribed in Ministerial regulations

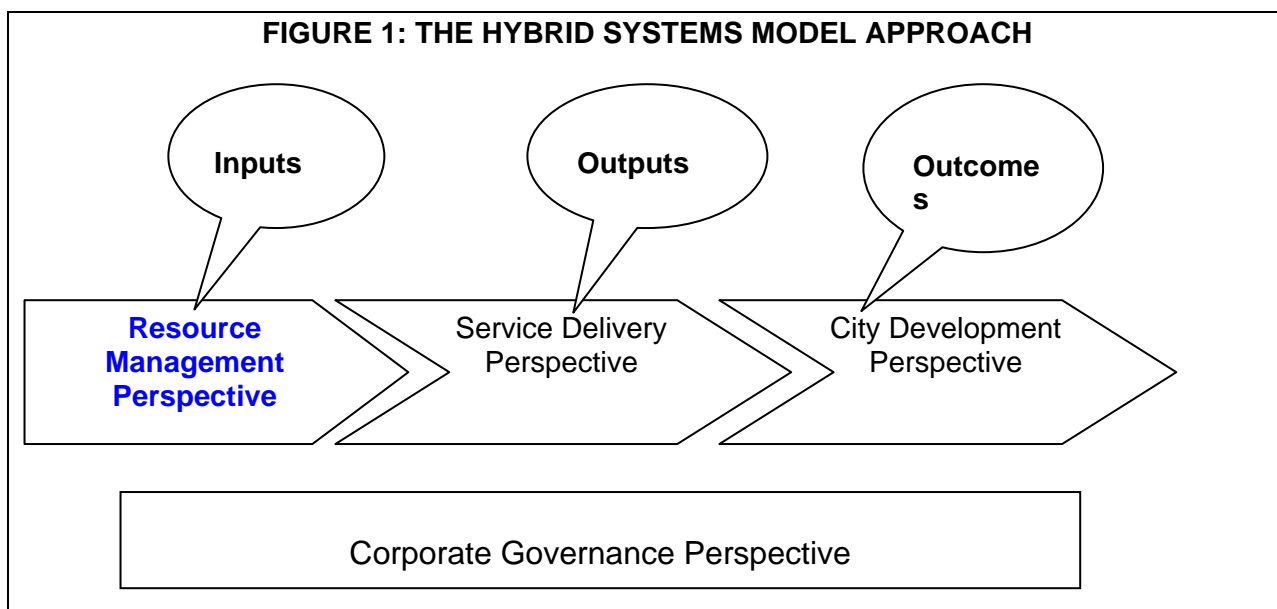
- The Municipal Systems Act empowers the Minister, after consultations with the MEC's, to prescribe general KPI's by regulation. The KPI's set by a municipality must include these general KPI's if they are applicable to the municipality,
- A Task Team would be established to identify general Key Performance Areas (KPA's) as prescribed by applicable legislation which governs the functioning of the municipality,
- From these KPA's, additional KPI's would be identified and expanded upon during the IDP Review stage,
- The National KPI's would be incorporated with other identified KPI's.

2.3 Setting targets

- The Municipal Planning and Performance Management Regulations regulate the setting of performance targets,
- Performance targets need to be set for each financial year for each KPI,
- The targets need to be commensurate with available resources and the municipalities' capacity,
- During the IDP Review stage, **realistic performance targets** would be set.

2.4 Designing a Performance Measurement Framework / Model

- A municipality is expected to develop a framework for undertaking performance measurements.
- Performance measurement is essentially the process of analyzing the data provided by the monitoring system in order to assess performance.
- This requires that municipalities determine what they are going to look at and what they are going to use to measure performance.
- Indicators need to be developed based on KPA's identified in the IDP, the PMS Framework and available or potential sources of information.
- A systems model approach is appropriate for the PMS and includes four perspectives based on inputs, key processes, outputs and outcomes as illustrated in Figure 1.
- The Indicators need to be developed based on these four perspectives.



- A municipality has the choice of adapting any Performance Measurement Model or developing its own performance measurement model. The SAEM provides a systems perspective for understanding Performance management. The model is a non-prescriptive framework based on eleven criteria reflecting validating, leading-edge management practices.
- THE GIS Department has been tasked with the development of a GIS Project Monitoring Tool. The purpose for the development of this software GIS application is to ensure that expenditure and progress on projects can be tracked and monitored. This system would also be incorporated with the PMS

- It is recommended that the HYBRID SYSTEMS APPROACH MODEL and applicable scorecards be incorporated with the South African Excellence Model (SAEM), as illustrated in Figure 2, as a Performance Measurement Framework / Model for BCM.

FIGURE 2. THE SOUTH AFRICAN EXCELLENCE MODEL

Leadership (10%)	Policy and strategy (7%)	Processes (12%)	Impact on society (6%)	Business Results (15%)
	Customer and market focus (6%)		Customer satisfaction (17%)	
	People management (9%)		People satisfaction (9%)	
	Resources and Information Management (6%)		Supplier and partnership performance (3%)	
ENABLERS (50%)			RESULTS (50%)	

2.5 Securing partnerships with recognized stakeholders

- 1) As BCM subscribes on a yearly basis to the South Africa Excellence Foundation (SAEF), it is recommended that a partnership agreement be negotiated with Daimler Chrysler South Africa (DCSA) and Ekurhuleni Municipality in order to form a mentorship relationship with both organizations for the facilitation role in the implementation of the **SAEM** at BCM.
- 2) DCSA has indicated their willingness to render assistance to BCM regarding the implementation of the SAEM as a Performance Measurement Model for BCM's PMS.
- 3) Mr. Waldo Hattingh, from Ekurhuleni Municipality and Mr Paul Kruger, from the City of Tshwane, have offered their assistance to BCM regarding the development of a PMS based on the SAEM and the **Scorecard approach**.
- 4) The PIMSS office is an invaluable partner for BCM. Not only can they provide their expertise on the IDP and PMS processes, they can also assist municipalities on a financial basis.
- 5) The Department of Provincial and Local Government have since been engaged to render assistance in terms of technical and financial resources.

2.6 Linking the Institutional Performance with Employee Performance.

YEAR 1 (ENDING JUNE 2004)

- Once an Institutional Scorecard has been developed, Directorate and Departmental scorecards should be developed (These scorecards would be referred to as **INSTITUTIONAL SCORECARDS**),
- For the first year of inception, it is recommended that only the Section 57 employees (in terms of the Municipal: Systems Act of 2000) be linked to a PMS, this includes the City Manager, Directors and General Managers,

- This implies that all Section 57 employees' individual performance would be measured, monitored and audited during this period. (This process would be referred to as **PERFORMANCE APPRAISAL**),
- The Mayor and Mayoral Committee will also have their performance measured, monitored and audited during this period. (**PERFORMANCE APPRAISAL**),
- **Hence for the first year, the performance of the Organization, Mayor, Executive Councillors, City Manager, Directorates, Departments and respective Section 57 employees would be measured, monitored and audited.**

YEAR 2 / 3 (2004/05)

- Cascade the PMS to all levels within the Organisation
- All employees are to have their performance measured, monitored and audited. (**PERFORMANCE APPRAISAL**)
- Measure, monitor and audit the performance of all Councillors (**PERFORMANCE APPRAISAL**).
- Measure, monitor and audit the performance of all Service providers (**PERFORMANCE APPRAISAL**).

These processes would feedback into the Institutional scorecards.

2.7 Roles and Responsibilities

AREA OF RESPONSIBILITY	RESPONSIBLE OFFICIAL/DIRECTORATE	AS OUTLINED IN PROCESS PLAN
Development and implementation of PMS	<ul style="list-style-type: none"> • Performance Management Division • Service Provider/s 	√
Development of Institutional Scorecards	Performance Management Division	√
Facilitating the Change Management Process	<ul style="list-style-type: none"> • Performance Management Division • Human Resources Department 	√
Facilitating Capacity Building Programmes	<ul style="list-style-type: none"> • Performance Management Division • Human Resources Department 	√
Conducting of performance monitoring and reviews of: <ul style="list-style-type: none"> • Institution • Directorates • Departments • Executive Council • Service Providers 	<ul style="list-style-type: none"> • Performance Management Division • Human Resources Department 	√
Compilation of Performance Agreements for Mayor, Executive Councillors and Section 57 employees	Performance Management Division	√
Performance reviews of Mayor and Executive Councillors	Performance Management Division	√

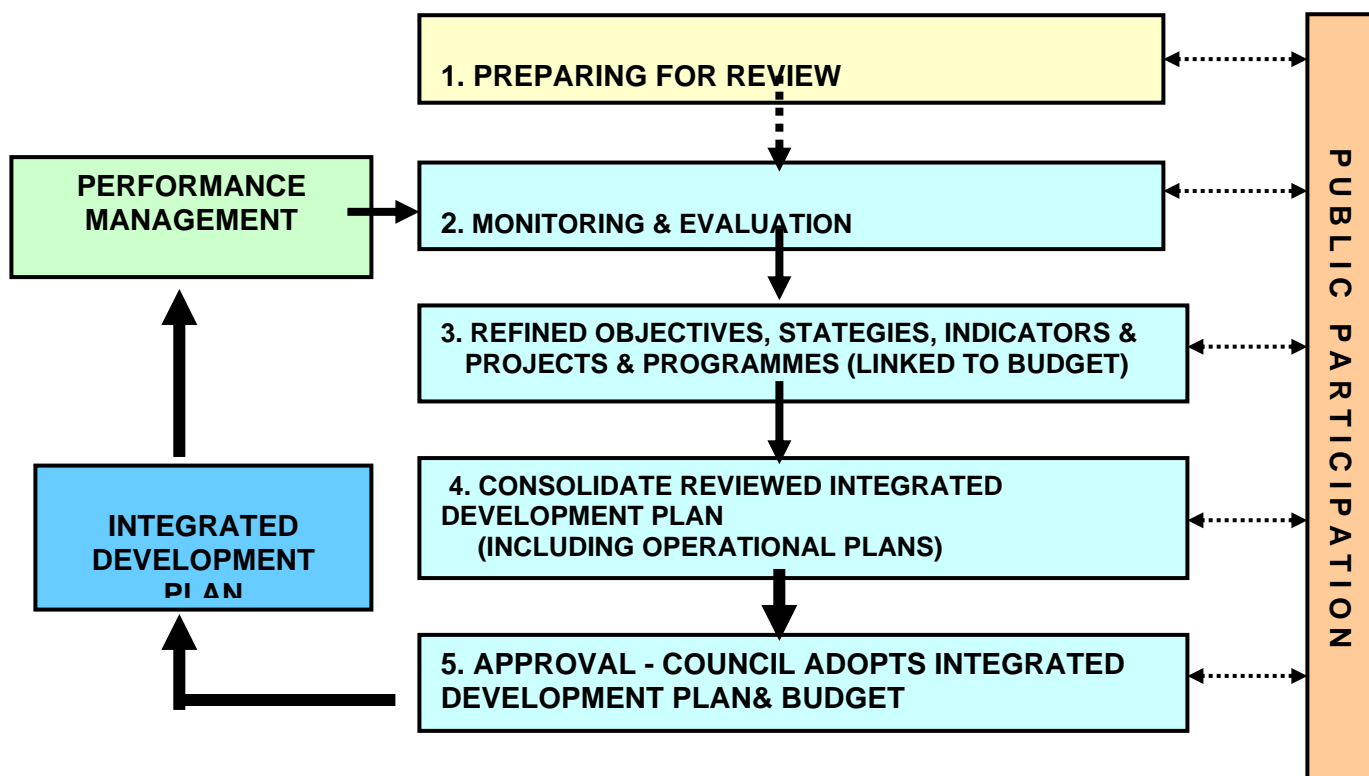
Performance reviews of Section 57 employees	Human Resources Department	√
Conducting of Performance Appraisals for all other employees	Human Resources Department	√
Conducting of Performance Appraisals for Councillors	Performance Management Division	√
Conducting of Performance Audits	<ul style="list-style-type: none"> • Performance Audit Committee • Internal Audit • Auditor General 	√
Reporting on Performance	Performance Management Division	√
IT Support	Information Management Department	√

3. INTEGRATED DEVELOPMENT PLAN REVIEW PROCESS

The IDP review process described in Figure 3, below, represents a continuous cycle of planning, implementation and review. Throughout the year implementation / performance is monitored, new information becomes available and major unexpected events may occur. Whilst, some of this information may be used to make immediate changes to planning and implementation, relevant inputs are integrated in the annual review of the IDP.

After adoption of the revised IDP, implementation as well as situational changes will continue to occur, which is again monitored throughout the year and evaluated for consideration in the next IDP review.

Figure 3 : IDP Review Process



The rationale of the IIDP review is to identify a hierarchy of objectives, with key objectives being developed or refined at an institutional level, which will be utilized to inform the development of the institutional performance management scorecards. Thereafter the reviewing, refinement or development of objectives will be utilized to inform Directorate and Departmental performance management scorecards. It should be noted that the key focuses of the IDP review is, firstly, to obtain alignment and linkage with the budget, ensuring that the IDP informs the budget and secondly, to link with the Performance Management system.

4. ACTION PLAN

The following is an Action Programme indicating outputs, activities to be undertaken and responsible officials/stakeholder involvement including a timeframe.

ACTION PLAN

The following is a proposed **Action Plan / Timeline of Activities** in order for us to meet our deadlines for subsequent development and implementation of a PMS for Buffalo City Municipality.

OUTPUTS	ACTIVITIES	ENVISAGED COMPLETION DATE	RESPONSIBLE PARTY/PARTIES
PHASE 1	JULY 2002		
	Delegation of responsibilities of implementation of a PMS to the City Manager	JULY 2002	EXECUTIVE MAYOR
PREPARATORY PHASE	APRIL 2003 TO JULY 2003		
	Advertise Tender for the development of an Institutional and Employee based Performance Management System for BCM	APRIL 2003	CITY MANAGER
ESTABLISH PM TEAM	Setting up internal institutional arrangements	1 MAY 2003	MR QUINTON WILLIAMS
	<ol style="list-style-type: none"> 1. Preparing the organization 2. Facilitating the development of the system 3. Supporting the organization in implementation 		
ESTABLISHING INSTITUTIONAL ARRANGEMENTS	Review all Tender proposals received	26 MAY 2003	MR QUINTON WILLIAMS
	Submit IDP Unit's reviewed approach on PMS to City Manger, Directors & Portfolio Head: IDP, Budget Integration & PMS	16 JULY 2003	MR QUINTON WILLIAMS
PHASE 2	Submit a formal report on reviewed approach on the development & implementation process of PMS to City Manager & Directors Meeting	21 JULY 2003	MS MICHELLE AUGUSTINE
	Submit a formal report on the Tender process undertaken with recommendations to the Tender Committee Meeting	28 JULY 2003	MS MICHELLE AUGUSTINE
DEVELOPMENT PHASE			
ADVERTISING FOR SERVICE PROVIDERS			

	AUGUST 2003		
PHASE 3	DEVELOPING OF AN INSTITUTIONAL AND EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM FOR BCM	1 AUGUST 2003 ONWARDS	MR QUINTON WILLIAMS
DEVELOPMENT PHASE	<ul style="list-style-type: none"> Investigate current reality Identification of stakeholders Create structures for stakeholder participation 		MS MICHELLE AUGUSTINE
PREPARING STAKEHOLDERS			
CHANGE MANAGEMENT PROCESS	MANAGING THE CHANGE PROCESS	ONGOING	MR QUINTON WILLIAMS
	<ul style="list-style-type: none"> Officials are made aware, understand and accept why is performance management needed What principles will govern its development and use Arranging of a serious of workshops, in conjunction with DPLG & the PIMSS Office with the view of capacitating all stakeholders 		MS MICHELLE AUGUSTINE
PHASE 4	<ul style="list-style-type: none"> DCSA EKURHULENI MUNICIPALITY CITY OF TSHWANE (MENTORSHIP ROLE) FOR THE IMPLEMENTATION OF SAEM AND HYBRID SYSTEMS MODEL 	ONGOING	EXECUTIVE MAYOR
ENTERING INTO PARTNERSHIPS			CITY MANAGER
			CLLR MOSANA
			MR QUINTON WILLIAMS
			MS MICHELLE AUGUSTINE
PHASE 5	PRESENTATION OF PROPOSED PM FRAMEWORK / MODEL TO MAYOR, EXECUTIVE COUNCILLORS, CITY MANAGER AND DIRECTORS	21 AUGUST 2003	MR QUINTON WILLIAMS
STAKEHOLDER PARTICIPATION			MS MICHELLE AUGUSTINE
	ESTABLISH CONSULTATIVE FORUM / IDP REP FORUM IN TERMS OF SECTION 42 (MSA)	22 AUGUST 2003	MR QUINTON WILLIAMS
	<ul style="list-style-type: none"> PMS WORKSHOP 		MS MICHELLE AUGUSTINE
	SEPTEMBER 2003		
PHASE 6	INTEGRATED DEVELOPMENT PLANREVIEW STAGE	2 / 3 SEPTEMBER 2003	EXECUTIVE COUNCILLORS
INTEGRATED DEVELOPMENT PLANREVIEW PROCESS	<ul style="list-style-type: none"> Setting of KPI's based on the Municipality's priority issues and objectives in terms of the IDP 		CHIEF WHIPS
<ul style="list-style-type: none"> KPA'S KPI'S TARGETS 	<ul style="list-style-type: none"> Incorporating the general Key performance indicators that are prescribed in Ministerial regulations 	2 / 3 SEPTEMBER 2003	SNR MANAGEMENT
STAKEHOLDER PARTICIPATION	<ul style="list-style-type: none"> Communication of proposed framework/ model 	2 / 3 SEPTEMBER 2003	MPEKWENI
			MINUTE
			BOSBERAAD

PHASE 7 IDENTIFICATION OF PMS MODEL	<ul style="list-style-type: none"> • Developing a monitoring framework <ul style="list-style-type: none"> ➤ SAEM ➤ HYBRID SYSTEMS MODEL 	2 / 3 SEPTEMBER 2003	EXECUTIVE COUNCILLORS CHIEF WHIPS SNR MANAGEMENT
PHASE 8 STAKEHOLDER PARTICIPATION	• IDP FORUM MEETING	10 SEPTEMBER 2003	MS VICKY VAN HEERDEN
	PUBLICATION OF <ul style="list-style-type: none"> • IDP 2002/03 • IDP Review 2003/04 	27 SEPTEMBER 2003	CITY MANAGER
	OCTOBER / NOVEMBER 2003		
PHASE 9 ADOPTION PROCESS	• ADOPTION OF PM PROCESS PLAN & PM FRAMEWORK	31 OCTOBER 2003	COUNCIL
PHASE 10 IMPLEMENTATION PROCESS:	• DEVELOPMENT OF BASELINE DATABASE	NOV – DEC 2003	SAEF SERVICE PROVIDER
	• ASSESSOR TRAINING	3-7 NOVEMBER 2003	SAEF SERVICE PROVIDER
	<ul style="list-style-type: none"> • IMPLEMENTATION OF THE PMS <ul style="list-style-type: none"> • Planning for performance • Priority setting • Setting objectives • Setting Key Performance Indicators • Baseline indicators • Setting targets • Establishing monitoring mechanisms (measure, analyse and report) 	11-12 NOVEMBER 2003 17-21 NOVEMBER 2003	MR QUINTON WILLIAMS MS MICHELLE AUGUSTINE
PHASE 11	BUILDING OF EXCELLENCE MODELS: INSTITUTIONAL COUNCIL DIRECTORATES DEPARTMENTS	5 DECEMBER 2003	SAEF SERVICE PROVIDER
PHASE 12	IT DEVELOPMENT OF SYSTEM	ONGOING	IT MANAGER SERVICE PROVIDER
PHASE 13	COMPILATION OF PERFORMANCE AGREEMENTS FOR: <ul style="list-style-type: none"> • SECTION 57 EMPLOYEES • MAYOR • EXECUTIVE COUNCILLORS 	8 DECEMBER 2003	MR QUINTON WILLIAMS MS MICHELLE AUGUSTINE
PHASE 14	SOUTH AFRICAN EXCELLENCE MODEL (SAEM) LAUNCH	BY THE 15TH DECEMBER 2003	EXECUTIVE MAYOR

PHASE 15 LINKING THE INSTITUTIONAL PERFORMANCE WITH EMPLOYEE PERFORMANCE	LINKING THE INSTITUTIONAL PERFORMANCE WITH EMPLOYEE PERFORMANCE <ul style="list-style-type: none"> • Performance Appraisal Process • Performance reviews of Mayor, Mayoral Committee and Section 57 employees 	JANUARY – JUNE 2004	MR QUINTON WILLIAMS MS MICHELLE AUGUSTINE MS MANDISA MASHIYA
PHASE 16 ESTABLISHING PERFORMANCE AUDIT COMMITTEE	IDENTIFYING MEMBERS OF PERFORMANCE AUDIT COMMITTEE	28 FEBRUARY 2004	CITY MANAGER
	AFTER MARCH 2004		
PHASE 17 ESTABLISH REPORTING MECHANISMS	<ul style="list-style-type: none"> • Publication of performance reports • Public hearings on Municipal Performance management 	PERIOD TO BE DETERMINED	CITY MANAGER

5. APPOINTMENT OF SERVICE PROVIDER /S

In terms of Council Minute, BCC141/03, dated 29 July 2003, a decision was taken not to appoint any of the Service Providers that have since tendered for the development of a Performance Management system for Buffalo City Municipality. Also, it was resolved that the General Manager: IDP, Budget Integration and Performance Management undertake an investigation and determine the scope of the work to be handled internally and identify the scope of the work which might require external expertise.

In light of the afore-mentioned, the General Manager: IDP, Budget Integration and Performance Management investigated the current reality. As result of the investigation, registered service providers from the South African Excellence Foundation (SAEF), Messrs Ferreira and Webb were commissioned to prepare presentations on the implementation of the SAEM to the Senior Management of Buffalo City Municipality.

After viewing these presentations, it was determined that assistance would be required in areas highlighted.

PLANNED ACTIVITY	SERVICE PROVIDED	TARGET GROUP	RESPONSIBLE PARTY	INTERNAL OR EXTERNAL PROCESS
CAPACITY BUILDING	ASSESSOR TRAINING COURSE	MAYOR EXECUTIVE CLLRS SECTION 57 EMPLOYEES PROJECT TEAM	SERVICE PROVIDER	EXTERNAL PROCESS
	SELF-ASSESSMENT TRAINING COURSE	CORE GROUP IDENTIFIED BY MUNICIPALITY		EXTERNAL PROCESS
	ORGANISATIONAL ALIGNMENT WITH IDP	CORE GROUP IDENTIFIED BY MUNICIPALITY		INTERNAL PROCESS

CHANGE MANAGEMENT	EXCELLENCE LAUNCH	FOR THE MUNICIPALITY TO DEFINE	EXECUTIVE MAYOR	<u>INTERNAL PROCESS</u>
	BUILDING INTERNAL AWARENESS	ALL COUNCILLORS AND PERSONNEL	MANAGER: PERFORMANCE MANAGEMENT MANAGER: ORGANISATIONAL DEVELOPMENT & PERFORMANCE APPRAISAL	<u>INTERNAL PROCESS</u>
	ONE DAY TRAINING PROGRAM: PRINCIPLES OF THE EXCELLENCE MODEL, FACILITATING CHANGE WITH THE ORGANISATION	FOR THE MUNICIPALITY TO DEFINE	SERVICE PROVIDER	<u>EXTERNAL PROCESS</u>
DEVELOPMENT OF A PMS FRAMEWORK	DRAFTING OF PMS FRAMEWORK	-	<u>MANAGER: PERFORMANCE MANAGMENT</u>	<u>INTERNAL PROCESS</u>
REVIEW OF THE INTEGRATED DEVELOPMENT PLAN	REVIEWAL OF INTEGRATED DEVELOPMENT PLAN	ALL STAKEHOLDERS	MANAGER: INTEGRATED DEVELOPMENT PLAN & BUDGET INTEGRATION	INTERNAL PROCESS
BUILDING OF EXCELLENCE MODEL	BUILDING OF AN ORGANISATIONAL EXCELLENCE MODEL	-	SERVICE PROVIDER	EXTERNAL PROCESS
DEVELOPMENT OF PERFORMANCE AGREEMENTS AND CONTRACTS	DEVELOPING OF PERFORMANCE AGREEMENTS / CONTRACTS	SECTION 57 EMPLOYEES MAYOR & EXECUTIVE COUNCILLORS	<u>SERVICE PROVIDER</u>	<u>EXTERNAL PROCESS</u>
IT SUPPORT	IMPLEMENTATION OF IT BASED EXCELLENCE EVALUATION SYSTEM <ul style="list-style-type: none"> • APPRAISAL SYSTEM • DIRECT REPORTS • PROVIDE INTERNET BASED ACCESS & INFORMATION 	-	IT MANAGER	EXTERNAL PROCESS

As outlined above, it is envisaged that a large portion of the workload could be done internally. Some elements of the Change Management and Capacity Building Processes could be handled internally.

The IDP Review as well as the development of a Performance Management Framework has already been processed internally. Where Internal capacity and expertise is lacking, it would be deemed necessary to appoint external expertise.

6. WAY FORWARD

A Performance Management System means a framework that describes and represents how the municipality's cycle and processes of performance management planning, monitoring, measurement, review and reporting will happen and be organized and managed, while determining the roles of different role-players. It provides for the procedure by which the system is linked with the municipality's IDP processes and shows how any general KPI's will be incorporated into the municipality's planning and monitoring process.

A PMS is a component of municipal governance and management systems that are aimed at ensuring that municipalities are developmental. It must be understood as complementing planning and budgeting. It is an integral part of organizational management and must inform staff performance appraisal as much as it is informed by it.

The development and implementation of the IDP and a PMS involves the municipal officials as well as other stakeholders outside the administration staff itself (private and public on different levels).

A PMS implemented in any organization, can only be successful, if it has been created by the people of that organisation. People support what they create – and the planning and implementation of the system must necessarily involve everyone on the team. It is the people of the organization who hold the knowledge and it is the role of a service provider to channel that knowledge into a recognized framework, against which performance may be managed and then assessed. The purpose of a PMS operating within any organization should not merely be that of an audit or assessment tool, but rather it must of necessity create and stimulate within the organization, a culture of performance excellence. A culture, which is only evidenced through relentlessly focusing on progress; taking what the organization does, how it does it, and how it is measured, and continuously improving on those methods and processes. Continuous Improvement in performance is what the underlying purpose of a PMS should be. The process plan clearly maps the way forward in terms of the development of the PMS for BCM as outlined on annexure B.

MUNICIPALITY



FRAMEWORK FOR INSTITUTIONAL AND INDIVIDUAL PERFORMANCE MANAGEMENT

TABLE OF CONTENTS

SECTION 1

1. INTRODUCTION
2. PURPOSE OF THIS DOCUMENT
3. POLICY & LEGISLATIVE FRAMEWORK FOR PERFORMANCE MANAGEMENT
4. WHAT IS A PERFORMANCE MANAGEMENT SYSTEM
5. STRATEGIC OBJECTIVES OF THE PERFORMANCE MANAGEMENT SYSTEM
 - 5.1 Accountability
 - 5.2 Best Practice, Learning and Capacity-building
 - 5.3 Decision-making and Resource Allocation
 - 5.4 Early Intervention and Warning
6. PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT
 - 6.1 Politically-driven
 - 6.2 Simplicity
 - 6.3 Participatory
 - 6.4 Transparency and Consultation
 - 6.5 Developmental
 - 6.6 Fair and Objective
7. INTEGRATION WITH OTHER PROCESSES
8. THE PROCESS OF MANAGING PERFORMANCE
9. EVALUATION AND IMPROVEMENT OF THE PERFORMANCE MANAGEMENT SYSTEM
10. INSTITUTIONAL CAPACITY TO DEVELOP AND IMPLEMENT A PERFORMANCE MANAGEMENT SYSTEM
 - 10.1 Current Situation
 - 10.2 Institutional Challenges
 - 10.3 Utilization of Grant Funding

SECTION 2

PLAN FOR FOCUS AREA 1: PERFORMANCE MANAGEMENT PILOTS

SECTION 3

CASH-FLOW PROJECTION

1. INTRODUCTION

South Africa and more specifically Buffalo City, continues to endure the legacy of underdevelopment, poverty, infrastructure backlogs and inequitable access to basic services. To respond to these, government is putting in place various mechanisms and measures to turn the situation around.

In the local government context, a comprehensive and elaborate system of monitoring performance of municipalities has been developed. The system is designed to continuously monitor the performance of municipalities in fulfilling their developmental mandate. Central to the system is the development of key performance indicators as instruments to assess performance. The indicators help to translate complex socio-economic development challenges into quantifiable and measurable constructs. They are therefore crucial if a proper assessment of the impact of government in improving the quality of life of all is to be done.

Buffalo City Municipality is in the process of institutionalizing performance management. The Municipal Planning and Performance Regulations (2001) stipulate that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role-players". This document sets out to detail this requirement.

2. PURPOSE OF THIS DOCUMENT

This document outlines a framework that will guide the Municipality with the preparation and the implementation of an Institutional Performance Management System (PMS) for 2002/2003. It is a policy document that must be adopted by the Municipal Council as its Performance Management Framework as required by the Municipal Systems Act (2000).

It should express in a simple and transparent manner what has to be done, by when, by whom, with whom, and where, and it should include a cost estimate. The PMS Framework Plan has to deal with the following components:

- The legislative requirements which a Performance Management System will need to fulfil.
- The principles and objectives that will inform its development and use;
- A model that will describe what areas of performance will be managed, in Buffalo City Municipality.
- Roles and responsibility have to be clarified in advance and internal human resources have to be allocated accordingly.
- A programme needs to be worked out which sets out the envisaged planning and implementation activities, with a timeframe and the resource requirements. Such a detailed programme of the process is crucial to keep track and to interact with other role-players.
- Special attention has to be paid to deciding on mechanisms and procedures for community and stakeholder participation during the planning, implementation and monitoring process. Such a strategy should describe who has to be involved, consulted or informed, at which stage of the process this will happen and by which means.
- Mechanisms and procedures for alignment with external stakeholders such as the Amathole District Municipality and other spheres of government have to be determined. Such alignment activities have to be decided on a mutually binding basis.
- Based on all these preparatory steps a cost estimate has to be made for the whole process.

The design of the PMS Framework Plan has, however, to be based upon the main issues, objectives and projects identified in the IDP. The preparation of the PMS Framework Plan requires consultation with those role-players who, later on, are expected to participate or to be consulted in the identification of indicators, monitoring and review of the IDP and PMS Process. This applies, for example, to community and stakeholder groupings, who are to be given the opportunity to become part of the organizational arrangements; and to financing bodies for aligning resource requirements for the implementation of projects with available resources.

At the end of the financial year this framework (policy) will be reviewed and adapted based on experience gained.

3. POLICY AND LEGISLATIVE FRAMEWORK FOR PERFORMANCE MANAGEMENT

The framework is informed by the following Policy and Legislation on Performance Management:

- The Constitution (1996)
- The Bato Pele White Paper (1998)
- The White Paper on Local Government (1998)
- The Municipal Systems Act (2000)
- Municipal Planning and Performance Management Regulations (2001)

The Municipal Structures Act, Act 32 of 2000, Chapter 6 – Section 38, states that a municipality must:

- (a) establish a Performance Management System that is –
 - (i) commensurate with its resources
 - (ii) best suited to its circumstances; and
 - (iii) in line with the priorities, objectives, indicators and targets contained in its Integrated Development Plan
- (b) promote a culture of Performance Management among its political structures, political office bearers and Councillors and in its administration; and
- (c) administer its affairs in an economical, effective, efficient and accountable manner.

The Municipal Systems Act, enacted in November 2000, requires all Municipalities to:

- Develop a Performance Management System
- Set targets, monitor and review performance based on indicators linked to their Integrated Development Plan(IDP)
- Publish an Annual Report on performance for the Councillors, staff, the public and other spheres of government
- Incorporate and report on a set of general indicators prescribed nationally by the minister responsible for Local Government
- Conduct an internal audit of performance before tabling the report
- Have their annual performance report audited by the Auditor-General
- Involve the community in setting indicators and targets and reviewing municipal performance.

The Local Government: Municipal Planning and Performance Management Regulations, 2001, Section 7(2) requires that the municipality, in developing its Performance Management System, must ensure that the system:

- (a) complies with all the requirements set out in the Municipal Systems Act;
- (b) demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- (c) clarifies the roles and responsibilities of each role-player, including the local community, in the function of the system;

- (d) clarifies the processes of implementing the system within the framework of the Integrated Development Planning Process;
- (e) determines the frequency of reporting and the lines of accountability for performance; and
- (f) relates to the municipality's employee performance management processes.

The following activities are envisaged:

- the process of developing the system, which entails the investigation of the current reality, identification of stakeholders and creating structures for stakeholder participation.
- Setting of Key Performance Indicators based on the Municipality's priority issues and objectives and incorporating the general Key Performance Indicators that are prescribed in Ministerial Regulations.
- Setting targets
- Developing a Monitoring Framework
- Designing a Performance Measurement Framework
- Linking the Institutional Performance with Employee Performance

The Regulations provides that:

- Detailed guidance on Integrated Development Planning.
- Requires Municipalities to appoint Performance Audit Committees consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.
- Performance Audit Committees have been given wide powers for investigation and are required to:
 - Review quarterly reports prepared by internal auditors
 - Review PMS and make recommendations for its improvement
 - Submit bi-annual audit reports to the municipal Council
 - Requires each Municipality to establish a Community Forum to enhance community participation in the drafting and implementing off the IDP
 - The development, implementation and review of the PMS
 - Monitoring the municipality's performance in relation to the KPI's and performance targets set by the municipality
- Section 43 of the Regulations prescribes the following 7 general key performance indicators:
 - The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
 - The percentage of households earning less than R1100-00 per month with access to free basic services.
 - The percentage of the municipality's capital budget actually spent on capital projects in terms of the IDP.
 - The number of local jobs created through the municipality's local, economic development initiatives including capital projects.
 - The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved Employment Equity Plan.
 - The percentage of a municipality's budget actually spent on implementing its Workplace Skills Plan.
 - Financial viability with respect to: debt coverage, outstanding debtors in relation to revenue and cost coverage.

4. WHAT IS A PERFORMANCE MANAGEMENT SYSTEM?

A Performance Management System means a framework that describes and represents how the municipality's cycle and processes of performance management planning, monitoring, measurement, review and reporting will happen and be organized and managed, while determining the roles of different role-players.

It provides for the procedure by which the system is linked with the municipality's processes and shows how any general key performance indicators (KPI's) be incorporated into the municipality's planning and monitoring process.

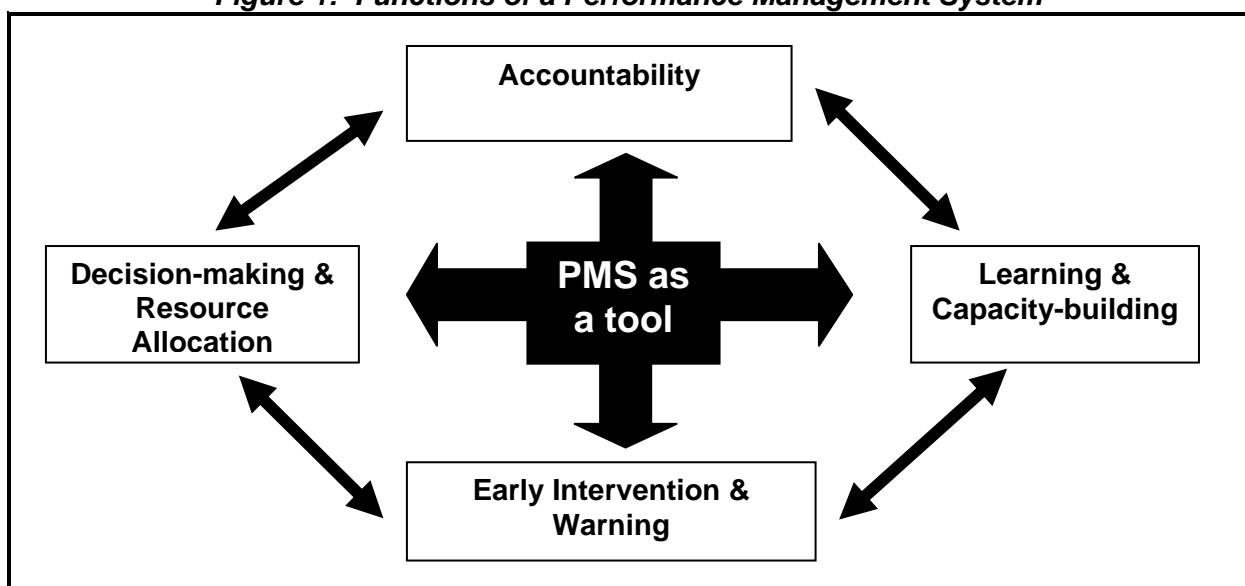
In other words, it is an approach that requires leaders and managers of the municipality to manage in such a manner, that all its components and individual employees are held accountable, thereby ensuring improved delivery and value for money to the local community and its citizens.

5. STRATEGIC OBJECTIVES OF THE PERFORMANCE MANAGEMENT SYSTEM

The objectives of institutionalizing a Performance Management System, beyond the fulfilling of legislative requirements, is to serve as a primary mechanism to monitor, review and improve the implementation of the municipality's IDP. In doing so, it should fulfil the following functions:

- Promoting accountability
- Decision-making and resource allocation
- Guiding development of municipal capacity-building programmes
- Creating a culture for best practice, share-learning among municipalities
- Develop meaningful intervention mechanisms and early warning system
- Create pressure for change at various levels
- Contribute to the overall development of Local Government System

Figure 1: Functions of a Performance Management System



5.1 ACCOUNTABILITY

A Performance Management System should facilitate accountability between a mandated and mandating body or the delegating and the delegated body. The key question that a performance management tool should answer in terms of its accountability function is: "Have we/they done what was supposed to be done, that we/they had committed to do and that has been budgeted for?"

In Buffalo City Municipality a Performance Management System is needed to ensure accountability between:

- Council and the citizens of Buffalo City (in their various forms of organization¹)
- The Mayoral Committee and the Council
- The Administration and the Mayoral Committee

¹ These may be Political Parties, Ward Committees, Civic Organizations, NGO's and Development Organizations

The accountability function of Performance Management System is also useful in ensuring integration and alignment of programmes across Directorates, Departments and other spheres of government.

5.2 BEST PRACTICE, LEARNING AND CAPACITY-BUILDING

The Performance Management System must also ensure learning. It should help the municipality to know which approaches are having the desired impact, and enable the municipality to improve delivery. It should form the basis for monitoring, evaluating and improving the IDP.

5.3 DECISION-MAKING AND RESOURCE ALLOCATION

Closely related to both the accounting and learning functions of the Performance Management System is that of improving the efficiency and effectiveness of decision-making. This is particularly relevant in making decisions on the allocation of resources as budgetary process are significantly enhanced by the availability of appropriate management information and evaluation capacity.

5.4 EARLY INTERVENTION AND WARNING

It is also expected that the Performance Management System will provide the municipality with early warnings of failure to achieve the IDP objectives and governance commitments. Early warning should enable early intervention.

6. PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT

The following are proposed as principles that must inform the development and implementation of Performance Management in Buffalo City Municipality.

6.1 POLITICALLY DRIVEN

Legislation clearly tasks the Executive Mayor as the owner of the Performance Management System. The Executive Mayor will need to drive both the implementation and the improvement of the system, and may delegate responsibilities in this regard.

6.2 SIMPLICITY

The Buffalo City Organizational Performance Management System must be simple and user-friendly enabling the municipality to manage it within its existing institutional and financial resource capacity. It must also be easily understandable to all stakeholders so that everyone knows what is expected from him/her or his/her team and what to expect from others.

6.3 PARTICIPATORY

For this initiative to succeed there must be buy-in and support from all stakeholders. For this to be achieved, the development and implementation must be participatory.

6.4 TRANSPARENCY AND CONSULTATION

The system must be a tool for consultation and accountability between the administration, the Council, the community and other spheres of government.

6.5 DEVELOPMENTAL

The system will be developmental in two ways. It will be a tool to measure developmental local government and the impact of the municipality on delivery on its key strategic objectives, identifying areas of weak performance and develop ways to improve. Secondly, the system itself will undergo continuous incremental development and improvement based on experience.

6.6 FAIR AND OBJECTIVE

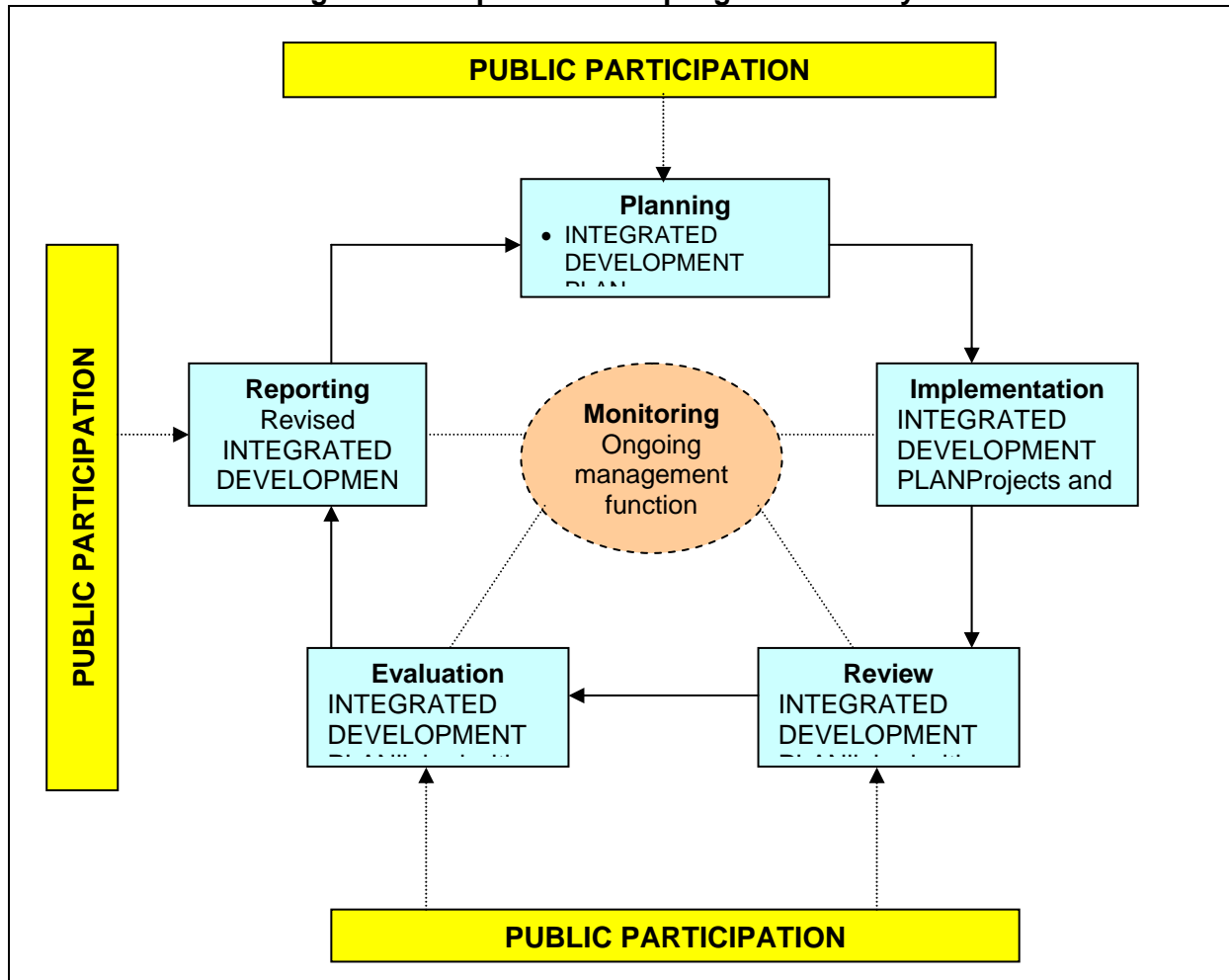
Performance management will be founded on fairness and objectivity in the recognition of poor or good performance. It will not be used to victimise or give an unfair advantage to an individual or groups of people.

7. INTEGRATION WITH OTHER PROCESSES

The Performance Management System is a component of municipal governance and management systems that are aimed at ensuring that municipalities are developmental. It must be understood as complementing planning and budgeting. It is an integral part of organizational management and must inform staff performance appraisal as much as it is informed by it.

Performance management is not parallel to the daily effort of the organizational management. It is a way of organization management. The following diagram is a simple representation of its relationship with other components of municipal governance.

Figure 2: Simplified municipal governance cycle



The Integrated Development Planning, Budget Process and the management of these strategic planning processes constitute performance planning.

The implementation of plans is driven by the Performance Management System. It uses the IDP, budget and organizational transformation and management plans produced through planning.

Evaluation, review and reporting are functions of Performance Management. Monitoring is an ongoing management function that serves to two key functions:

- (i) It monitors whether the different components of the cycle are implemented according to the plan.
- (ii) It also monitors whether the IDP and its related budget is being implemented accordingly.

8. THE ROLES AND RESPONSIBILITIES FOR DEVELOPING AND IMPLEMENTING PERFORMANCE MANAGEMENT

The development and implementation of the IDP and a Performance Management System involves the municipal officials as well as other actors outside the administration itself (private and public on different levels). That means that responsibilities in the municipal administration have to be defined both in the internal and the external perspective. Building strategic partnerships also includes clearly defined responsibilities among other actors.

The following key stakeholders can be grouped as internal and external to the municipality:

INTERNAL	EXTERNAL
Municipal Council Councillors Executive Mayor Mayoral Committee	National Government Minister of Provincial and Local Government Auditor General
City Manager Directors General Managers Line Management Employees Internal Audit	Provincial Government MEC for Local Government Provincial Departments
Local community and the public Performance Audit Committees IDP Representative Forum Ward Committees Civics CBO's NGO's	External Suppliers Service Providers Private Sector Organized Labour Professional Bodies The Media

The IDP forms the basis for a Performance Management System. The Performance Management System needs to be fully integrated with the IDP. The structures that are developed for the development of the system and for implementation, monitoring, review, evaluation and reporting are integrated with those of the IDP

For each of these components, this chapter sets out the role stakeholders in the Performance Management System will play and how these components are to happen.

ROLE-PLAYERS	ROLES & RESPONSIBILITIES
Minister of Provincial and Local Government	May, after consultation with the MEC's for Local Government and Local Government: <ul style="list-style-type: none"> • Prescribe general KPI's when necessary • Annually compile and submit to Parliament and the MEC's for Local Government a consolidated report of Local Government indicators; and publish the report in the Government Gazette • Make regulations concerning the design and operation of the PMS
Auditor-General	Undertake annual reviews of the KPI's and performance targets.

MEC Local Government	Annually compile and submit to the Provincial Legislatures, the Minister and the National Council of Provinces a consolidated report on the performance of municipalities in the Province.
National and Provincial Spheres of Government	Commenting on system's capacity to enable alignment, effective information flows and coordination.
Buffalo City Municipal Council	<p>The Municipal Systems Act, Chapter 6 – Section 39 places the following responsibilities on Council:</p> <ul style="list-style-type: none"> • Consider and adopt a PMS Framework Plan • Adopt a PMS before or at the same time as setting KPI's and performance targets in relation to the IDP • Review the IDP annually • Monitoring progress and development • Ensure the annual business plans, and municipal budget are linked to and based on the IDP • Appoint Audit Committee and designate a chairperson • Review the IDP and PMS annually
Ward Councillors	<p>Ward Councillors are the major link between the municipal government and the residents. As such, their role is to:</p> <ul style="list-style-type: none"> • Link the planning process to their constituencies and/or wards • Linking decisions on the development of the system to communities • Ensuring communities understand the purpose and the key mechanisms of the system and are motivated to participate actively • Be responsible for organizing public consultation and participation within their wards respectively
The Executive Mayor of Buffalo City	<p>The Executive Mayor of Buffalo City has the ultimate responsibility for the drafting of the PMS. In his executive capacity he has to:</p> <ul style="list-style-type: none"> • Delegate clear responsibility for the development of a PMS that meets the legislative and regulatory requirements • Be responsible for the overall oversight, development and monitoring of the process or delegate PMS responsibilities to the City Manager • Submit the proposed PMS to the municipal Council for adoption

--	--

<p>City Manager</p>	<ul style="list-style-type: none"> • The City Manager may further delegate the responsibility to another senior manager. Therefore it is important that Council, within its policy framework in delegation, assigns responsibility accordingly. • Ensure a plan is agreed for the PMS development process • Make clear further delegations and ensure appropriate institutional arrangements • Ensure alignment of other key municipal systems to support the PMS and strategic management of development and performance • Monitor progress and report to the Executive Mayor • Inform the local community through the media about the municipal meeting that will be held to discuss the annual report • Give written notice to the Auditor-General and the MEC for Local Government in the province about the annual report meeting • Submit minutes of the annual report meeting to the Auditor-General and the MEC for Local Government • Permit the Auditor-General and the MEC for Local Government to attend the report meeting and be available to reply to questions about the annual report
<p>Internal Audit</p>	<ul style="list-style-type: none"> • Carry out assessments of the functionality of the PMS, whether the PMS complies with the Act and the reliability of KPI's • Continuously audit performance measurements • Submit quarterly reports to the Municipal Manager and the Performance Audit Committee
<p>Performance Audit Committee</p>	<ul style="list-style-type: none"> • Include at least one person who has expertise in Performance Management • May be remunerated according to the tariffs of the South African Institute of Chartered Accountant • Must meet twice during a financial year • Special meeting may be called by any member • Review the PMS and make recommendations • Submit an audit report at least twice during the financial year • Make use of wide-ranging investigating powers

<p>PMS Project Team</p>	<ul style="list-style-type: none"> • Preparing the organization for the change • Facilitating the development of the Performance Management System • Supporting the organization during the implementation of the Performance Management System • Ongoing development and improvement of the Performance Management System • Specialist contribution to, and elaboration and discussion of, the performance planning dimensions of the IDP process • Ensuring planning phases lay effective ground for performance management, monitoring, evaluation and review • Summarising, digesting, processing inputs from participation process • Discussion of, and comment on, inputs of external specialist
<p>Directors & General Managers</p>	<p>Directors and General Managers of Departments, as the persons in charge for physically implementing IDP's, will have to be fully involved in the planning process and would:</p> <ul style="list-style-type: none"> • Make suggestions and comments on making the system function optimally in relation to the specific circumstances of different kinds of jobs, functions and context • Provide inputs to ensure validity, feasibility, reliability of indicators, baselines and targets • Provide technical / sector expertise • Provide relevant technical, section and financial information for analysis for determining priority issues • Make the necessary staff available for work in task teams and other working groups • Contribute technical expertise in the consideration and finalisation of strategies and identification of projects • Provide departmental, operational and capital budgetary information • Be responsible for the preparation of project proposals, the integration of projects and sector programmes within their departments respectively; and • Be responsible for preparing relevant amendments to the above, after due consultation
<p>Employees</p>	<ul style="list-style-type: none"> • Be consulted on indicators and targets and comment on achievability • Provide data as required by Line Managers • Monitor and audit the performance of the organization and respective team • Participate in the review of own performance and that of subordinates • Participate in the review of organizational performance where necessary

External Specialist	<ul style="list-style-type: none"> • Presenting options based on “good practice” research and examples • Supporting internal decision-making processes • Providing technical support and information
“Civil Society” Community Stakeholders	Representing interest in terms of the inclusiveness of the system and process of deciding and communicating expectations and results
Organized Labour	<ul style="list-style-type: none"> • Contribute to the development and implementation of an IDP • Provide the labour viewpoint to analysis and proposals on how to improve the Performance Management System • Representing members interest, specifically in relation to access to the process and the fairness of the system • Participate in the public review of municipal performance (through the labour forum)

The annual process of managing performance of the Buffalo City Municipality will involve the following components:

8.1 PERFORMANCE PLANNING

Because performance is to be managed in terms of the IDP, the IDP process constitutes the process of planning for performance. It is crucial that for all the priorities in the IDP, objectives, indicators and targets are developed. Formats for this purpose will be developed.

8.2 MEASUREMENT AND ANALYSIS

For each indicator it will be required that a responsible official, preferably the respective line manager, to be designated. While this official will not necessarily be accountable for performance on this indicator, they will be responsible for conducting measurements of that indicator, analysing and reporting these for reviews.

Analysis requires that the line managers compare current performance with targets, past performance and possibly the performance of other municipalities, where data is available, to determine whether or not performance is poor. They should also analyse the reasons for performance levels and suggest corrective action where necessary.

Municipal-wide outcome indicators and satisfaction surveys may need to be coordinated centrally. It is proposed that the Office of the City Manager be tasked with this responsibility.

It is further proposed that the following annual surveys be undertaken by this office to provide data for indicators organizationally:

- An annual Citizen Satisfaction Survey conducted for households and businesses in Buffalo City
- An Employee Satisfaction Survey that is conducted internally

Prior to reviews taking place by the Municipal Manager, Executive Mayor, Mayoral Committee and Council, performance reporting will need to be tracked and coordinated. It is proposed that the Office of the City Manager be responsible for this process.

It will also be useful to provide an overall analysis of municipal performance, at least for quarterly and annual reviews. Such an analysis could pick up trends in performance

over time and over all Departments. It is proposed that the Office of the City Manager be responsible for this.

8.3 REPORTING AND REVIEWS

The following aims to provide a picture of the annual process of reporting and reviews.

8.3.1. Coordination

The coordination of the implementation of the IDP projects and programmes, the reporting and review activities will be done by the performance team using the Office of the City Manager in order to control the quality of and archive the measurement, reporting and review process.

8.3.2. Departmental Reviews

It is intended that Departments review their performance once every two months. Departments whose areas of responsibility are a municipal-wide function will report from a resource management, service delivery and impact perspective. Whereas, Departments whose function is more organizational service-orientated, will report from a resource management and service delivery perspective. Decision-makers should be immediately warned of any emerging failures to service delivery such that they could intervene, if necessary.

It is important that Departments use these reviews as an opportunity for reflection on their objectives and programmes and whether these are being achieved. Minutes of these reviews should be forwarded to the Performance Management Team (Office of the City Manager) and the relevant Portfolio Committee. Changes in indicators and targets may be proposed at this meeting and communicated to the Office of the City Manager (Performance Management Team), which will make recommendations to the Mayoral Committee. The Council, on the recommendation of the Mayoral Committee after consulting the relevant Standing Committee, IDP Office and the Performance Management Team can only give approval.

8.3.3. District Municipality Reviews

Buffalo City Municipality will forward performance reports on agreed upon indicators to the office of the Amathole District Municipality Strategic Manager every two months.

8.3.4. Management Reviews

The Directors and General Managers (i.e. referred to as Management) will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved, where applicable, and corrective action that may be necessary. Where targets need to be changed, management can endorse these, and make a recommendation to the Mayoral Committee. Management can delegate tasks to the Performance Management Team in developing an analysis of performance prior to management reviews.

8.3.5. Mayoral Reviews

On a quarterly basis, the Executive Mayor should engage in an intensive review of municipal performance. Many of the indicators will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance.

The Executive Mayor will need to ensure that targets committed to are being met, where they are not, satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the reasons for poor performance.

The review should also focus on reviewing the systematic compliance to the Performance Management System, by Departments, Portfolio Committees and the City Manager.

Incentives for Excellent Performance: It will be important that the Mayoral Committee not only pay attention to poor performance, but also to good performance. It is expected that the Mayoral Committee will acknowledge good performance, where Departments have successfully met targets. It is also proposed that an Annual Mayoral Award for Excellent Performance be introduced, that rewards Departments who have excelled. Such an award and the subsequent recognition can often be sufficient to motivate teams in the workplace.

8.3.6. Council Reviews

At least annually, the Executive Mayor will be required to report to Council on municipal performance. The Municipal Systems Act requires that the Annual Report should at least constitute a performance report, financial statements and an audit report.

8.3.7. Public Reviews

The Municipal Systems Act requires the public to be given the opportunity to review municipal performance. It is proposed that in addition to the Annual Report mention above, a user-friendly Citizens Report should be produced for public consumption. The Citizens Report should be simple, easily readable and an attractive document that translates the strategic objectives of the municipality.

It is also proposed that a public campaign be annually embarked on to involve citizens in the review of municipal performance. Such a campaign could involve the following methodologies:

- Various forms of media, including radio, newspapers and billboards can be used to convey the Citizens Report. The public should be invited to submit comment via telephone, fax, e-mail and public hearings to be held in a variety of locations.
- The public reviews should be concluded by a review by the IDP Representative Forum.

8.4 AUDITING AND QUALITY CONTROL

The regulations require that the municipal council establish an Audit Committee, where the majority of members are not councillors or employees of the municipality. Council shall also appoint a chairperson who is neither a councillor nor employee.

The operation of this Audit Committee is governed by Section 14(2-3) of the Regulations. The municipality may choose to use an existing Audit Committee for this purpose:

According to the regulations the Performance Audit Committee must:

- Review the quarterly reports submitted to it by the Internal Audit Unit
- Review the Municipality's Performance Management System and make recommendations in this regard to the Council of the Municipality
- Assesses whether the performance indicators are sufficient
- At least twice during a financial year submit an audit report to the Municipal Council

It is further proposed that the Audit Committee be tasked with assessing the reliability of information reported. In order to fulfil their function a Performance Audit Committee may, according to regulations:

- Communicate directly with the Council, Municipal Manager of the internal and external auditors of the Municipality;
- Assess any municipal records containing information that is needed to perform its duties or exercise its powers;
- Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the Committee; and
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

It is proposed that the capacity of the existing Audit Committee be reviewed in relation to the function of Performance Management. Based on this review, the Council must decide whether to appoint a separate committee or restructure the existing one.

The composition of the Audit Committee should ensure that the following competencies are sufficiently catered for within the group:

- An understanding of Performance Management
- An understanding of finances
- An understanding of development, including rural development
- Credibility within the Buffalo City's organs of civil society

9. EVALUATION AND IMPROVEMENT OF THE PERFORMANCE MANAGEMENT SYSTEM

The Municipal Systems Act requires the Municipality to annually evaluate its Performance Management System. It is proposed that after the full cycle of the annual review is completed, the Performance Management Team will initiate an evaluation report annually, taking into account the input provided by Departments. This report will then be discussed by the Management team and finally submitted to the Executive Mayor for discussion and approval. The evaluation should assess:

- The adherence of the Performance Management System to the Municipal Systems Act.
- The fulfilment of the objectives for a Performance Management System to the objectives and principles captured in Section 5 of this report.
- The adherence of the Performance Management System to the objectives and principles captured in Section 6 of this document.
- Adherence by role-players to the Performance Management System as adopted by Council.
- Opportunities for improvement and a proposed Action Plan.

It must once again be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a Performance Management System must be seen as a learning process, where we are continuously improving the way the system works to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.

10. INSTITUTIONAL CAPACITY TO DEVELOP AND IMPLEMENT A PERFORMANCE MANAGEMENT SYSTEM

10.1 CURRENT SITUATION

The total number of employees working for Buffalo City is 4,248 people. The approved compliment for Buffalo City is 5,011 posts, therefore there are 763 vacant posts. The key findings within the institutional context can be summarised in the following weaknesses, threats, strengths and opportunities.

WEAKNESSES AND THREATS

Currently, Buffalo City suffers from a staff and skills shortage, a serious infrastructure backlog (IT, digital data and ageing fleets), low productivity, general lack of cooperation and internal communication.

Issues and areas that constitute threats for the future are negative public perception, HIV/Aids, a dwindling income base, racial polarisation, the loss of skilled staff, the slow pace of economic growth, failure to implement equity and competition from other Local Authorities.

STRENGTHS AND OPPORTUNITIES

Buffalo City has at present a stable leadership and management, competent human resources, a fully functional administrative infrastructure, established policies and procedures and access to specialist knowledge and external information. The present IDP process along with skills development, foreign aid, the development of cohesive organization, advanced digital technology and the development of public private partnerships constitute opportunities for the positive development of Buffalo City.

Throughout the analysis of the various sectors of Buffalo City's functions and activities a number of issues related to the bureaucratic system, the shortage of financial and human resources and methods for the effective and efficient delivery of service and other statutory functions have been highlighted. The working conditions for the staff have also been discussed and amongst these the HIV/Aids issue has come to the forefront. A number of objectives have been formulated and corresponding strategies to apply in trying to achieve the set objectives have been formulated. These are aimed at addressing the municipality's most critical internal transformation needs.

10.2 INSTITUTIONAL CHALLENGES

Buffalo City has already embarked on the process of administrative restructuring, based on the legal imperative contained in Sections 51, 55(1) and 66(1) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). These sections require, inter alia:

- that the municipality must, within its financial and administrative capacity, establish and organize its administration in a manner that would enable it to be responsive to the needs of the local community;
- that the Municipal Manager should develop an economical, effective, efficient and accountable administration that is equipped to carry out the task of implementing the municipality's IDP;
- that the Municipal Manager, within a Policy Framework determined by the Council, be responsible for the approval of a staff establishment for the municipality.

The functional structure of Buffalo City has furthermore been formally approved by Council, and is in the process of being staffed progressively through a combination of the placement of existing staff (drawn either from the previous EL and KWT TLC's or the Amathole staff due for transfer) as well as, in certain instances, the recruitment and selection of staff from the external labour market.

Important innovations in the functional structure are to be found in the establishment of specific capacity to deal with critical matters such as the IDP, Local Economic Development, Legal Support, HIV/Aids and Employee Wellness, LA21, Disaster Management, Transportation, Budget Management, Mayoral Support, Coastal Conservation and Customer Care, as well as of course, Performance Management itself. A temporary office dealing with broad issues of transformation will also be established.

The financial and institutional challenges of the coming five years and beyond, are enormous. While the examples given below have been identified as critically important, they do not constitute an exhaustive list of projects that are considered necessary in order to achieve financial sustainability and the desired internal transformation and reorientation of the municipality.

The efficient management of the performance of the municipal administration and its functionaries will also require the articulation of a fully-fledged Performance Management System that is linked with the objectives of the IDP, to ensure that municipal officials are goal-orientated and focused on delivery of tangible outcomes.

As stated before, the municipality is presently languishing in the doldrums of inefficiency with regard to internal communication and access to information, with archaic technological facilities in many areas constituting a serious constraint on

service delivery, administrative efficiency and the general morale of staff. It is seen as an absolute priority therefore to make the necessary investment in hardware, software and skills development to ensure the development of what has been termed an Integrated Information Management System (IIMS), including the capacity to access, interpret and manage the geographic or spatial dimensions of mission-critical information.

Less central, but still regarded as important, is the need to give serious attention to a Fleet Management Strategy aimed at ensuring the efficiency and cost-effectiveness of the municipality's extensive fleet, whilst also meeting the obligation to continue delivering essential services.

In the more medium-term, the municipality has recognized that the disintegrated nature of its administration constitutes a constraint that limits the efficiency of communication and the cohesiveness and cost-effectiveness of the organization.

Finally, it is seen as a major challenge of Buffalo City to establish proper institutional capacity to deal with special programmes that would focus on the institutional management of HIV/Aids, the mainstreaming of the vision of the Local Agenda 21, gender issues and issues pertaining to the interests of the disabled and young people.

10.3 UTILIZATION OF GRANT FUNDING

The Department of Provincial and Local Government (i.e. The Municipal Systems Improvement Grant [MSIG]) has allocated an amount of R500 000-00 to Buffalo City for the development and establishment of a Performance Management System and enhancing the capacity of the municipality for implementation.

Buffalo City Municipality will utilize the grant for the following activities:

- The development and implementation of an appropriate Performance Management System for Buffalo City.
- Institutional, political and community² capacity development activities identified during the IDP Process, which are linked to performance management.
- The appointment of a service provider to assist the municipality with the development and initial implementation of the Performance Management System.
- The detailed terms of reference for the appointment of a service provider will be developed once the grant funding has been secured

² Communities refer to Ward Committees and other relevant stakeholders

SECTION 2

2.1 PLAN FOR FOCUS AREA 1: PERFORMANCE MANAGEMENT PILOTS

Based on the issues outlined in section 1, the following plans have been developed for Focus Area 1: Buffalo City Performance Management Pilot Project.

OBJECTIVE
To develop and implement, in consultation with key stakeholders, a Performance Management System for Buffalo City Municipality that complies with legislative requirements and good practice.

APPROACH
<p>The need for an internal Performance Management Project Team to be constituted, with a dedicated coordinator, under the auspices of the IDP Process is acknowledged. This team will be the vehicle through which a Performance Management System will be introduced. The capacity of the team will be enhanced through the appointment of a service provider to assist with the development and initial implementation of the Performance Management System for Buffalo City.</p> <p>Such an approach will:</p> <ul style="list-style-type: none"> ❖ Increase buy-in and ownership ❖ Catalyse implementation ❖ Build internal capacity and knowledge within the institution to administer and improve the Performance Management System ❖ Reduce consulting costs

KEY OUTPUTS	INDICATORS	TIMEFRAMES
Development and the initial implementation of a Performance Management System based on Buffalo City's IDP.	Submission of a Final Draft Performance Management System to Council for adoption and implementation.	7 Months

KEY ACTIVITIES	INDICATORS	TIMEFRAMES
<p>i. Preparing the municipal organization. This activity will primarily focus on internal stakeholders. PMS Project Team (including service providers) to interact with the formal IDP Process in order to familiarise and secure the buy-in of external stakeholders.</p>	<ul style="list-style-type: none"> ▪ Overall PMS Project Plan developed ▪ All stakeholders informed and introduced to the concepts of a PMS ▪ Key elements of a PMS clarified 	1 month
<p>ii. Developing the Final PMS Framework To get the stakeholders to agree on key components of the Performance Management System.</p>	<ul style="list-style-type: none"> ▪ Final Draft PMS Framework drafted and submitted to Council for adoption. 	1,5 months
<p>iii. Develop indicators and set targets Indicators will be developed based on key performance areas identified in the IDP. Support to the project team in conducting baseline or status quo measurements and appropriate targets.</p>	<ul style="list-style-type: none"> ▪ Decision taken of key performance indicators and targets by all stakeholders ▪ Council adoption of key performance indicators and targets 	2,5 months
<p>iv. Support during performance management implementation To advise and support the project team during the initial stages of implementation.</p>	<ul style="list-style-type: none"> ▪ All stakeholder and relevant role players implementing the PMS 	1,5 months

BUDGET	2002/2003	2003/2004	2004/2005
EXPENDITURE			
Service Provider	250 000	250 000	250 000
PMS Model (Design, Software, etc.)	70 000	150 000	100 000
Communication	50 000	50 000	50 000
Public Participation and Capacity Building (Political, Administration, Communities, etc.)	50 000	50 000	50 000
Stationary/Printing/Reports	100 000	100 000	100 000
Institutional Development and Implementation (All Departments, Baseline Indicators, KPI's, etc.)	100 000	100 000	100 000
SUBTOTAL	620 000	700 000	650 000
INCOME			
MSIG (Grant, 10% increase per year)	500 000	550 000	605 000
SHORTFALL	120 000	150 000	45 000

SECTION 3

CASH FLOW PROJECTION 2002 / 2003

EXPENDITURE	J	A	S	O	N	D	J	F	M	A	M	J	TOTAL
1. Service Providers				50	80	20	20	40	40				250,000
				■			■						
2. Communication									50				50,000
									■				
3. PMS Model					20		25	25					70,000
					■		■						
4. Participatory & Capacity-building					50								50,000
					■								
5. Stationary, Printing, Reports				15	12	13	5	25	30				100,000
				■			■						
6. Institutional Development & Implementation				20	20	10	10	20	20				100,000
				■			■						
TOTAL (R / Thousands)				85	182	43	60	110	140				620,000