

**A CRITICAL ASSESSMENT OF THE IMPLEMENTATION OF
PERFORMANCE MANAGEMENT IN THE NELSON MANDELA BAY
MUNICIPALITY.**

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

MASTERS IN BUSINESS ADMINISTRATION

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EXECUTIVE SUMMARY

The transformation of all spheres of South African government to a more effective and efficient administration became a priority after the election of the country's first democratic government in April 1994. An important aspect of South Africa's democratisation was the promise by the new government to improve the lives of the people of this country, and provide a better life for all the citizens of South Africa. One of the most effective ways of achieving this goal is generally accepted to be the proper management and strengthening of the local government sphere. Local government is the sphere of government that is closest to the people, and generally the performance of National Government is assessed through the performance of municipalities.

In strengthening local government, various pieces of legislation were developed since 1994 to ensure that the objectives of Section 152 of the Constitution are achieved. As a result of these imperatives, the Department of Provincial and Local Government introduced a White Paper on Local Government on 9 March 1998, with a vision of working towards a new developmental local government system. Various statutes emanated from this strategic framework, such as the Local Government: Municipal Structures Act No. 117 of 1998, the Local Government: Municipal Systems Act No. 32 of 2000 and the Local Government: Municipal Finance Management Act No. 56 of 2003. These legislative enactments endeavour to ensure that the local sphere of government is managed more strategically than previously, and is responsive to the needs of communities.

Municipalities are expected to deliver efficient and affordable services to the local communities, and failure to do so could result in the recent spate of violent protest that has been recently experienced in various parts of the country. In order to measure the extent of service delivery to the communities, and to assess whether the objectives named in the municipality's Integrated Development Plan (IDP) document are being achieved, municipalities are compelled to implement performance management for all members of

staff, political office bearers and service providers, in terms of the Municipal Systems Act No. 32 of 2000.

This thesis therefore looks at challenges faced by the Senior Management (i.e. Section 57 employees, Directors and Assistant Directors) in the implementation of performance management within the Nelson Mandela Bay Municipality, during the first five years of their term in office (i.e. Senior Management appointed after 6 December 2000 local government elections), and recommending performance management steps as well as performance management model that can be used to cascade performance management amongst all levels of staff.

This thesis begins by introducing the subject of performance management, briefly discussing the demarcation of the research, the research method utilised, the historical background of performance management, as well as the current status of performance management within the municipality. The introduction of the topic is followed by a theoretical overview of the subject of performance management. This is followed by the discussion of the research methodology followed when conducting this research study. The findings are discussed in detail after the research methodology, giving a synopsis of what the interviewees disclosed during the interview process. The last chapter provides a brief discussion of the findings, and discusses the recommended performance management steps and performance management model, that can be used by the municipality to cascade performance amongst all members of staff.

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CHAPTER 1

INTRODUCTION

1.1. INTRODUCTION, AIMS AND OBJECTIVES

The transformation of all spheres of South African government to a more effective and efficient administration became a priority after the election into power of the country's first democratic government in April 1994. An important aspect of South Africa's democratisation was the improvement of the lives of the people of this country, and providing a better life for all the citizens of South Africa. One of the most effective ways of achieving the goal of improving the lives of all citizens of South Africa is generally accepted to be the proper management and strengthening of the local government sphere. As a result of these imperatives, the Department of Provincial and Local Government introduced a White Paper on Local Government on 9 March 1998, with a vision of working towards a new developmental local government system. Various statutes emanated from this strategic framework, such as the Local Government: Municipal Demarcation Act No. 27 of 1998, the Local Government: Municipal Structures Act No. 117 of 1998, the Local Government: Municipal Systems Act No. 32 of 2000, the Local Government: Municipal Finance Management Act No. 56 of 2003, and the Local Government: Municipal Property Rates Act. These legislative enactments endeavour to ensure that the local sphere of government is managed more strategically and is responsive to the needs of communities.

Some of the key objectives of the abovementioned pieces of legislation can be summarised as follows:

- (i) Ensuring that local government sphere is managed effectively and efficiently;
- (ii) Ensuring that socially beneficial services are delivered to the communities within the municipal boundaries, in order to attain the government's long-term objective of delivering a better life to all the citizens of South Africa;

- (iii) Ensuring that those in charge of local government are able to think and act strategically, and are accountable and transparent to the communities they lead;
- (iv) Regulating financial management in local government and providing uniform treasury norms and standards; and
- (v) Emphasising the need to be able to determine whether municipalities are getting value for money, in terms of rands spent, from the service providers.

The above objectives require a municipality to be performance-driven, as local government is the sphere of government that is closest to the people. The higher spheres of government, (e.g. National Treasury and Department of Provincial and Local Government) require municipalities to report on a monthly or quarterly basis on how municipalities perform, as these government departments have, in terms of the legislation, the role of overseeing municipalities. This role of the higher spheres of government assists in ensuring that where municipalities are under-performing, these spheres of government can intervene as soon as possible.

The South African government introduced various strategic and innovative ways of operating within local government, in order to implement the abovementioned objectives, which included the introduction of the Integrated Development Plans (IDPs) (this is a document that municipalities are compelled in terms of the Municipal Systems Act No. 32 of 2000 to prepare, enlisting the strategic goals they intend fulfilling during the following three financial years), as well as the introduction of a performance management system, aimed at measuring the achievement of the strategic goals set out in the IDP document. This addresses the well-known saying by Bryner (2005) that if you can't measure it, you can't manage it.

As can be seen from the preceding paragraphs, municipalities in the country are operating within a highly legislated environment, and a lot is expected from the municipalities with limited resources and capacity problems. It is against this backdrop that the researcher decided to write this thesis on the subject of performance management implementation

challenges identified after implementing performance management for only a particular category of municipal employees, and recommend some steps and a model that can be used to implement performance management, holistically, to all levels of staff.

The objectives of this thesis are as follows:

- (i) Identification of problem areas in the implementation of performance management for the Section 57 employees (i.e. all Senior Managers working on a five-year contract and directly reporting to the Municipal Manager) of the Nelson Mandela Bay Municipality.
- (ii) Introduction of performance management implementation steps that will assist the Nelson Mandela Bay Municipality in cascading performance management amongst all levels of staff.
- (iii) Development of a performance management model that can be used to cascade performance management to all levels of staff within the Nelson Mandela Bay Municipality.

The Municipal Systems Act No. 32 of 2000 requires municipalities to implement a performance management system for Section 57 employees, and also encourages municipalities to cascade a performance management system to all levels of staff. Underpinning this thesis is the question of how the implementation of a performance management can be cascaded to all members of staff within the Nelson Mandela Bay Municipality as currently only the Section 57 employees are bound to such a system. The researcher holds the view that the performance of a Directorate cannot depend solely on the performance of one individual, but rather on all members of staff; therefore, this thesis aims at assisting the municipality on cascading performance management to all levels of staff. As performance management is a new concept in South African local government, strategies will have to be developed by the leadership so that it can be implemented successfully for all employees, as local government operates within a political and unionised environment.

Chapter 6 of the Municipal Systems Act No. 32 of 2000 discusses the concept of the

performance management system that municipalities are required to implement across the board. Through the implementation of a performance management system, it is envisaged that a culture of performance will hopefully be encouraged within the municipal environment in terms of Section 38(b) of the Municipal Systems Act No. 32 of 2000. This Act states that the objective of institutionalising performance management in South African local government is to monitor, review and improve the implementation of municipalities' IDPs.

Implementation of performance management is viewed as one of the cornerstones that organisations utilise to ensure that they are continuously effective, and outperform their competitors. Walker (2007) states that a review of performance management literature confirms that performance management is the single largest contributor to organisational effectiveness. It takes innovative thinking and courageous action to quell a performance crisis that is generated by under-performing, poorly managed employees (Walker: 2007).

Implementing performance management is a sensitive issue that, if not handled strategically, could result in employee resistance. Walters (1995:16) states that "in many organisations there is a concern about the hidden agenda that may underlie the introduction of more systematic forms of performance management". Regardless of the context, performance management is a threatening concept (Walters: 1995).

Ballard and Buys (2006) state that performance management in local government is deemed to be an organisation-wide intervention to ensure the achievement and monitoring of performance. According to Ballard and Buys (2006), the performance problem within local government is demonstrated by the fact that 136 (or 48%) of the 284 municipalities in South Africa have been earmarked for Project Consolidate, which has been designed to assist municipalities with performance and establishment problems.

The Nelson Mandela Bay Municipality implemented a performance management for all Section 57 employees appointed in early 2001, in order to comply with the Municipal Systems Act No. 32 of 2000. The implementation of performance management amongst

the Section 57 employees only, without any performance management being imposed to other levels of staff within the municipality, created some difficulties amongst Section 57 employees, and their concerns, raised during the interview process, will be discussed in Chapter 4 of this thesis.

The following section briefly explains the delineation of this thesis, and some reasons for choosing this area.

1.2. DELINEATION OF THE RESEARCH

This thesis has been conducted at the Nelson Mandela Bay Municipality, amongst the Section 57 employees (i.e. all Senior Managers working on a five-year contract, and directly reporting to the Municipal Manager), appointed in early 2001, during their first five years in office, as well as Directors and Assistant Directors involved in performance management. It is believed that by conducting this research amongst this category of employees, the objectives of this thesis, as stated in the previous section, will be successfully addressed.

The following section briefly explains the research design and methodology that was used in this thesis.

1.3. RESEARCH DESIGN AND METHODOLOGY

The objectives of this thesis are to identify the problem areas in the implementation of performance management for the Section 57 employees of the Nelson Mandela Bay Municipality, introduce performance management implementation steps that can be used in implementing performance management to all levels of staff, and develop a performance management model that can be used to cascade performance management to all levels of staff within the Nelson Mandela Bay Municipality. In order to realise the objectives of this thesis, the research design and methodology used will be discussed in detail in Chapter 3 of this thesis; however, it must be mentioned that this research was

conducted through the use of a constructivist case study research method (Babbie and Mouton: 2006). Underpinning the selection of the constructivist case study paradigm is the belief that there are multiple realities out there, and it is up to the researcher to uncover some of them. Yin, cited in Remenyi (1996) 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 is arguably the most appropriate research strategy.

The primary sources of information used for conducting this research were interviews held with Section 57 employees (i.e. all Senior Managers working on a five-year contract, and directly reporting to the Municipal Manager), as well as Directors and Assistant Directors involved in performance management. The interviews were conducted using a pre-determined set of questions, in an environment that is most suitable to the interviewee, such as an interviewee's office, interviewee's home, or restaurant. The interviews were recorded on a tape recorder, after having obtained the interviewee's permission for this requirement, and after having explained the purpose of the research. Thereafter, the recording was transcribed, and the transcribed document forwarded to the interviewees so that they could ensure that the recordings were accurate.

The secondary sources of information used in this research included Council Agendas, Council Policies, relevant Legislations, Audit Reports, relevant Literature / Journal Articles, and conducting searches through internet websites relating to this topic. These documents were studied or analysed in order to get more understanding on the topic of performance management.

The following section briefly discusses the historical background of performance management.

1.4. HISTORICAL CONTEXT OF PERFORMANCE MANAGEMENT

Performance management has been a necessary part of organisational life for as long as organisations have existed. The ancient Egyptians had to encourage their workers to persist in the arduous task of building great pyramids and unwittingly they utilised a performance management system to do so. Their system involved whipping those workers who did not perform as required to achieve their goals. This system worked effectively for them, as evidenced by the splendid pyramids that they built. There is evidence that other ancient civilisations, such as Rome and XD China, also had performance management systems in place (Furnham: 2004). Over time, as understandings of human nature and the environment has changed, managing performance so as to align individual goals to a common vision has been recognised as vital to an organisation's success. The need for an effective and holistic performance management and appraisal system has become apparent. Performance management seems to have been quite a clear-cut choice for businesses for two main reasons: firstly, it was driven by the cost and management accounting profession with its focus on measuring financial indicators, particularly in terms of direct labour costs and direct material costs; and secondly, because it is easier to measure performance than to manage it (Neely, Gregory and Platts: 1995).

After much work by cost and management accountants in refining the available measures (resulting in the introduction of activity based costing in the mid 1980s) (Neely *et al*, 1995) and from financial accountants in terms of measures such as Return on Investment and Return on Equity, it became clear that accounting indicators on their own were not necessarily clear predictors of the success or failure of an organisation. By the early 1980s, a trend had developed of moving away from viewing capital assets as the single most important tool of measuring the success or failure of an organisation. It was understood that intellectual or human capital would be the way of the future. Those organisations that had a strong belief in their people, not necessarily only in their financial indicators, were proving to be the top companies. Those organisations

demonstrated how working with people was infiltrating to the very core of their internal operations, and this commitment was reaping financial rewards.

By the mid to late 1980's, traditional performance management systems had many critics (Neely: 1999). It was around this time that Kaplan and Norton (1992) developed a balanced scorecard, to include the measurement of indicators other than financial ones. They proposed four areas of importance, including finance, but, in addition, the customer, internal business processes and learning and growth. They felt that these four perspectives provided a more holistic picture of an organisation's performance. Kaplan and Norton (1996) then postulated that these scorecards could be linked to, and drive, strategy.

In today's knowledge economy, performance management is a vital system as it contributes to the success of an organisation in attracting and retaining the right people, training and developing these individuals to realise their own potential as well as the organisation's potential, and constitutes a system of evaluating and rewarding individuals within the organisation. Successful organisations are those that are able to keep ahead of the competition, and are continuously able to produce sustainable growth of above average returns. This often depends on their ability to attract and retain high calibre knowledge workers (Staude: 2005). Because of the realisation that people are the most valuable assets of an organisation, the issue of performance management has been pushed to the fore. The importance of the role played by workers within an organisation is also highlighted by Ulrich (2002), who said a company's competitive edge no longer lies to its products; it lies in its people.

Having discussed the historical background of performance management, the following section discusses the purpose of performance management, as cited by various authors, such as Armstrong (1994), Bennet and Minty (1999), and Brown and Armstrong (1999).

1.5. PURPOSE OF PERFORMANCE MANAGEMENT

Armstrong (1994) states that the overall aim of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills and contributions.

Bennet and Minty (1999:58) state that there are generally three major purposes of performance management, namely:

- (i) “A process for strategy implementation;
- (ii) A vehicle for culture change; and
- (iii) To provide input to other human resource systems such as development and remuneration.”

Performance management encompasses all those aspects of human resources management that are designed to improve the efficiency and effectiveness of both the individual and the organisation. Brown and Armstrong (1999) define performance management as anything that an organisation does to improve its total performance. Performance management assists organisations in providing a basis for managing both organisation and employee expectations (Brown and Armstrong: 1999). The main purpose of performance management in organisations is to enhance the achievements of both the organisation and the individuals within that organisation, and they further state that it also aims to provide a framework that facilitates the integration of corporate and individual objectives, beginning with the communication and integration of the organisation’s core values (Brown and Armstrong: 1999).

Performance management aims to motivate employees to work towards established and clearly communicated expectations, and also to provide a developmental process for organisations by setting guidelines that assist in establishing future needs and outcomes. It can be stated that performance management seeks to enable individuals to express their views on what they should be doing, where they should be going, and how they should be managed. Thus, performance management provides a means whereby expectations can be

shared between managers and their subordinates. It is believed that if employees are involved in planning their performance objectives with their superiors, employees will take ownership of the process and be motivated to work hard for the municipality, which will be beneficial to the Nelson Mandela Bay Municipality.

In the pre-1994 era, municipalities were not legally obligated to implement performance management amongst municipal employees, and municipalities had numerous approaches of measuring performance. The erstwhile Port Elizabeth Municipality used performance appraisal system, which is discussed in the following section.

1.6. THE PERFORMANCE APPRAISAL SYSTEM USED BY THE ERSTWHILE PORT ELIZABETH MUNICIPALITY

Performance appraisal forms an integral part of performance management, and is used to appraise employees for the work well done, and used for assessing the strengths and weaknesses of employees (Nel, van Dyk, Haasbroek, Schultz, Sono and Werner: 2006b). In the past, performance appraisal was treated as the only way of evaluating or measuring employees' performance in the erstwhile Port Elizabeth Municipality.

The Port Elizabeth Municipality applied the performance appraisal system in a historic manner, as it was conducted once, after the end of the financial year, by the supervisor in the presence of the subordinate, with the supervisor having the ultimate say in the process. Performance appraisal was conducted through the use of standard forms that covered generic questions, about such topics as punctuality and absenteeism. In addition, no clear goals or objectives to be attained within a certain timeframe were agreed upon between the supervisor and the subordinate at the beginning of the period (or financial year). This resulted in employees not knowing exactly what was expected of them, as well as lack of buy-in due to the limited participation of role players in the performance appraisal process within the municipality. In motivating the importance of participation by all key role players during the planning, implementation, monitoring and review of performance management processes at the workplace, Beardwell, Holden and Claydon

(2004) maintain that the application expectancy and goal setting theories imply that this is best achieved where the individual has an important role in the determination of the objectives for the period concerned. Ballard and Buys (2006) state that a performance management system must be seen as a participative, problem-solving process, concentrating on both task performance and development. The view of the above authors can be supported by citing Roberts (2007:89), who contends that “genuine performance appraisal participation is a process that can mitigate many of the dysfunctions of traditional performance appraisal systems as well as engender a more humane and ethical human resource management decision-making process”.

Through a discussion held with Bernard Hutton who is the Director: Management Services – Infrastructure and Engineering at the Nelson Mandela Bay Municipality, it was established that the problem with the performance appraisals conducted by the erstwhile Port Elizabeth Municipality was the fact that the training and development needs of those employees under-performing were not identified, analysed and addressed, in order to improve performance standards. Instead, the employees were threatened with the possibility of not receiving an annual salary increment.

Up until 30 June 2000, the Port Elizabeth Municipality was using the performance appraisal system as a policing tool instead of a human resource strategic tool, as the results of an employee’s performance appraisal were consulted only when that employee applied for another vacant position within the municipality. From the above it was clear that good performance results were not used as inputs into the incentive process, nor were poor performance results used as inputs in a development process of the affected employee. Ballard and Buys (2006) comment that performance management system must be designed in such a way that it enhances overall performance and concentrates more on the development of potential as opposed to controlling people.

Attached as Annexure “A” is a sample of the last performance appraisal form used by the Port Elizabeth Municipality during the year ended 30 June 2000 for the July 2000 increment. The abovementioned form clearly indicates the factors that were considered

for appraisal purposes. The factors considered for appraisal included generic issues, such as knowledge, application, and general conduct, and never included the key objectives or deliverables that must have been agreed upon at the beginning of the financial year between the employer and the employee (e.g. Unqualified audit report, Budget vs. Actual expenditure, Legal compliance matters, Budgets prepared on time, Financial statements presented on time, Corporate governance issues, Customer care issues, Public participation issues, and Service delivery issues).

As a result of the new legislative environment within which municipalities operate, after the 1994 era, and the transformation processes that took place in local government after 1994, the need for continuing with the abovementioned appraisal system fell away, and the last appraisals conducted for all employees in the erstwhile Port Elizabeth Municipality in order to determine percentage salary increments was in July 2000. As from the 2000 / 2001 financial year, the responsibility for determining the annual salary increments for municipal employees is conducted through a negotiated settlement between South African Local Government Association (SALGA), together with the employees' representatives or labor unions, namely South African Municipal Workers Union (SAMWU), and Independent Municipal and Allied Trade Unions (IMATU). The negotiation settlement of these negotiations usually covers a three-financial-year period.

Having discussed the historical background of performance appraisal system used by the erstwhile Port Elizabeth Municipality, the following section will discuss the status of performance management within the Nelson Mandela Bay Municipality, after the phasing-out of the performance appraisal method.

1.7. STATUS OF PERFORMANCE MANAGEMENT WITHIN NELSON MANDELA BAY MUNICIPALITY

After the phasing-out of the performance appraisal system, at the end of the 1999 / 2000 financial year (i.e. 30 June 2000), no other performance management or appraisal method was introduced to assess the performance of all municipal employees. That remained the

case up until the establishment of the Nelson Mandela Bay Municipality (NMBM) on 6 December 2000. When the NMBM was established in December 2000, the municipality was compelled in terms of the Municipal Systems Act to appoint Section 57 employees (i.e. all Senior Managers working on a five-year, performance-based contract, and directly reporting to the Municipal Manager), in early 2001. In the process of appointing Section 57 employees, the Municipal Manager as well as the Executive Mayor had to develop a performance agreement for the successful incumbents of these positions, as required by the Municipal Systems Act No. 32 of 2000.

The development of the abovementioned performance agreements resulted in the performance management in the municipality being implemented only for the Section 57 employees, as they are required to sign a five-year performance contract agreement with the municipality before commencing their employment.

Section 57 of the Municipal Systems Act No. 32 of 2000 states the following:

“A person to be appointed as a municipal manager of a municipality, and a person to be appointed as a manager directly accountable to the municipal manager, may be appointed to that position only: -

- (i) In terms of a written employment contract with the municipality complying with the provisions of this section; and
- (ii) Subject to a separate performance agreement concluded annually.”

Section 57 of the Municipal Systems Act No. 32 of 2000 further states in sub-section (4) that the performance agreement must include:

- (i) Performance objectives and targets that must be met, and the timeframes within which those performance objectives and targets must be met;
- (ii) Standards and procedures for evaluating performance and intervals for evaluation; and
- (iii) The consequences of substandard performance.

Section 57 of the Municipal Systems Act No. 32 of 2000 states in sub-section (5) that “the performance objectives and targets must be practical, measurable and based on the key performance indicators set out from time to time in the municipality’s integrated development plan”.

Based on Section 57 (5) of the Municipal Systems Act No. 32 of 2000, the strategic goals of each Business Unit as listed in the NMBM’s IDP, are used as key performance areas for Business Unit Managers, and their performance is measured against the achievement of those strategic goals. Each Business Unit has a performance management facilitator, whose responsibilities include updating the performance levels of each Business Unit against the activities or key performance areas indicated in the IDP.

The Business Unit Manager must ensure that all his / her objectives are transferred to his / her scorecard, and must determine strategies and timeframes relating to each objective. The status of each Silo Manager (i.e. a Director in charge of the Division now known as a Silo), which feeds to the Business Unit’s performance levels, is further updated in a performance management system acquired by the municipality during 2004, named Action Driven Balanced Scorecard (ADBS), from a company called Yarona Management Consulting.

The ADBS is a computerised performance management system, having the advantage of offering an integrated solution that measures and monitors performance at institutional, departmental, teams and individual levels. The ADBS allows for the monitoring and measuring of any indicators or targets, as well as the performance of external service providers, and complies with the requirements of the Municipal Systems Act No. 32 of 2000. This system monitors performance at all levels, and enables the municipality to draw various reports in real time, as well as creating an enabling environment for early detection and timely intervention where there is a problem.

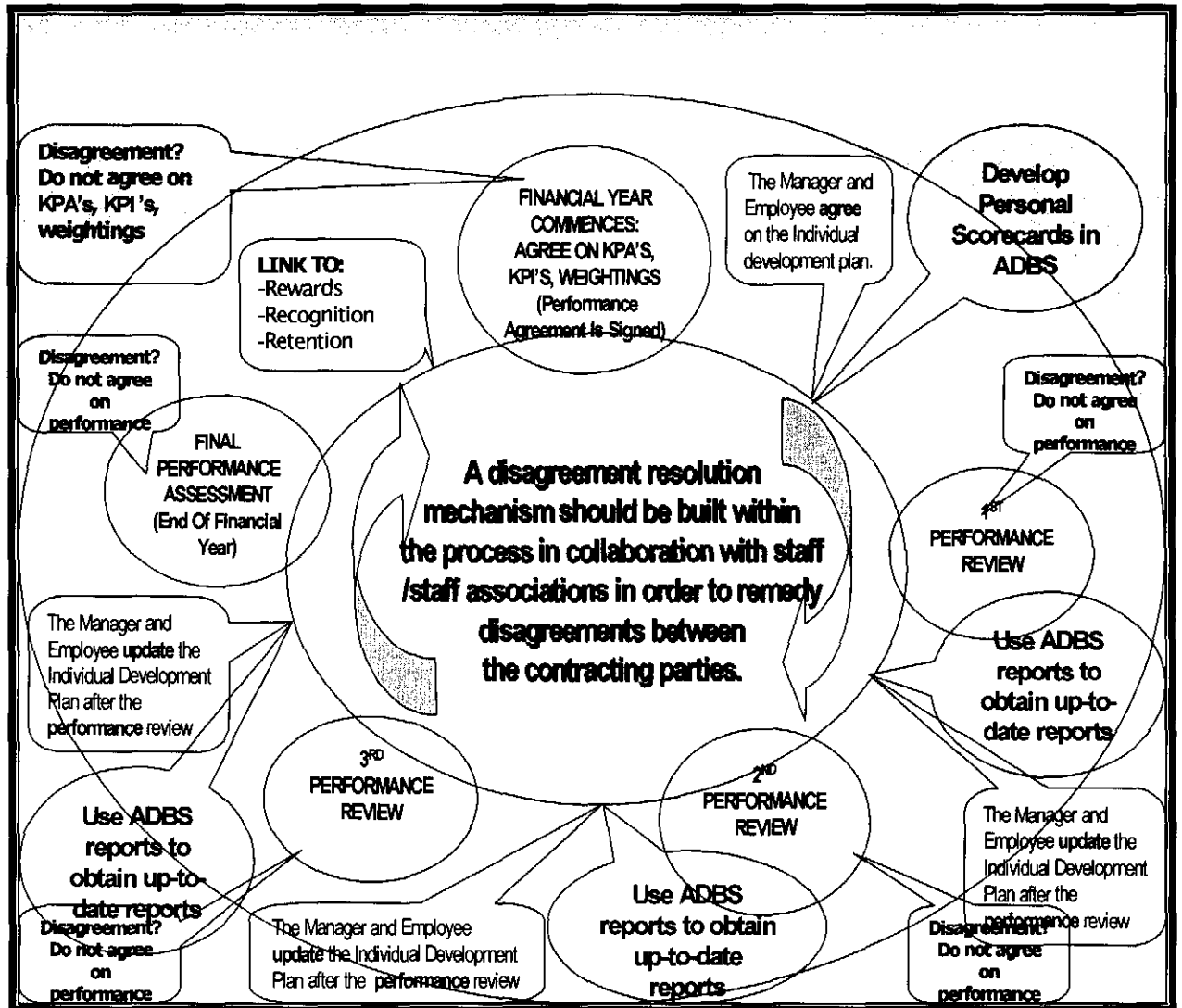
Through a discussion held with Bernard Hutton who is the Director: Management Services – Infrastructure and Engineering at the Nelson Mandela Bay Municipality, it

became clear that one of the loopholes in the ADBS is the reliance on human intervention, as there is no automatic linking of the goals or objectives set, and the deliverables achieved (e.g. actual capital expenditure as per the General Ledger System should be linked automatically to the ADBS). It is believed that if the deliverables were automatically linked to the ADBS, the reliability and credibility of the system would not be challenged, as that would ensure that the human intervention is limited to an extent.

A scorecard is drawn by the IDP Manager using Microsoft Excel Spreadsheet for each Business Unit Manager, enlisting all his / her objectives as per the municipality's IDP document. The performance management facilitator of the respective Business Unit is responsible for ensuring that the scorecard is updated into the ADBS system. The scorecard is broken down into four quarters of the financial year (namely Quarter 1 ending 30 September, Quarter 2 ending 31 December, Quarter 3 ending 31 March and Quarter 4 ending 30 June), and progress made on a quarterly basis must be updated into the ADBS system in order for the necessary reports to be made available.

In the following Figure 1.1, Yaron Management Services (2007) indicates the process within which performance management must be implemented. This process commences from the beginning of the financial year, with agreements made on the key performance areas and key performance indicators, as well as weightings and the signing of performance agreements. This phase is followed by the manager and the employee agreeing on the individual development plan (individual performance scorecard), and all other processes that follow, including the reviews that must be performed during the four quarters of a financial year, and the last stage of rewarding good performance: recognition and retention.

FIGURE 1.1 Performance management implementation process – Yarona Management Consulting



Source: Yarona Management Consulting (2007), Performance Management System Presentation – Nelson Mandela Bay Municipality.

The results from the ADBS are submitted to the Municipal Manager, Executive Mayor as well as Council, and also form part of the reports that must be submitted, bi-annually, to National Treasury. The results are used for the performance appraisal of the Section 57 employee of Council, in order to calculate or determine their performance bonuses. No other employees of the municipality, from the Silo Managers to the junior employees, are

subjected to performance management in the same manner as Section 57 employees, where even performance agreements between the employer and the employee are in place, as the performance management has not been cascaded down to all levels of staff.

On 30 May 2006 the municipality approved a Performance Management Policy Framework (Nelson Mandela Bay Municipality: Council Agenda, 30 May 2006, Report by the Executive Mayor), which is aimed at implementing performance management across all levels within the municipality. The policy seeks to achieve the following:

- Clarify the institutional goals and priorities;
- Monitor, support and improve processes;
- Improve service delivery;
- Implement early warning signals;
- Increase accountability;
- Comply with legislation;
- Promote community participation in local governance;
- Promote learning and improvement; and
- Create a culture of performance amongst the employees.

The Performance Management Policy Framework (Nelson Mandela Bay Municipality: Council Agenda, 30 May 2006, Report by the Executive Mayor) (See Annexure “B” attached) states that the importance of performance management requires that performance management be applied to the organisation and all its employees, which include non-section 57 employees. This will ensure the realisation of the goals and objectives of the IDP.

The importance of managing and measuring the performance of all staff members of the Nelson Mandela Bay Municipality can also be supported by quoting from Bendeman (2007), who states that if the progress of strategy execution cannot be measured, it cannot be managed, and if it is not managed, it is going nowhere – slowly but surely. Bendeman (2007) further contends that the inability to monitor progress of strategy execution is the

cause of many unnecessary efforts, inefficient projects and ineffective processes within organisations.

The challenge that is currently facing the Nelson Mandela Bay Municipality is the implementation of the Performance Management Policy Framework (Nelson Mandela Bay Municipality: Council Agenda, 30 May 2006, Report by the Executive Mayor), as key stakeholders were never engaged when the policy was in its developmental stages. The Policy was not submitted to the Human Resources Committee (i.e. a committee that deals with all human resource issues within the municipality), nor forwarded to the Local Labour Forum, but was tabled at the full Council meeting on 30 May 2006 for approval.

The Auditor General's Report (Auditor General's Report–Performance Management: Nelson Mandela Bay Municipality for the Financial Year 2004 / 2005) on the Nelson Mandela Bay Municipality for the financial year ended 30 June 2005 raised numerous issues relating to the non-compliance by the municipality with performance management implementation issues.

The following are some of the findings (Auditor General's Report–Performance Management: Nelson Mandela Bay Municipality for the Financial Year 2004 / 2005):

- (i) Performance of staff and that of service providers were not measured according to the performance measurement framework;
- (ii) Service providers' performances were not measured during the year under review; and
- (iii) Performance was not measured against performance targets.

Performance measures did not include the measurement of:

- (i) Costs, resources and time used to produce outputs in accordance with the input indicators set by the municipality; nor
- (ii) The extent to which the municipality's activities or processes produced outputs in accordance with the output indicators set by the municipality.

It can be concluded from the above that the Nelson Mandela Bay Municipality is faced with a serious challenge, which requires attention from the leadership (both political and administrative) to ensure that performance management issues are given the attention they deserve. It must also be mentioned that the Auditor General, is starting to place more emphasis on performing audits that relate not only to financial information or balancing figures, but also on matters such as environmental, safety, performance, and human resource issues.

The following section outlines chapters of this thesis.

1.8. OUTLINE OF CHAPTERS

Chapter One has outlined the need for the Nelson Mandela Bay Municipality in cascading performance management to all levels of staff. The objectives of this thesis, the purpose of performance management, background information about the performance appraisal system used by the erstwhile Port Elizabeth Municipality, and the historical context of performance management have been addressed in this chapter.

Chapter Two of this thesis will discuss the theoretical overview of performance management, in order to gain an understanding about this topic. This chapter will also look, at the description of performance management, performance management steps and models, performance rating techniques, advantages of effectively implementing performance management within the organisation, legislative framework of performance management within local government, problems experienced with performance management, and enhancing a culture of performance.

Chapter Three of this thesis will deal with the Research Methodology used in conducting this study, and will include areas such as different approaches to conducting research, a discussion on the research method used in this thesis, an explanation of how the research was conducted, a description of population and sampling in the research, collection of

data, data analysis, and matters of ethical consideration.

Chapter Four of this thesis will give a detailed presentation of the findings based on the interviews conducted, whilst Chapter Five will discuss the findings, give recommendations on how the performance management implementation steps and performance management implementation model could be introduced and lastly, concluding remarks will be made.

CHAPTER 2

THEORETICAL OVERVIEW

2.1. INTRODUCTION

The purpose of this chapter is to provide a foundation for an understanding of the issues relating to a theoretical overview of the topic under discussion, namely performance management's implementation in local government, so that the subject of performance management can be clearly understood in totality. This chapter will explore the diverse explanations of performance management, as presented by various authors, in order to obtain a rich variety of theories and techniques that can be drawn upon and further discussed. Performance management steps, models and techniques that can be utilised for implementing performance management for all levels of staff in a holistic manner within the organisation will also be explored. Effectiveness of performance management, as well as the legislative framework of performance management within local government will be explored.

Performance management has been used successfully in various organisations, especially in the private sector, as a strategic tool for human resources, and also as a tool that promotes cultural change. Benton, Cantrell and Vey (2004) equate sectors that use performance management as a strategic human resource tool, with organisations that understand the fact that people are at the heart of innovation, of customer service, of quality and excellence in production and distribution, and they contend that organisations that put people first, finish first. Proactive organisations do not use performance management as a policing tool, but as a tool for identifying the training and development needs of their employees.

The environment within which South African local government operates is quite unionised or politicised, and decision makers are compelled in terms of the Municipal Systems Act No. 32 of 2000 and other pieces of legislation, such as the Municipal Finance Management Act No. 56 of 2003, to consult stakeholders (e.g. employees,

communities, other spheres of government, non-governmental organisations, business community, etc.) on any decision affecting such stakeholders. In essence, for any new policy or new system to be successfully implemented, it makes business sense to ensure that key stakeholders are involved in the process, from the planning to the implementation stages. This also applies to the successful implementation of a performance management system at the municipality such as the Nelson Mandela Bay Municipality, and its successful cascading amongst all levels of staff.

The following section will give descriptions of performance management by various authors, in order to get a theoretical understanding of performance management.

2.1.1. DEFINITION OF PERFORMANCE MANAGEMENT

The following paragraphs provide some description of the term performance management. There are various ways that different authors describe performance management; however, one common term that is mentioned by many authors when describing it is that performance management must be seen as a “process” rather than just a once-off event.

According to Mondy, Noe and Premeaux, cited in Spangenberg (1994), performance management is defined as a process that significantly affects organisational success, by having managers and employees working together to set expectations, review results and reward performance. The definition by Mondy *et al* (1993) shares similarities with a definition by Tuck (2004:158), who defines performance management “as a process of setting performance objectives and standards and the continuous measurement of the achievement of these goals in order to achieve the overall goals of the organisation”. Mondy *et al's* (1993) description also emphasises the importance of the managers and subordinates working together when setting objectives.

Armstrong (1994:23) defines performance management “as a means of getting better results from organisations, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and

attribute/competence requirements". Performance management "is a process of establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way that increases the probability that it will be achieved both in the short and longer term" (Armstrong: 1994:23). Armstrong (1994) also highlights the importance of an agreement or shared understanding between the manager and the subordinate, when implementing performance, and emphasises the fact that performance management is a process, not just a once-off event. Lastly, Armstrong (1994) is of the view that performance management is used to identify the training and development needs of the employees, as opposed to it being used for disciplining under-performing employees. The definition of Armstrong (1994) covers all elements of performance management (such as identifying training and development needs, its nature as a process not an event, must be used as a human resource strategic tool as opposed to being used to discipline employees).

Spangenberg (1994) states that performance management can be regarded as an ongoing process that involves planning, managing, reviewing, rewarding and development of performance. Spangenberg (1994) describes performance management as an approach to managing people that entails planning employee performance, facilitating the achievement of work-related goals and reviewing performance, and motivating employees to achieve their full potential in line with the organisation's objectives.

Costello (1994) believes that an effective performance management process generally starts with identifying clear goals, which are used as the foundation for ongoing coaching and performance review. According to Costello (1994), performance management supports the organisation's overall business goals by linking the work of each individual employee or manager to the overall strategic objectives of the business unit, and in turn, the business unit's objectives linked to the corporate objectives. It must be stated that objectives that are set for employees must be clear and unambiguous, and they must be achievable. The corporate goals must be broken down as much as possible, and all employees must be aware of the valuable role they play in achieving the bigger

organisational goals. They must know that everybody is equally important in the success of the organisation.

Hartle (1995:12) defines performance management as “a process that establishes a shared understanding about what is to be achieved, and how it is to be achieved, and an approach to managing people that increases the probability that they will achieve job-related success”. As can be seen in this description, without a shared understanding between the employee and the employer, and joint planning or agreement on set objectives, the performance management’s implementation will not be a success. This emphasises the importance of stakeholder participation in the process.

Grote (2000) defines ‘performance management’ as a handy umbrella term for all the organisational activities involved in managing people on the job. Grote (2000) contends that people usually think of the performance appraisal first, and often use ‘performance management’ and ‘performance appraisal’ as interchangeable concepts. Under the ‘performance management’ umbrella are other features such as monitoring, discipline, mentoring or coaching, and incentives. Grote (2000) clarifies the confusion that is sometimes created by not understanding the difference between ‘performance appraisal’ and ‘performance management’, as he clearly indicates that ‘performance appraisal’ is an integral part of ‘performance management’.

Marshall (2000:184) defines performance management “as a process of management behaviour and an organisational intervention strategy”. Marshall (2000) states that the concept of performance management is a more broadly framed and integrative view of performance appraisal, where performance ratings are de-emphasised, relative to planning, review, allocating of resources, and problem-solving aspects of the process. Marshall (2000) believes that in performance management, appraisal is acknowledged as one of several planning and accountability systems in an organisation. Many of the outcomes of appraisal feedback within performance management are critical to ongoing strategic planning, as well as departmental business and objective setting. The outcomes of the feedback provide further opportunity to identify the programmes and functions to

be undertaken by teams and individuals in support of the achievement of the corporate plan. It is pivotal for those who manage employees to give them feedback continuously on their performance. Employees are usually eager to know exactly how they perform, timeously, so that they can improve where is necessary.

Armstrong (2000:214) defines performance management “as a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the workforce and by developing the capabilities of teams and individual contributors”. Armstrong (2000) states that performance management is strategic in the sense that it is concerned with the broader issues facing the business if it is to function effectively in its environment, and with the general direction in which it intends to go to achieve its longer-term goals.

According to Armstrong (2000:214), performance management is integrated in four senses, namely:

- “Vertical integration – linking or aligning business, team and individual objectives;
- Functional integration – linking functional strategies in different parts of the business;
- Human resource integration – linking different aspects of human resource management, especially organisational development and human resource development and reward, to achieve a coherent approach to the management and development of people; and
- The integration of individual needs with those of the organisation, as far as possible.”

Beardwell and Holden (2001:538) describe performance management as a holistic process that ensures that the following are developed and effectively carried out:

- “Setting of corporate, department, team and individual objectives/strategic goals;

- Performance appraisal system;
- Reward strategies and schemes;
- Training and development strategies and plans;
- Feedback, communication and coaching;
- Individual career planning; and
- Monitoring the effectiveness of performance management system and interventions.”

Amos, Ristow, and Ristow (2004:64) define performance management “as a process that begins with translating the overall strategic objectives of the organisation into clear objectives for each individual employee”. Amos *et al* (2004) contend that performance management is based on well-established psychological principles; namely, that people are more productive when they “know their results because of feedback as to how they are performing; have clear, attainable objectives (or goals) to achieve; and, are involved in the setting of tasks and objectives”. In this paragraph, Amos *et al* (2004) are emphasising what other authors, amongst others, Armstrong (1994), Spangenberg (1994), and Hartle (1995) have stated that performance management is a process, not just an event, and it is important to involve key stakeholders in setting tasks or objectives. Thompson and Strickland (2003:41) also support performance management, especially the importance of involving employees in performance management related matters, saying that “inducing employee buy-in, lifting spirits, and calming fears are necessary steps in getting an organisation ready to move along a new course”. This further indicates the importance of communicating any process that has direct impact to all stakeholders, as they must have a buy-in into the process.

Wilson (2005:158) describes performance management “as the essential bridge between the strategic goals of an organisation and the day-to-day priorities of teams and individuals”. According to Wilson (2005) performance management is also the way in which an organisation can gear its people development strategy to the needs of the business – defining the skills and competencies required for excellent performance and then creating performance development plans for individuals. Performance management

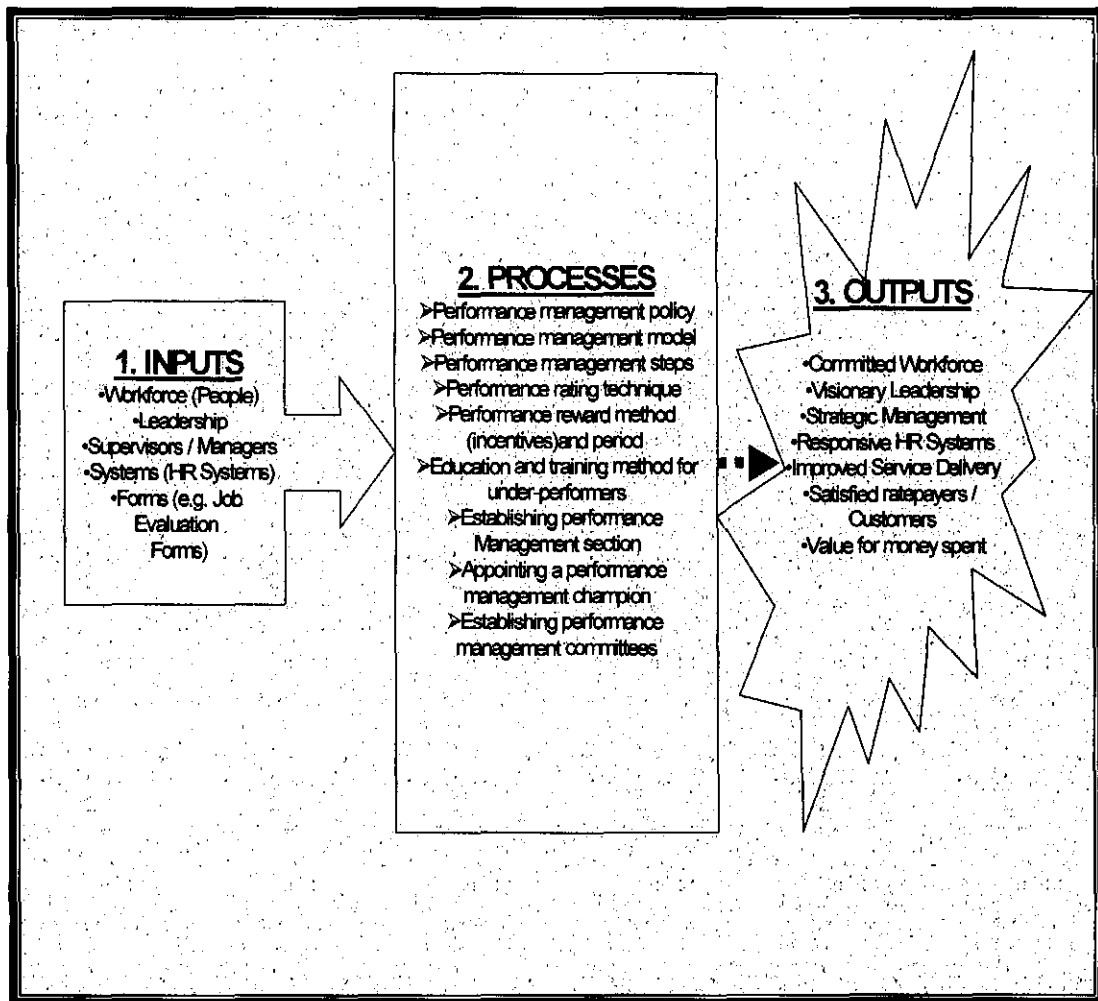
is thus creating a shared vision of the purpose and aims of an organisation, helping each individual employee to understand and recognise their part in contributing to them, thereby managing and enhancing the performance of both individuals and the organisation (Wilson: 2005). The researcher believes that it is essential that the strategic goals of an organisation be well communicated; the organisation's vision, mission and core values must be shared by all stakeholders; and a clear, unambiguous performance management system must be implemented throughout the organisation.

The Institute of Municipal Personnel Practitioners (2007) defines performance management as a strategic approach to management that 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 Council in terms of indicators to determine the efficiency, effectiveness and impact; thereby ensuring improved service delivery and value for money to the community and citizens. This definition is similar to the definition by Curtis (1999:263), who contends that "performance management is an approach to management which harnesses the endeavours of individual managers and workers to an organisation's strategic goals". In spheres of government, especially local government, 'service delivery' is the key term, and an effective performance management system plays a pivotal role in ensuring that what has been promised as per the municipality's key set of objectives, as listed in the municipality's Integrated Development Plan document, is indeed delivered accordingly, and can be continuously measured. The above definition by Institute of Municipal Personnel Practitioners (2007) therefore highlights the important role of a performance management system, and the fact that it enables a municipality to measure the progress made by various role-players to achieve the objectives set in the municipality's Integrated Development Plan, and the ability to timeously deal with areas that need urgent attention.

A municipality's performance management system entails a framework that describes and represents how that municipality's cycle of processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including the roles of the different role players. According to the

researcher, performance management in local government, and with specific reference to Nelson Mandela Bay Municipality, can be defined “as a process where a manager in consultation with the subordinate jointly participates in linking and setting up individual section or employee’s strategic objectives to the Business Unit’s objectives, in order to continuously measure progress made against the set objectives”. As can be seen, this description is similar to the descriptions quoted by various authors, amongst others Amos *et al* (2004), Beardwell *et al* (2001), and Marshall (2000), in that performance management is described as a process, not just a once-off event, and if anyone in the chain is missing, the whole process will be in vain. The following Figure 2.1 depicts a performance management process, which is divided into the inputs, processes and outputs or outcomes. The inputs indicate the ingredients that are necessary in the performance management process, followed by the processes that make up the performance management process, whilst the outputs represent the expected outcomes of performance management process.

FIGURE 2.1 A schematic presentation of performance management process



Source: The Researcher's own construction

It is important that both the manager or supervisor and subordinate agree on performance standards and sub-standards, appraisal methods, incentives and monitoring process in advance. In order for performance management to be effectively, efficiently and strategically implemented, appraisal methods and incentives to encourage excellent job performance above the agreed standard must be agreed upon in advance between all relevant parties. It is also vital that performance management be used for identifying challenges or any gaps in the system, as well as the training and development needs for those employees performing below agreed standards.

As can be seen from the above-mentioned definitions, performance management has a valuable role to play in any organisation. The majority of the theorists, amongst others Amos *et al* (2004), Beardwell *et al* (2001), and Marshall (2000), hold similar definitions of performance management, as they indicate that it is a process, not a once-off event. Performance management in the workplace involves letting employees know what is expected of them, how they are doing, and how they can do an even better job. Only then can employees contribute their best, use their abilities to the fullest and feel connected to the organisation. Just as a solid foundation is critical to building and supporting a home, a sound performance management plan is pivotal to developing an organisation and the people within it. An effective performance management system should therefore serve as the driving force behind all organisational decisions, work efforts and resource allocations (Costello: 1994).

There is a view that performance management cannot be effectively implemented without a proper performance management implementation model, performance management implementation steps, as well as the correct performance rating technique. These three performance management implementation tools will be discussed, in the following sections. The following discussion will assist the researcher in recommending a performance management model and performance management steps, for the municipality, as these are the key objectives of this thesis.

2.2. PERFORMANCE MANAGEMENT MODELS, STEPS AND TECHNIQUES

2.2.1. PERFORMANCE MANAGEMENT MODELS

There is a view that effective implementation of performance management requires a performance management implementation model, which will assist in providing guidance on how to effectively implement performance management. According to the researcher the successful implementation of the model, or the successful introduction of any new system within the organisation, will depend, amongst others, on the approach developed

by the leadership (leadership style and attitude); the level of communication or marketing of the model or system to all stakeholders (e.g. employees or their representatives); encouraging participation by stakeholders from the planning stage to the reviewal and rewarding stages; practising openness or transparency by the leadership; and the level of education of stakeholders (Mlaba, 2005b and Yarona Management Services, 2007).

The discussion in the following paragraphs covers some of the performance management models developed by various authors, amongst others, Spangenberg (1994), Amos *et al* (2004), and Wilson (2005).

Spangenberg (1994:30-31) developed an integrated model of overall performance, consisting of five phases, namely:

- Performance planning phase: Where leadership ensures that the vision, mission, strategy, and organisational goals are set and communicated;
- Design: Where leadership ensures that the organisation design supports strategy;
- Managing performance and improvement: In this phase, the leadership should ensure that continual organisation development and change efforts, and functional goals are managed, reviewed, and adapted, sufficient resources are allocated, and interfaces between functions are managed;
- Reviewing performance: In this phase review of performance takes place; and
- Rewarding performance: In this phase, the leadership ensures that employees are rewarded based on their performance and function contribution.

Walters, cited in Curtis (1999) developed a more prescriptive model of performance management system, which contains the following elements:

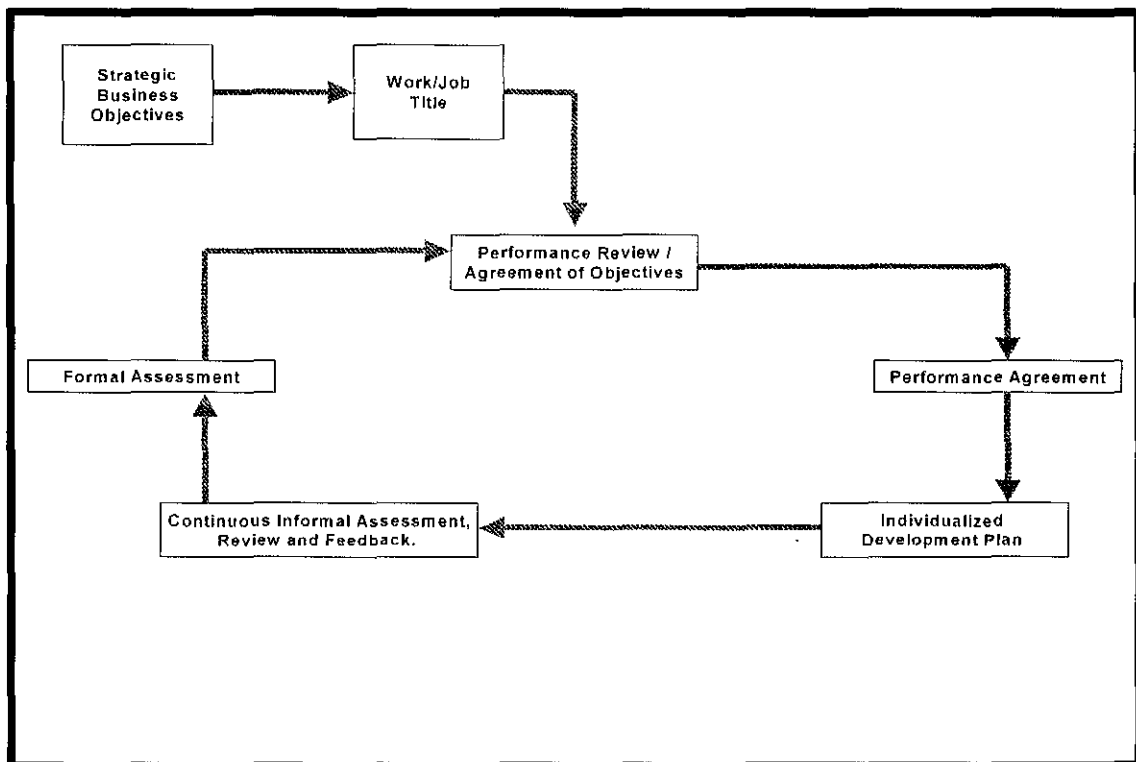
- Establishing a portfolio of measures, quantitative and qualitative, designed to track both inputs and outputs;
- Forge forward-looking appraisal schemes, underpinned by clear and precise information, to enhance everyday management activities throughout the year;
- Design comprehensive personal development plans based on careful analysis of opportunities and needs;

- Encourage learning and development, overcome the obstacles to learning and evaluate the results; and
- Design and implement schemes for performance-related pay, which motivate and reward employees for achieving corporate goals.

The success of a performance management model rests with the leadership unequivocally showing their support for the model, as well as the extent of openness, transparency, and the level of involvement by key stakeholders.

Amos *et al* (2004:65) have designed the model as shown in Figure 2.2 to demonstrate the performance management process:

FIGURE 2.2 Performance management process



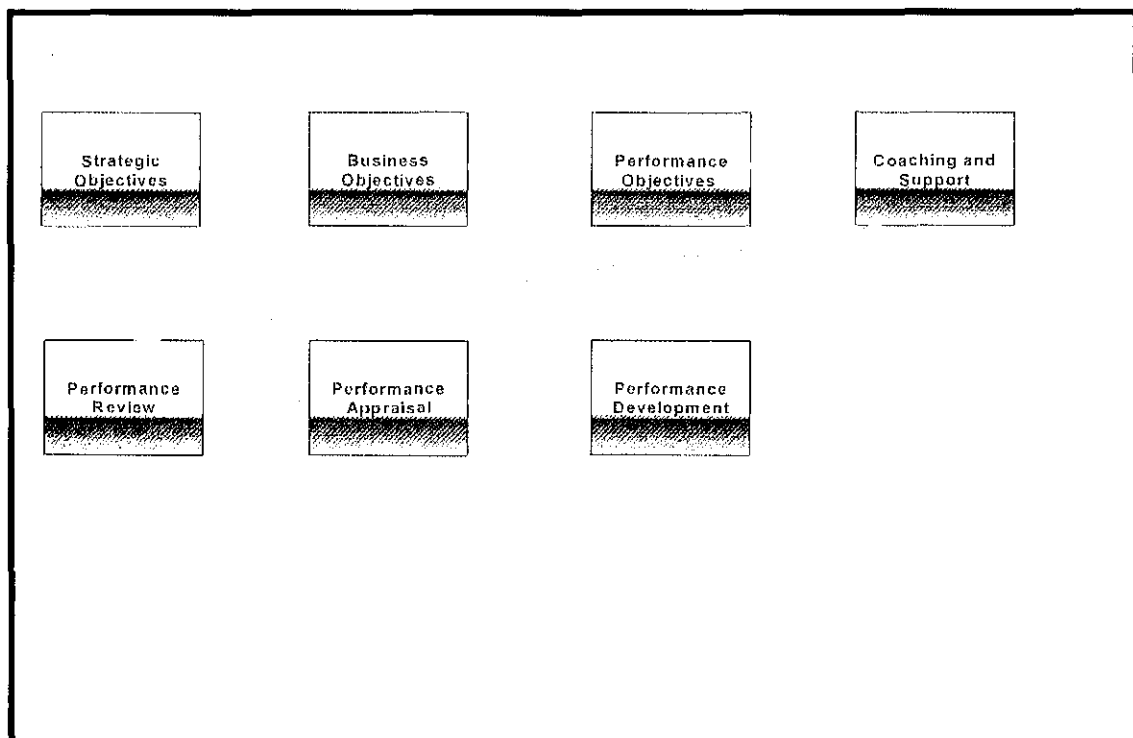
Source: Amos, Ristow and Ristow (2004:65)

The model depicted in Figure 2.2 clearly demonstrates the fact that performance

management is a continuous process, which starts with the setting of strategic corporate objectives and ends with the formal assessment and appraisal of performance management, which is a vital prerequisite for successful coordination and synergy in its processes. If one step fails, the entire process is deemed to be a failure.

Wilson (2005:162-163) has developed a performance management model, as shown in Figure 2.3, which starts with the step of ensuring that the strategic objectives of the organisation are clearly stated and communicated, and that performance objectives of the individuals are aligned with the business unit's strategy and ultimately with the corporate strategy.

FIGURE 2.3 Performance management model



Source: Wilson (2005:162).

The model depicted in Figure 2.3 clearly demonstrates the linkages that must be maintained between the organisational objectives or corporate objectives, which must be cascaded to lower levels of staff for implementation purposes, and the support or coaching that must be continuously given to the employees so that they are able to

perform at levels even higher than the standard.

Having discussed performance management models, the following section will discuss performance management steps. It is believed that effective implementation of performance management can be achieved when the performance management steps have been developed. Once the performance management model has been developed and agreed upon, by all relevant stakeholders, performance management steps must also be developed, and the following section demonstrates some performance management implementation steps by various authors.

2.2.2. PERFORMANCE MANAGEMENT STEPS

Various authors such as Crossley and Taylor (1995), Pierce and Taylor (1999), Nel, Gerber, Van Dyk, Haasbroek, Schultz, Sono and Werner (2006b), and Wilson (2005), developed performance management steps to be followed in successfully implementing performance management within an organisation. The following paragraphs demonstrate these steps.

According to Crossley and Taylor (1995:11), the performance management process involves the following steps:

- Step 1. Manager and subordinate meet to jointly discuss how the organisation's strategic goals must be adopted and adapted by the department and the individual.
- Step 2. Manager and the subordinate jointly decide on an action plan to achieve the individual's goals.
- Step 3. Manager and subordinate agree on specific times for formal checks on the progress made in achieving goals.
- Step 4. Manager and subordinate agree on the type and the amount of value that will be added if goals are achieved.

Crossley and Taylor (1995:11) contend that the outcomes of the above-mentioned four steps should be incorporated into a written document, signed by both the manager and the

subordinate, constituting a contract that will encourage the participation of both parties. Such a contract could also be useful in checking whether added values have been achieved. The signing of a performance agreement that has been agreed upon by the manager and the subordinate is critical, as without it, employees will never clearly know what is expected from them within their respective Business Units.

The first step to ensure a successful performance management system is for the employee and supervisor to agree on key result areas (or broad accountabilities) for the employee's job (Pierce and Taylor 1999). Then, on a regular basis (typically, a yearly cycle), they jointly set results-type objectives for the employee within those key results areas, and identify how progress toward the achievement of those objectives will be measured. During the performance management cycle, the employee and manager track performance against objectives, with the manager providing support and coaching, as necessary. At the completion of the cycle, the employee's performance against objectives is measured, and the employee receives feedback on performance and an overall appraisal rating, which is translated into a merit-based pay increase or bonus payment. At this stage, the new cycle is started, with the setting of new performance objectives. The importance of a feedback on an employee's performance is critical, and can motivate employees within the organisation to work harder, as there is a view that if employees are continuously updated about their performance against set objectives, they will be motivated and feel that they own the process. At times, managers are reluctant to be seen as the carriers of bad news, while others only reprimand employees when they have under-performed.

Nel *et al* (2006b: 475-476) place the performance management in perspective by listing the following performance management steps:

- (i) Launching the process

This performance management step, according to Nel *et al* (2006b) includes the following four key areas, namely, (a) Alignment with business strategy, (b) Alignment

with departmental goals, (c) Determining employee goals to add value, and (d) Determining the parameters of an action plan.

This step emphasises the importance of moving away from traditional performance management, which entailed merely measuring whether the employee had achieved the objectives. In the performance appraisal system of the erstwhile Port Elizabeth Municipality, the objectives were not even agreed upon in advance between relevant stakeholders. This performance appraisal was used in more of a prescriptive mode, more or less avoiding collaboration and participation in the workplace, with the supervisor having the final say in the process.

(ii) Coaching and mentoring

This performance management step, according to Nel *et al* (2006b), includes the following three key areas, namely, (a) Interim checking of progress, (b) Exploring causes of poor performance, (c) Counselling and mentoring.

As managers are expected to be always aware of the level of their subordinates' performance, this step can assist in identifying and analysing performance problems at an early stage. The researcher is of the view that informal, day-to-day performance management is much more important than an annual review, as the annual review should merely constitute the summary of the daily or monthly performance report. The interim progress reviews and coaching meetings are key elements in monitoring an employee's performance. The managers should use their coaching and mentoring skills to offer advice on changing behaviours and approaches, and encourage subordinates' progress towards achieving goals and adding value.

(iii) Performance evaluation

This performance management step, according to Nel *et al* (2006b), includes the following four key areas: (a) Measuring performance, (b) Determining amount of value

added, (c) Allocating results of evaluation to HR systems, (d) Reviewing new business strategy and departmental and employee goals.

The performance evaluation step is the final step recommended by Nel *et al* (2006b). It measures the performance results of the individual, based on agreed upon performance measurement methods/techniques prescribed by the organisation's performance management policy. Dean (2002) defines performance evaluation as the process of systematically collecting and analysing the information in order to form value judgments based on firm evidence. A major task for any senior management is that of establishing a climate in which subordinates view performance evaluation positively (Dean: 2002). This is more readily achieved when subordinates have been fully consulted about the development plan and have had a major say in both determining the performance evaluation criteria and in agreeing on how the information is to be collected. Performance evaluation must also provide or recommend solutions to challenges identified that have resulted in the underperformance of employees.

In addition to the different models and steps that have been discussed in the preceding sections, there are various performance rating techniques that can be used to measure performance within the organisation. Various authors, such as Amos *et al* (2004), Nel *et al* (2006b), and Swanepoel, Erasmus, van Wyk and Schenck (2003) developed performance rating techniques, some of which are discussed in the following section.

2.2.3. PERFORMANCE RATING TECHNIQUES

Nel *et al* (2006b) and Swanepoel *et al* (2003) divide performance-rating techniques into two categories, namely:

- (i) Relative rating techniques: Nel *et al* (2006b: 477) state that these techniques require supervisors to compare an employee's performance with the performance of other employees doing the same job. Relative judgments force supervisors to differentiate among their workers. Nel *et al* (2006b) indicate that a failure of the

relative rating technique is that it does not make it clear how great or small the differences between employees are; nor does it provide any absolute information so that managers can determine how good or bad the workers' performance is.

Three rating techniques identified by Nel *et al* (2006b) and Swanepoel *et al* (2003) under the relative rating techniques are:

- **Forced Ranking:** Sprenkle (2002) defines forced ranking (also called peer ranking) as a system that ranks employee performances from best to worst.
- **Forced Distribution:** This aligns employees in accordance with pre-assigned performance distribution fields, for example, 'Exceeds expectations', 'Meets expectations', or 'Does not meet expectations'. It is a person-to-person comparison.
- **Paired Comparison:** With this technique, each worker is compared with every other worker in a selected group. The final placement of each individual is then determined by the number of times he/she was judged to be better than his/her co-workers. Nel *et al* (2006b: 481) state that this measurement instrument becomes cumbersome when large numbers of employees are involved.

Nel *et al* (2006b: 481) contend that the disadvantages of the relative rating techniques include the fact that they can be detrimental to morale. The authors state that relative rating techniques emphasise individual performance at the expense of team performance; they promote competition; and they invite legal action. Nel *et al* (2006b) also believe that many organisations are using forced ranking and forced distribution rating techniques because they create and sustain high performance by eliminating weak performers and retaining strong performers; they establish well-defined consequences such as larger salary rewards; they make performance management a corporate priority; and they inform employees about their performance.

- (ii) **Absolute rating technique:** This second performance rating technique, according to Nel *et al* (2006b: 477), requests supervisors to make judgments about an employee's performance, based solely on performance standards. Feedback to the

employee can be more specific and helpful, because ratings are made on separate dimensions of performance. According to Gomez-Mejia, Balkin and Cardy (1998:205), among the disadvantages of this technique is the fact that all workers in a group could receive the same evaluation if the supervisor is reluctant to differentiate among them, and also the possibility that different supervisors could use different evaluation standards. Gomez-Mejia *et al* (1998:205) further contend that absolute rating techniques avoid the risk of creating conflict among workers, and are also generally harder to defend when legal issues arise. Nel *et al* (2006b) and Swanepoel *et al* (2003) have identified the following absolute rating techniques, namely:

- **Essay method:** This method requires the rater to write a report, in the form of an essay, describing the strengths and the weaknesses of each employee. The method can be time-consuming, and relies heavily on the writing skills of the rater.
- **Critical incidents:** This technique focuses on the continuous recording of actual job behaviours that are typical of success or failure. Incidents reflecting good or bad are noted.
- **Forced choice:** The rater is provided with a list of paired, job-related descriptions from which he/she is forced to choose the description that best fits the employee in each case. It is a partly objective method of evaluation, but the rater could be forced into making a choice between two descriptions, neither of which might fully describe the employee's performance.
- **Graphic rating scale:** This technique is developed by selecting various characteristics that relate to a specific job. The rater makes a choice across a continuum between two poles, usually ranging from 'Strongly agree' to 'Strongly disagree', or from 'Exceptional' to 'Poor'.

The following Figure 2.4 is a schematic presentation of a graphic rating scale:

FIGURE 2.4 Graphic rating scale

Measure	(5) Exceptional	(4) High	(3) Average	(2) Low	(1) Poor
Reliability		✓			
Initiative			✓		
Dependability	✓				
Accuracy			✓		
Interpersonal skills			✓		
Quality of work		✓			

Source: Nel, Gerber, van Dyk, Haasbroek, Schultz, Sono and Werner (2006b: 482)

The above graphic rating scale results can be summarised as an average rating of an average employee, as three out of the five ticks indicate average competencies.

The other absolute performance rating techniques identified by Swanepoel *et al* (2003), and not mentioned by Nel *et al* (2006b), are the following:

- Behavioural checklist: This rating technique provides the rater with a list of descriptions of job-related behaviours that, have to be marked if they are descriptive of the individual being rated, and;
- Behaviourally anchored rating scale: These are scales that have the advantage of behavioural emphasis, job relevance and a high level of user participation.

The above performance rating techniques are also identified by Amos *et al* (2004), and the following is another rating technique, cited in Amos *et al* (2004), but not identified by Nel *et al* (2006b) or Swanepoel *et al* (2003)

- 360-Degree Feedback: Amos *et al* (2004) defines this performance rating

technique as a multiple rater method involving superior, peers, subordinates, customers, etc. This rating technique is widely used by various organisations, as it provides an objective judgment or results from various neutral sources.

Other performance rating technique identified by Amos *et al* (2004), Swanepoel *et al* (2003), and Nel *et al* (2006b) include the following:

- Management by objectives (MBO): MBO is seen as a management philosophy that guides managers and subordinates in the way they interact with one another. Harvey and Brown, cited in Swanepoel *et al* (2003:389) describe MBO “as a technique to identify organisational goals at all levels and to encourage participation in setting the standards for evaluating subordinates’ performance”. It is believed that through MBO, participation in the goal-setting process allows managers to control and monitor performance by measuring results against the objectives that employees helped to set.

The different performance rating techniques discussed in the preceding paragraphs can be adopted in any organisation, whether it is a private or public organisation, such as the municipality. It is believed that using credible performance rating techniques will increase credibility in the whole performance management process, and minimise levels of subjectivity. An effective performance rating technique is the hub of any integrated human resource management system and the information that it generates is utilised by the multitude of purposes (Swanepoel *et al* 2003)

Having discussed the performance rating techniques that can be utilised to measure performance within the organisation, the following section will give a general overview of the value added benefits that can accrue to the organisation if performance management is effectively managed.

2.3. EFFECTIVENESS OF PERFORMANCE MANAGEMENT

There is a view that effectiveness of performance management will be beneficial to the municipality in various ways, such as improved service delivery, an improved performance culture, developing a learning organisation with a learning culture, and where everybody operates in a transparent manner. In understanding the effectiveness of performance management in an organisation, some valuable lessons have been learnt from different authors, such as Armstrong (1994), Hartle (1995), and Sloman (1997) about this topic, which are discussed in the following paragraphs.

Effective performance management should revolve around developing people, not just around rewarding them (Armstrong: 1994). Armstrong (1994:32) contends that effective performance management could result in a learning organisation with a learning culture that facilitates the learning of all its members and continually transforms itself. Senge (1990) defines a learning organisation as one that is continually improving and developing. Greenberg and Baron (1997) define a learning organisation as one that has developed the continuous capacity to adapt and change. It is successful at acquiring, cultivating and applying knowledge that can help it to adapt to change. The researcher supports the idea of a learning organisation, which continuously improves and develops, as municipalities are striving towards developmental local sphere of government.

Hartle (1995:15) believes that effective performance management will yield the following positive spin-offs:

- People are more motivated to achieve objectives that they themselves have helped to establish;
- People are more likely to achieve results that they believe are important;
- People work more effectively where they know, and have helped to plan, what they are expected to achieve; and
- People can improve their performance when they understand the processes of monitoring progress and measuring results.

The above paragraph emphasises the importance of participation by key stakeholders in setting up the objectives or processes that directly affect them.

According to Sloman (1997:167), effective performance management is considered to be operating when the following conditions are met:

- A vision of objectives is communicated to employees;
- Departmental and individual performance targets are set within wider objectives;
- A formal review of progress towards targets is conducted; and
- The entire process is evaluated to improve effectiveness.

Kaufman, Thiagarajan and MacGillis (1997:373) maintain that effective performance management is based on several conditions, such as: Encouragement of enthusiasm, Positive attitude, Mutual planning, Increased delegation, Customer focus, Overall defined results linked to the mega-plan, Challenge, Well defined objectives linked to the business plan, Regular, honest feedback and evaluation, Trust, participation and involvement, Encouragement of innovative and creative behaviour, Support in the form of counselling, training, etc.; and Room to grow. It must be noted that participation and involvement of relevant stakeholders is the cornerstone of effective performance management, as Kaufman *et al* (1997) maintain.

In order for the performance management system to be implemented effectively, there need to be leaders and managers who are visionary and strategic within the organisation, and who possess valuable skills for motivating employees in order for them to always understand that under-performance within the organisation will not be tolerated. According to Gomez-Mejia *et al* (1998:219-223), managers who manage performance effectively generally share the following four characteristics:

- They explore the causes of performance problems;
- They direct attention to the causes of problems;
- They develop an action plan and empower workers to reach a solution; and
- They direct communication at performance and emphasise non-threatening means of communication.

The researcher is of the view that performance management cannot operate in a vacuum; the leadership within the organisation must create conditions that are conducive to the effectiveness of performance management. Armstrong (1994:433) states that effective performance management should operate on the following ethical principles:

- Respect for the individual – people should be treated as ‘ends in themselves’ and not merely ‘as means to other ends’;
- Mutual respect – the parties involved in performance management processes should respect each other’s needs and preoccupations;
- Procedural fairness – the procedures incorporated in performance management should be operated fairly to limit any adverse effect on individuals; and
- Transparency – people affected by decisions emerging from the performance management process should have the opportunity to scrutinise the basis upon which such decisions were made. Performance management is a continuous and flexible process in terms of which managers and those whom they manage act as partners within a framework that sets out how they can best work together to achieve the required results.

Nel, Gerber, Van Dyk, Haasbroek, Schultz, Sono and Werner (2001a: 516) state that in order for performance management to be effective, it must be line-driven rather than personnel (or human resources) department-driven. The development of an effective performance management should be a joint effort between line and human resource managers. This will afford line managers ownership of the system and ensure strong commitment. Subordinates should play an active role in the management of their own performance, linked to the organisational performance as a whole, to eliminate any potential resistance by employees.

Swanepoel *et al* (2003:375) state that an effective performance management system should empower line management to implement the organisation’s strategies and objectives successfully. Wilson (2005:162-163) states that any performance management system is only as good as it fits with other key business systems and strategies. It is not

something that is *done* to employees, but *with* them. At its best, it should add value to the business and to relationships within the business. Hitt, Ireland and Hoskisson (2005:394) believe that an effective performance management system should engender strategic evolution and ensure goal congruence in the organisation.

Mlaba (2005b) contends that effective performance management could positively impact on municipalities in the following ways:

- Increase efficiency and effectiveness of service delivery;
- Improve planning processes;
- Increase degree of accountability;
- Improve decision-making processes;
- Integrate work, leading to cost efficiency;
- Provide early warning signals regarding the implementation of the IDP; and
- Motivate staff and help limit the outflow of skills from the municipality.

The above discussion indicates the benefits that can be achieved through effectiveness of performance management in the municipality, and it is hoped that through effective performance management, service delivery will improve; a culture of performance amongst all employees of the municipality will improve; and employees will know what is expected of them.

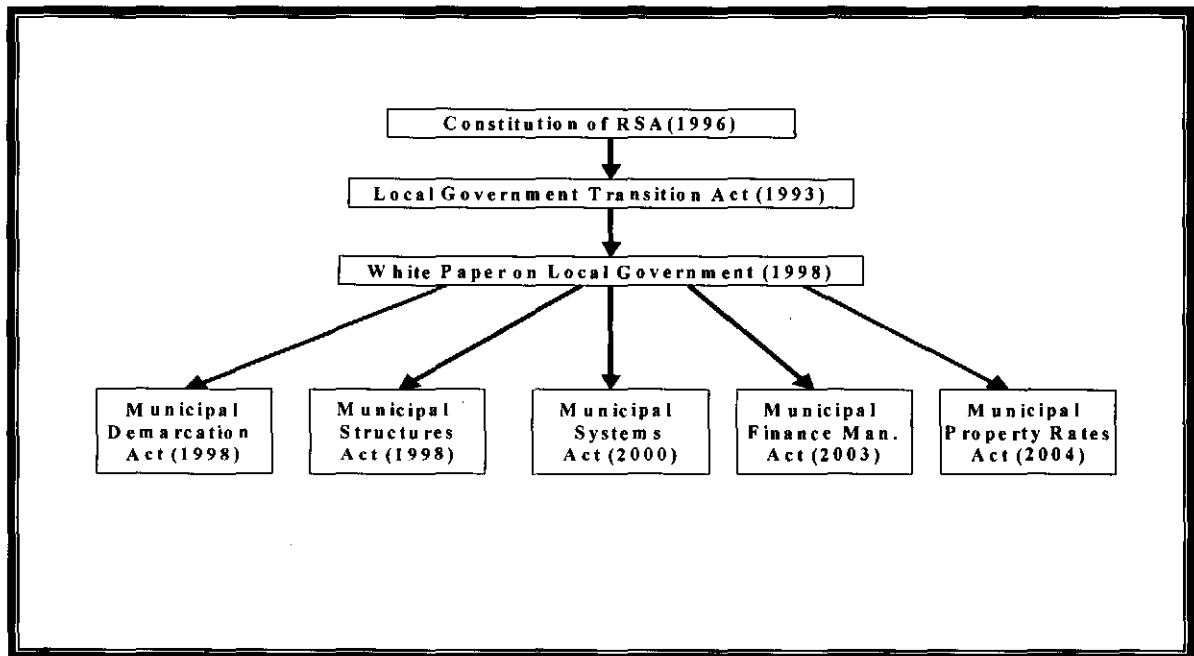
The following section deals with the legislative framework of performance management in local government.

2.4. LEGISLATIVE FRAMEWORK OF PERFORMANCE MANAGEMENT

Municipalities in the Republic of South Africa are established through legislation, operate in a highly legislated environment, and as such are compelled to comply with the legislation. The government's vision of developmental local government lies in the creation of financially viable municipalities, geared towards meeting the social, economic and basic needs of their local communities in a participatory and sustainable manner. The White Paper on Local Government (1998), defines developmental local government "as a

local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”. The developmental role of local government is firmly entrenched in the Constitution of the Republic of South Africa Act No. 108 of 1996, and through a range of policy documents and legislation, summarised in Figure 2.5 below:

FIGURE 2.5 Legislative environment within which municipalities operate



Source: The Researcher’s own construction

Williams (2006) states that the South African Government’s response in entrenching the transformation of the public sector began with the White Paper on the Transformation of the Public Service, which was published on 24 November 1995, and the Batho Pele (People First) White Paper, both of which uphold Section 195 of the Constitution of the Republic of South Africa Act No.108 of 1996. Section 195 of the Constitution states the following:

“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, equitable 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 maximise human potential, must be cultivated; and
- (i) Public administration must be broadly representative of 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."

Section 152 of the Constitution identifies the objects of local government as follows:

- “(a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government.”

In an attempt to ensure that sections 152 and 195 of the Constitution, pertaining to local government, are implemented, the Department of Provincial and Local Government as well as the National Treasury developed White Papers and Government Regulations on their focus areas. This resulted in the birth of the White Paper on Local Government (1998), Municipal Structures Act No. 117 of 1998, Municipal Systems Act No. 32 of

2000, Municipal Finance Management Act No. 56 of 2003, and Municipal Property Rates Act No. 6 of 2004. As depicted in Figure 2.4, the White Paper on Local Government (1998) is the first national policy framework for local government in the post-apartheid period. The White Paper on Local Government (1998) establishes the basis for a local government system geared towards development by putting forward a vision of the developmental role of local government. It proposes the introduction of performance management in local government as a strategic tool to achieve developmental local government. It concludes that the IDP, budgeting and performance management are powerful tools that can assist municipalities in developing an integrated perspective on development in their areas. The White Paper further states that the involvement of communities in the development of some municipal key performance indicators increases the accountability of municipalities. Whatever the priorities of a municipality, by involving its communities in setting key performance indicators and reporting back to its communities on performance, accountability will be increased and public trust in the local government system will be enhanced.

The importance of performance management in all spheres of government in South Africa, including local government, is further enhanced by Chapter 5 of The White Paper on Human Resource Management in the Public Service (1998), which states the following:

“The success of the Public Service in delivering its operational and developmental goals depends primarily on the efficiency and effectiveness with which employees carry out their duties. Managing performance is therefore a key human resource management tool to ensure that: Employees know what is expected of them; Managers know whether the employee's performance is delivering the required objectives; Poor performance is identified and improved; and good performance is recognised and rewarded”.

The importance of performance management in local government is further emphasised in this White Paper on Human Resource Management, which contends that performance management is an integral part of an effective human resource management and development strategy. It is an ongoing process in which the employee and employer

together strive constantly to improve the employees' individual performances and their contribution to the organisation's wider objectives. Since the performance of every employee contributes to the overall delivery of the organisation's objectives, it follows that the performance of every employee should be managed. The performance management procedures may vary from one group or level of employees to another, depending on the nature of their work. For example, the procedures might include group assessments and peer reviews, as well as the more traditional annual written reports. Whatever the chosen methods, the following are key objectives of performance management, according to the White Paper on Human Resource Management in the Public Sector (1998):

- (i) Results orientation;
- (ii) Training and development;
- (iii) Rewarding good performance;
- (iv) Managing poor performance; and
- (v) Openness, fairness and objectivity.

Section 19 of the Municipal Structures Act No. 117 of 1998 strives to ensure that the objectives of section 152 of the Constitution are achieved, by stating that:

“(1) A municipal council must strive to achieve the objectives set out in section 152 of the Constitution,

(2) A municipal council must annually review:

- (a) The needs of the community,
- (b) Its priorities to meet those needs,
- (c) Its processes for involving the community,
- (d) Its organisational and delivery mechanisms for meeting the needs of the community, and
- (e) Its overall performance in achieving the objectives referred to in subsection (1) above.

(3) A municipal council must develop mechanisms to consult the community and community organisations in performing its functions and exercising its powers.”

In order to ensure achievement of the above section of the Municipal Structures Act No. 117 of 1998, it became imperative to develop the Municipal Systems Act No. 32 of 2000, which clearly sets the tone on how municipalities should operate. Sections 38 to 49 of the Municipal Systems Act No. 32 of 2000 compel each South African municipality to establish a performance management system that is commensurate with its resources; best suited to its circumstances; and in line with the priorities, objectives, and targets contained in its integrated development plan. In particular, Section 38(b) and (c) of the Municipal Systems Act No. 32 of 2000 encourage each South African municipality to promote a culture of performance amongst its political structures, political office bearers or councillors and its entire administration, and to administer its affairs in an economical, effective, efficient and accountable manner.

Section 41 of the Municipal Systems Act No. 32 of 2000 states that the performance management system must contain certain core components, namely:

- (i) Key performance indicators (KPIs) as a yardstick for measuring performance, including outcomes and impact with regard to municipality's development priorities and objectives as set out in its Integrated Development Plan; and
- (ii) Measurable performance targets for each of the development priorities and objectives.

In order for the municipalities to be able to implement the sections dealing with performance management in the Municipal Systems Act No. 32 of 2000, the Department of Provincial and Local Government developed regulations; hence the Municipal Planning and Performance Management Regulations (2001) came into effect.

The Municipal Planning and Performance Management Regulations (2001) state that a municipality's performance management system should include a framework that describes and represents how that municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed. The performance management system also determines the roles of the different role-players. The Municipal Planning and

Performance Regulations (2001) state that in developing its performance management system, a municipality must ensure that it:

- Complies with all the requirements of the Municipal Systems Act No. 32 of 2000;
- Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- Clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- Clarifies the processes of implementing the system within the framework of the integrated development planning process;
- Determines the frequency of reporting and the lines of accountability for performance;
- Relates to the municipality's employee performance management processes; and
- Provides for a procedure through which it is linked to the municipality's integrated development planning processes.

In order to illustrate further the importance of performance management in local government, the Local Government: Municipal Finance Management Act No. 56 of 2003, also states in Section 72(ii) that an accounting officer (i.e. municipal manager) is required to assess the performance of the municipality during the first half of the financial year (i.e. 1 July to 31 December), by 25 January of each financial year, taking into account the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators as set in the Service Delivery and Budget Implementation Plan (SDBIP). This clearly shows that performance in municipalities must be effectively measured across all levels of operation, as any failure in the chain will impact on service delivery.

In order to give more clarity to Section 57 of the Municipal Systems Act No. 32 of 2000, the Local Government: Performance Management Regulations (2006) for Section 57 employees was promulgated. These regulations set out how the performance of municipal councils will be uniformly directed, monitored and improved and deals with employment contracts of municipal managers and other Section 57 employees, and the performance

agreements entered into between the respective municipal councils and municipal managers. Through these regulations, it is ensured that all Section 57 employees throughout the country enter into similar performance agreements with their respective employers, instead of each municipality developing its own performance contract.

The discussions in this section indicate the importance of performance management in local government, as one of the cornerstones underpinning the implementation of performance management is to improve service delivery in local government. The implementation of a performance management system within the municipality is a legal requirement. The Auditor General, as part of the annual audit, conducts a performance management audit, in an attempt to ensure that municipalities are complying with legislation.

The following section will highlight some problems that can be experienced when performance management is implemented ineffectively, or not utilised as a strategic tool, but instead to intimidate employees.

2.5. PROBLEMS EXPERIENCED WITH PERFORMANCE MANAGEMENT RELATED ISSUES

Performance management is a complex subject, as it involves thorny issues such as performance appraisal, performance bonuses, evaluation, monitoring of performance, and if it is not handled properly, it could result in litigation against the organisation in extreme cases. Similarly, Roberts (2007:89) states that “performance appraisal, as it is one element of performance management, is a controversial management tool searching for answers to ubiquitous problems in system design and administration”.

Various authors, such as Lundy and Cowling (1996), Heinrich (1999), and Price (2004), raise different issues regarding problems experienced with performance management. Lundy and Cowling (1996:308) state that studies conducted by the Institute of Personnel Management in the United Kingdom identified major weaknesses in the manner in which

performance management was being conducted. Lundy and Cowling (1996) state that there was little indication of a real sense of ownership of performance management among line managers. This resulted in no real depth of commitment, as many managers clearly perceived performance management as a top-down process with no feedback loop. There was also a widespread perception that performance management systems were 'owned' by the human resource departments, and the line managers were excluded from the process. This is not in line with what Nel *et al* (2001a: 516) contend that in order for performance management to be effective, it must be line-driven rather than personnel (or human resources) department-driven. It is believed that for performance management to be effective, it must not be seen as belonging to the Human Resources Business Unit; rather, line managers or supervisors should take ownership of the process. This will afford line managers ownership of the system and ensure strong commitment.

Heinrich (1999) states that some of the more commonly cited problems regarding performance management in public organisations include a top-down approach, conflicting organisational goals, political influences, and high administrative and monitoring costs. When applying a top-down approach, employees feel alienated, and see performance management as something emanating from their superiors.

Price (2004:511-515) states that by its nature, all aspects of performance management would naturally arouse controversy, especially performance-related pay. Employees are often dissatisfied with performance management related issues, and that managers are reluctant to engage with them in performance management related issues, for the sake of avoiding its controversy. Price (2004) further believes that if an organisation presents with any one of the following conditions, its performance management system is doomed to fail or be ineffective:

- Lack of agreement among all critical parties on what is to be performed;
- Lack of an effective way to measure desired performance;
- Lack of a reward system tied directly to performance;
- Lack of an environment conducive to successful performance;
- Lack of a communication programme to gain understanding, acceptance and

commitment to the system; and

- Lack of a performance-based organisational culture.

It is held that leadership should ensure that the above issues are adequately addressed or attended to (Price: 2004), as they are the building blocks of effectively implementing performance management within the organisation. It is advisable that leadership should ensure that these issues are dealt with prior to the implementation of performance management, as part of the process of implementing fair systems, and they are issues that can be attended to during the planning stage.

Kleynhans, Markham, Meyer, Van Aswegen and Pilbeam (2006:159-161) have identified the following as some of the more common problem areas within performance appraisal:

- “Lack of objectivity: A supervisor could give an employee a low rating for his or her appearance, because the employee’s way of dressing could not be the supervisor’s idea of how an employee should dress for work;
- Personal bias: Supervisory bias could occur when the appraiser is influenced by characteristics such as the age, gender, race or seniority of the employee;
- Halo effect: If employees have successfully added value to the organisation through the development of higher skills, they could be rated satisfactorily overall, even if they have not added value in other areas that were agreed upon;
- Leniency: When a manager gives the employee a high rating that is not deserved;
- Central tendency: When the appraiser tends to rate all the employees near the average or middle of the scale, even though their work performance could be above or below average;
- Recent behaviour bias: When the appraiser is capitalising only on the most recent behaviours; and
- Manipulating the evaluation: Supervisors might want to give a pay raise to a certain employee, so they might give that employee a high performance evaluation.”

As the preceding paragraph illustrates, performance management present various

challenges, which in some instances could be detrimental to the effective and efficient performance of an organisation. Some of the problems identified by Kleynhans *et al* (2006) are issues that can be addressed without creating an environment that impact negatively on employees' performance. Continuous education of those involved in performance management related matters, e.g. managers, supervisors, might be the correct approach.

Having identified some performance management challenges, such as those identified by Lundy *et al* (1996), Heinrich (1999), Price (2004), and Kleynhans *et al* (2006), the following section will deal with the implementation of performance management system in local authorities.

2.6. WHY IMPLEMENT A PERFORMANCE MANAGEMENT SYSTEM?

Section 38(a) (i) to (iii) of the Municipal Systems Act No. 32 of 2000 requires a municipality to establish a performance management system, that is commensurate with its resources, best suited to its circumstances, and in line with the priorities or targets contained in the municipality's integrated development plan. It is, therefore, a municipality's responsibility to acquire a performance management system that is best suited to its environment, as well as financial and other considerations. Behn (2003:586) contends that "as part of the overall management strategy, public managers can use performance management system to evaluate, control, budget, motivate, promote, celebrate, learn and improve". It is important to note that a performance management system is not a mechanism used to intimidate employees, but should rather be used for their development.

According to the Municipal Planning and Performance Management Regulations (2001), a performance management system is defined as a framework that describes and represents how that municipality's cycle of processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of role players. A performance

management system enables the organisation to measure performance against intended objectives, at a given point in time, and also assist in identifying areas where there is under-performance, so that such situations can be addressed or attended to.

At a conference held for the launch of performance management in Durban on 17 November 2005, Obed Mlaba, the Executive Mayor of the Ethekewini Metropolitan Municipality, said, "It becomes integral that municipalities are performance driven orientated, especially since it is the sphere of government closest to the grass-roots level where the real impact of service delivery is experienced (Mlaba: 2005a)." Mlaba (2005a) stated that one of the aims of implementing a performance management system in local government is to promote the spirit of Batho Pele (People first), as municipalities must at all times ensure that they consult with communities in all matters affecting them. Batho Pele is a strategic policy framework by government that promotes good customer service to users of government services. Batho Pele is founded on eight principles; namely, consultation, service standards, access, courtesy, information, openness and transparency, redress, and value for money.

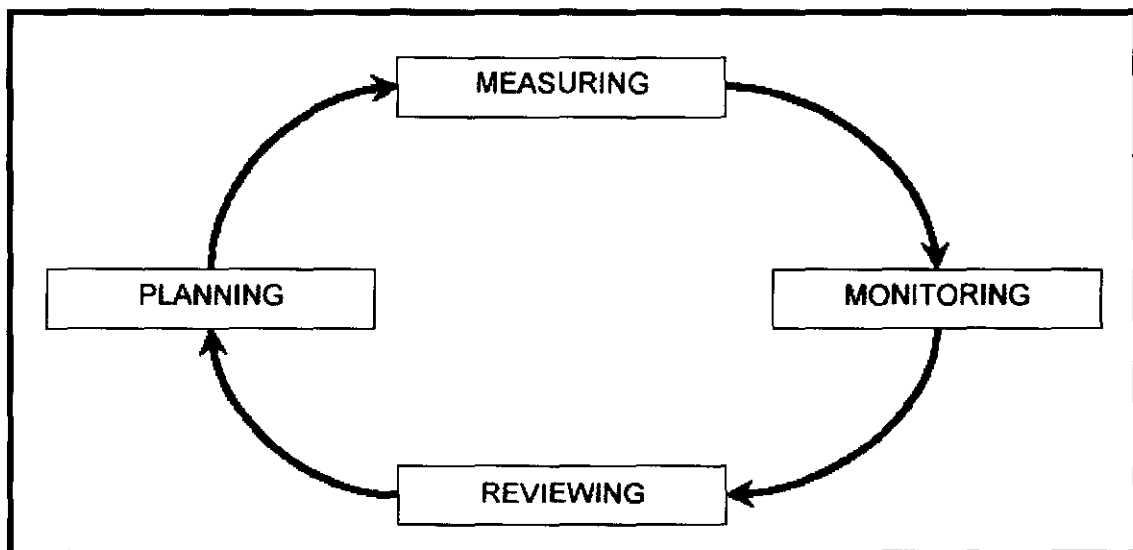
Some of the cornerstones identified by Spangenberg (1994:249-251) for an effective implementation of performance management system include, amongst others, obtaining top and senior management commitment from the outset, conducting awareness campaigns for the members of staff, contracting internal consultants or facilitators, and clarifying the purpose of performance management in the organisation.

In a municipal environment, implementation of performance management system serves to ensure that officials are held accountable to their supervisors; supervisors to their managers; Business Unit Managers to the Municipal Manager; Municipal Manager to the Executive Mayor; who in turn is accountable to the Executive Mayoral Committee and Council; and Council is accountable to the other spheres of government and the community at large. According to the Performance Management Policy Framework (2006) of Nelson Mandela Bay Municipality, the objectives of implementing performance management system are to achieve the following:

- Clarify institutional goals and priorities;
- Monitor, support and improve processes;
- Improve service delivery;
- Early warning signals;
- Learning and improvement;
- Increased accountability;
- Legislative compliance;
- Promote community participation in local government; and
- To create a culture of performance amongst employees.

In the Performance Management Policy Framework (2006) of Nelson Mandela Bay Municipality, it is indicated that an effective performance management system consists of four key elements, namely: planning, measuring, monitoring and reviewing. Figure 2.6, which follows, depicts the four key elements of an effective performance management system, as stated in the Performance Management Policy (2006) Framework of Nelson Mandela Bay Municipality.

FIGURE 2.6 Key Elements of the performance management system



Source: Performance Management Policy Framework (2006) Nelson Mandela Bay

Municipality

Figure 2.6 illustrates that an effective performance management system is a continuous process, which includes planning, measuring, monitoring, and lastly, reviewing phases. A failure in any one of the phases will result in the whole process failing.

The researcher is of the view that the implementation of performance management for all members of staff in the Nelson Mandela Bay Municipality will result at improving service delivery, as areas of under-performance will be easily identified and resolved, when all employees are subjected to a form of performance measuring or management. Communication, consultation or the involvement of key stakeholders (e.g. employees/trade unions/politicians, etc.) is the best approach to achieve this goal; without the key stakeholders' support, performance management process is doomed to fail or result in employee resistance.

The researcher is of the view that successful implementation of performance management depends on whether both political and administrative leadership of an organisation demonstrates its commitment by being proactive, and including various innovations (e.g. introduction of performance-based bonuses and other incentive schemes), which will result in employees' attitudinal change. Leaders at all levels throughout the organisation must constantly reinforce the message that 'performance matters'.

The following section discusses the enhancement of a performance culture within the municipality.

2.7. ENHANCING A CULTURE OF PERFORMANCE WITHIN THE MUNICIPALITY

One of the most difficult issues with regard to performance measurement and management is developing a culture that accepts performance measurement as a tool to help the organisation improve, and thereby enhance a culture of performance. Experience

suggests that considerable leadership is required to demonstrate that performance management and measurement is being used to help the organisation and the people within it to learn and to support improvement, not just a way of assigning blame for poor performance, as doing so could impact negatively on performance culture (Centre for Business Performance: 2007). The researcher is of the view that the leadership plays an integral role in instilling the appropriate culture within the organisation.

Section 38(b) of the Municipal Systems Act No. 32 of 2000 states the following: “A municipality must promote a culture of performance among its political structures / political office bearers and the municipality’s administration”. It is believed that in order for a culture of performance to be promoted effectively, as required by the Municipal Systems Act No. 32 of 2000, a culture conducive to performance must be created within the municipality.

Schein, cited in Harmse (2001) defines an organisational culture as 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 those problems. Organisational culture is often referred to as the personality of an organisation, likened to an individual with his or her own personality that determines how that person will behave. Based on the above, organisational culture can be defined in various ways, and it must be noted that different companies practise different organisational cultures.

Harmse (2001) states that there are three important functions of organisational culture, which are as follows:

- Providing a sense of identity for members;
- Enhancing commitment to the organisation’s mission; and
- Clarifying and reinforcing standards of behaviour.

The researcher believes that the political and administrative leadership should play a pivotal role in ensuring that a culture conducive to performance is created within the organisation. Stiffler (2006) states that creating a performance-driven organisation is ultimately about culture, and he believes that changing culture takes commitment and advocacy from the leadership at the top of the organisation. There are various ways to attempt to instill a culture of performance within the organisation which, according to the researcher include organisational openness or transparency, participation or involvement, an efficient and effective reward system, feedback to employees, leading by example, and strategic managers.

Spangenberg (1994:174-178) contends that the leader's role in managing performance and creating the culture of performance can be divided into two roles, namely:

- “Task: This is the element where the leader will ensure that roles and responsibilities of employees are clarified, and proper directions are given; and
- Relations: This is the element where the leader openly shares vision with everybody, develops a learning and quality facilitating culture, creates a productive work climate, develops or capacitates subordinates, and provides employees with feedback.”

Mlaba (2005b) suggests that the following are important in inculcating a culture of performance within an organisation, and successful implementation of performance management to all levels of staff:

- The leadership (both political and administrative leadership) should lead from the front on performance management issues;
- Unity of purpose must exist between the political leadership and the administrative leadership (no ‘us and them’, but one united voice);
- The vision, mission, core values, and Integrated Development Plan must all be effectively communicated to stakeholders, from the initial stages of planning, to the implementing, monitoring and reviewing stages;

- Key stakeholders must fully participate in performance management issues, such as performance appraisal methods, clearly defined performance objectives; analysis of training and development needs, how to deal with under-performers, and monitoring, review and reporting of performance management;
- Performance management must be treated as a human resource strategic tool;
- All phases of performance management policy are prepared in collaboration with all key stakeholders, and effectively communicated; and
- Linkage and synergy must exist between corporate objectives, as reflected in the IDP document, business unit objectives, and sectional objectives, down to individual employees' key objectives.

The above discussion highlights the importance of the leadership's role of leading from the front in performance management issues. The researcher believes that the top management should be committed to the concept of performance management and its execution and should support it at every turn. This commitment must involve frequent communication with and reinforcement of the concept to employees and other stakeholders. It is important to mention that the organisation needs some charismatic leaders who will be capable of motivating employees to go an extra mile for the organisation and for their own personal development goals. The ability to motivate is a skill that not every leader possesses, and the example can be made of the charismatic leadership style of Nelson Mandela, who is capable of motivating people to change their way of thinking simply by talking to them.

The following are characteristics identified by Walters (1999) of effective leaders, who are able to develop the required organisational culture:

- Leaders must have the ability to create a vision and excite people to achieve the impossible.
- Great leaders must have an external energy and an inner strength that see them through tough times.
- Leaders must have mental agility that enables them to make effective decisions much faster than most other people.

- Leaders must allow their team members to grow and carry out tasks without interruption. They relinquish power to others.
- Leaders must have the ability to tap into people's souls. They are emotionally intelligent and enhance people's confidence by understanding and dealing appropriately with their emotions and concerns.

As can be seen from the preceding paragraph, effective leaders have a pivotal role to play in inculcating or enhancing a culture of performance within the organisation, as they are the agents of change. They must be at the forefront of any change in the organisation.

2.8. SUMMARY

This chapter consisted of a theoretical overview of performance management, and has covered topics such as: definitions of performance management, performance management models, performance management steps, performance rating techniques, effectiveness of performance management, legislative framework of performance management, problems experienced with performance management, implementation of performance management system, and enhancing a culture of performance within the Nelson Mandela Bay Municipality. This chapter has assisted the researcher in gaining a theoretical understanding of the topic of performance management.

The following chapter is a thorough discussion on research methodology, which will give some detail on matters relating to conducting research.

CHAPTER 3

RESEARCH METHODOLOGY

3.1. INTRODUCTION

This chapter presents the research questions, the data used in the inquiry, the criteria used to ensure quality and reliability of knowledge, and describes in detail how the research has been undertaken. Remenyi (1996:25) contends that “any material research in business or management, such as that undertaken for a masters or doctoral degree, requires that the methodology used be clearly spelt out, perhaps in a chapter of its own, so that the results of the research are convincing or at least credible”. Remenyi (1996) further states that the starting point in all research undertakings is to focus clearly on the fact that its objective must always be to add something of value to the body of accumulated knowledge. Remenyi (1996) motivates the above by stating that the focus must be on difficult problems to which the solution is not obvious, and which when solved will add material value to the subject area being studied.

Remenyi (1996) believes that the academic researcher needs to explain why the research should be considered important; point out precisely what was found and what use the findings are to the community; and clearly state the basis of the claim of adding something new of value to the store of knowledge. In this regard, the researcher believes that any matters relating to performance management are quite sensitive in local government, but hopefully this thesis will enable municipalities to understand challenges relating to the implementation of performance management to all levels of staff, and develop a way of holistically implementing performance management, through using the recommended performance management implementation model and performance management implementation steps.

There are basically three major philosophical questions, according to Remenyi (1996:22) that should be addressed at the outset of the research:

- (i) Why research?
- (ii) What to research? and

(iii) How to research?

The questions of “Why research?” as well as “What to research?” have been addressed in Chapters 1 and 2 of this thesis. This chapter attempts to uncover answers relating to the third question, which is “How to research?”, and will attempt to supply a detailed analysis of how the research was conducted.

The different approaches on conducting research, and the appropriate approach used in this research are discussed in the following section.

3.2. DIFFERENT METHODS OF RESEARCH AND APPROPRIATE METHOD USED

There are many different research approaches available, and Remenyi (1996:25) states that the commonly used one is that which differentiates research into empirical or theoretical studies. Remenyi (1996) defines the two approaches as follows: the empirical research method is an approach that is based on or guided by the results of observation or experiment only, whilst the theoretical approach is defined as being contemplative of the mind or intellectual faculties. Remenyi (1996) contends that a large amount of academic research conducted today is based on empirical technique, and states that the rationale behind this bias for empiricism is a philosophical assumption that evidence, as opposed to thought or discourse, is required to be able to make a satisfactory claim to have added something of value to the body of knowledge.

The difference between the empiricist and the theorist is mainly that the empiricist is willing to go out into the world and observes the events through experiment or by passive observation of what is happening. The theorist, on the other hand, studies the subject through the writings of others, and consults with experienced researchers or informed individuals regarding the subject matter where difficulties are experienced. Remenyi (1996:26) states that empirical research is frequently associated with the positivist view, which has sometimes been described, as a tough-minded approach to facts and figures,

derived from the physical and natural sciences. The positivist approach, according to Babbie and Mouton (2006:21) originated from the work of Auguste Comte between the years 1798 - 1857, who contended that the positivist approach sees the researcher as an objective analyst and interpreter of a tangible social reality. Another approach, which Remenyi (1996:27) believes that can be contrasted with the positivist approach, is the phenomenological approach, which it is believed to have been launched by Franz Brentano (1838 - 1917) and developed by Edmund Husserl (1859 - 1938). Remenyi (1996:27) contends that in the phenomenological approach the researcher is not independent of what is being researched but is an intrinsic part of it. Remenyi (1996) states that this research paradigm is sometimes described as the descriptive/interpretative approach, which regards every event studied as a unique incident in its own right.

Other approaches of research as identified by Remenyi (1996:29) include the following:

- Laboratory experiments – This is not commonly used in business and management research, where issues are studied in laboratory settings;
- Field experiments – This is an approach that is commonly used in business and management research, where physical field research is conducted to study the issues in great detail;
- Survey – This is also a common approach in business and management research, which is composed of questionnaires that are used to collect data in large quantities;
- Case studies – This research approach is a way of establishing valid and reliable evidence for the research process (Remenyi: 1996). It is an empirical inquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between the phenomenon and the context are not clearly evident, and in which multiple sources of evidence are used (Remenyi: 1996). Remenyi (1996) believes that the case study method is valuable or appropriate in answering who, why and how questions in management research;
- Action research – Action research involves a small-scale intervention on the part of the researcher in the phenomenon being studied, and it tends to be participatory

and very specific (Remenyi: 1996);

- Longitudinal research – These are studies conducted over a considerable period of time, perhaps for several years, and can be costly (Remenyi: 1996);
- Forecasting/futures research – This is the research technique that is highly quantitative in nature (Remenyi: 1996), and allows projections to be made on the basis of past evidence; and
- Simulation – This is the method used to investigate situations that do not readily lend themselves to a deterministic analytical treatment (Remenyi 1996:30). Simulation can be used as a substitute for a laboratory or field experiment, and is particularly relevant where there is a requirement for the evaluation of formal mathematical relationships under a large variety of assumptions.

Remenyi (1996:31) states that the topic to be researched is one of the primary drivers to the choice of methodology, and further contends that other stakeholders such as supervisors and funders of the research could also be influential in recommending a methodology to be used. Remenyi (1996:31) also indicates that many business and management researchers use multi-methodologies; for example, case studies may be used to establish a grounded theory, a survey may be used to confirm a theoretical conjecture and a longitudinal study may be employed to see if the effect of some action research is sustained. Remenyi (1996:31) cautions researchers about using the multi-methodologies approach, as he believes that it could lead to conflicting results. He contends that some researchers object to multi-methodologies, claiming that none of the methodologies are properly or fully utilised, and some researchers regard the choice of a methodology as a fundamental philosophical statement about the researcher's ontological and epistemological view point. Remenyi (1996:31) concludes his motivations for being against researchers using multi-methodologies approach by stating that “using more than one basic research methodology would be regarded as similar to trying to practice capitalism and communism simultaneously”.

In this thesis a constructivist case study method has been used in conducting this research, as this method seemed to be most suitable in the case of understanding

implementation of performance management within the Nelson Mandela Bay Municipality. Underpinning the selection of the constructivist case study paradigm is the belief that the world holds multiple realities, and it is up to the researcher to uncover some of them (Denzin and Lincoln: 1994). Sarantakos (2005:37) defines constructionism “as a qualitative research methodology that focuses on the firm belief that there is in practice neither objective reality nor objective truth”. Sarantakos (2005:37) enlists the following basic assumptions of constructionism:

- “There is no objective reality; the physical world exists but is not accessible to human endeavour;
- There are no absolute truths;
- Knowledge does not come through the senses alone;
- Research focuses on the construction of meanings;
- Meanings are not fixed but emerge out of people’s interaction with the world;
- Meanings do not exist before a mind engages them; and
- The world is constructed by the people who live in it”.

In this thesis, the researcher believes that a rich understanding can be sought only through a constructivist case study, which will allow for an understanding of challenges faced by the municipality when implementing performance management to all levels of staff, and ultimately introducing performance management model and performance management steps that can be used for implementing performance management in the municipality. Yin, cited in Remenyi (1996) 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 the most appropriate.

The case study research method, opposed to an experiment or survey, answers the ‘how and why’ questions, according to Babbie and Mouton (2006), but, unlike the experiment, does not require control over the behavioural events. Yin, cited in Remenyi (1996) and Winegardner (2004) argue that the case study method lends itself well to a process where the aim of the researcher is to interpret and to inductively develop further constructs.

Bryman and Bell (2007:62) contend that “the basic case study entails the detailed and intensive analysis of a single case, and a case can be a single organisation, a single location, a person, and a single event”. Remenyi (1996:29) maintains that the case study research method “is a way of establishing valid and reliable evidence for the research process, and a research strategy for the social scientist, in a similar sense as experiments are a research strategy for the natural scientist”.

Yin, cited in Remenyi (1996:29), states that “a case study from a research strategy point of view may be defined as an empirical enquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and the context are not clearly evident, and in which case, multiple sources of evidence are used”. Yin, cited in Remenyi (1996), contends that the case study research method is particularly valuable in answering ‘who, why and how’ questions in management research. According to Bell, quoted in Remenyi (1996:29), the case study research method can be described as an umbrella term for a family of research methods having in common the decision to focus on a specific instance or event. The philosophy behind a case study research method is that sometimes only by looking carefully at a practical, real-life instance can a full picture be obtained of the interaction of variables or events. Bell, cited in Remenyi (1996) further contends that the case study research method allows the investigator to concentrate on specific instances in an attempt to identify detailed interactive processes that may be crucial, but which are transparent to the large-scale survey. Bell, quoted in Remenyi (1996) believes that it is the aim of the case study research method to provide a three-dimensional picture of the situation, namely:

- (i) Illustrating relationships;
- (ii) Corporate political issues; and
- (iii) Patterns of influence in a particular context.

Babbie and Mouton (2006) contend that the case study research method is an intensive investigation of a single unit, and that most case studies involve the examination of multiple variables. Babbie and Mouton (2006) believe that case study researchers take multiple perspectives into account and attempt to understand the influences of multi-level

social systems on subjects' perspectives and behaviours. According to Yin, cited in Remenyi (1996), the distinguishing characteristic of the case study research method is that it attempts to examine a contemporary phenomenon in its real life context, especially when the boundaries between phenomenon and context are not clearly evident. A case study research method is appropriate when a 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 (Stake: 1994). A case study is expected to catch the complexity of a single case (Stake: 1994). The case study research method is also said to be best suited when the subject matter does not lend itself to quantification as exercised via survey or experiment.

The researcher believes that in studying the implementation of performance management within the Nelson Mandela Bay Municipality, a rich understanding can be achieved only through a constructivist case study. This case study has enabled the researcher to recommend the development of performance management model, and performance management steps, which will be presented in the last chapter of this thesis.

The following section gives an overview on how this research, and data collection has been conducted.

3.3. HOW THE RESEARCH AND DATA COLLECTION WERE CONDUCTED

Remenyi (1996:24) contends that the process of carrying out research is in itself highly subjective, depending on the intuition and the inspiration of the researcher. This research has been conducted through the use of multiple methods, namely, interviews and document analysis (i.e. legislation, council agendas, council minutes, policies and other literature, and internet websites). According to Denzin, cited in Babbie and Mouton (2006), 'multiple methods' approach to conducting qualitative research is considered to be one of the best ways to enhance validity and reliability. Interviews were held with Section 57 employees, Directors and Assistant Directors, who are knowledgeable with the topic of performance management. This is in line with Spradley, cited in Williams

(2006) who states that when selecting respondents for collection of data, respondents should be thoroughly enculturated into the institution, which requires that the respondent be well versed with the subject matter being examined. Spradley, cited in Williams (2006) contends that 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.

Six interviewees, who participated freely during the interview process, were interviewed in an environment of their choice, be it at home, in a restaurant or at their offices. The guideline questions were prepared, which were flexible and allowed for redesign as the research progressed. The interviews were conducted over a three-week period, from Friday, 20 October 2007 to Saturday, 10 November 2007, with a recorded interviewing time of twelve hours. The aims and objectives of the study were explained to the interviewees. After obtaining an authority from the interviewee, the interviews were recorded using a tape recorder and transcribed or documented, with the interviewees thereafter afforded the opportunity to confirm the authenticity of the transcripts. These transcripts are part of the presentation of findings in Chapter 4, and a sample of transcript is attached as separate annexure to this thesis (see attached Annexure "C"). The interviewees were assured that their names would not be divulged, either in the final document or in any annexure, as part of ensuring the ethical considerations, and assurance was given that the final document will be made available to the interviewees. In order to ensure the confidentiality of the interviewees' names, the interviewees have been given pseudonyms, such as 'Interviewee No.1'. The interview period ranged between 1,5hours to 3 hours per interviewee, depending on the information that the interviewee was willing to share. The total number of hours spent in conducting interviews amounted to 12 hours, and six high-ranking officials were interviewed.

In this research, an unstructured interview approach of the qualitative interview method was used, in pursuit of establishing a grounded theory of the thesis. Sarantakos (2005:268) defines the unstructured interview approach "as an approach where unstructured questionnaires are employed, containing a number of open-ended questions,

whose wording and order can be changed by the interviewer, at will". In the unstructured interview approach, "the interviewer acts freely, the structure of the interview is flexible and the restrictions are minimal, and in most cases taking the form of guides rather than rules" (Sarantakos 2005:268). Sarantakos (2005:268) states that the unstructured interview approach is mainly used in qualitative and feminist research. Sarantakos (2005:271) defines the feminist research "as the research method that follows the standards and principles of qualitative research, but with added element of focusing on women as researchers and researched". Babbie and Mouton (2006:289) define the qualitative interview method "as an interaction between an interviewer and a respondent in which the interviewer has a general plan of enquiry, and although there is a specific set of questions to be asked in particular words, they are not necessarily in particular order".

Listed hereunder is the sample of the questions that were asked of the interviewees, in order to ensure that the necessary information can be obtained, an informed conclusion reached, and the main objective of this thesis attained. Other questions that cover the biographical data are captured in Figure 4.1 of Chapter 4:

FIGURE 3.1 Questions asked during interviews

QUESTION NO:	ACTUAL QUESTIONS ASKED
(i)	Please share with me your views on the implementation of performance management amongst the Section 57 employees, with no performance management enforcement for other levels of staff (could this be a good or bad idea?).
(ii)	There is a view that leadership (both political and administrative) plays a pivotal role in the introduction of any new system within the organisation. Please share with me your views on whether the leadership (administrative or political) demonstrates its leading role in the implementation of performance management within the municipality.
(iii)	The municipality currently uses an ADBS system in measuring performance. Share with me whether the system that is utilised by the

	municipality is a suitable system, or whether there are any areas of improvement or shortcomings that must be addressed.
(iv)	Some theorists are of the view that financial incentives are better than non-financial incentives, and vice versa. Please share with me your views on incentives, indicating whether you are in support of non-financial or financial incentives, and motivate your choice.
(v)	There are some views from the Human Resource specialists about the location of a performance management function within an organisation. What is your view on the current location of performance management within the organisation? Are these functions correctly or incorrectly allocated in your opinion? Motivate your answer.
(vi)	There is a view that the challenge of performance management issues in government spheres is historic, some believing that the pre-1994 era resulted in government departments (i.e. Local, Provincial and National) being used as a dumping ground, and the post-1994 era being used for transformation of the public service, where either well educated and under-experienced people, or those lacking in both areas, were placed in high-ranking positions, in the name of nation building. What is your view on this, and why?
(vii)	There is a view that subjectivity will always be the part of the game in performance management matters, and there is an idea that perhaps the establishment of Performance Management or Evaluation Committees formed by either specialists from the academic world or from the business community will be more credible than the current system. What is your view on this point?
(viii)	Section 38 (b) of the Municipal Systems Act No. 32 of 2000 encourages municipalities to cascade performance management to all members of staff. In your own view, what do you think should be the steps towards ensuring that performance management is successfully cascaded to all members of staff within the municipality, knowing very well the environment within which municipality operates (i.e. politicised and

	unionised)?
(ix)	There must have been some other challenges encountered in implementing performance management for Section 57 employees, which might not have been covered from the above questions. Can you please share with me any challenges or experiences that will never be forgotten?

The detailed discussions on the above questions are to be presented in the following chapter of this thesis, with clear recommendations made by the interviewees.

Municipalities are established through legislation or act of parliament, and as such, various legislations compel municipalities to operate in a certain manner. The subject of performance management in local government is captured in various pieces of legislation, amongst others, the Constitution of the Republic of South Africa Act No. 108 of 1996, White Paper on Local Government of 1998, Municipal Systems Act No. 32 of 2000, and the Municipal Finance Management Act No. 56 of 2003. In understanding the legislative framework relating to performance management, in the South Africa local government context, the researcher was compelled to perform document analysis using these pieces of legislation, including policies, Council agendas, minutes and literature. This is in line with what Bryman and Bell (2007:564) contend that “the state is the source of a great deal of information of potential significance for business researchers”. Bryman and Bell (2007:564) further state that “the state is the source of a lot of textual material of potential interest, such as Acts of Parliament and official reports”.

Sarantakos (2005:294) identified four approaches that can be used in conducting document analysis, as follows:

- Descriptive analysis: This is elementary and entails summarising data, identifying main trends and presenting descriptions. An example of a suitable topic is: ‘How did the media respond to the recent developments at the ANC Conference in Polokwane?’;
- Categorical analysis: This is more systematic analysis, based on categories

constructed before the commencement of the study. An example of a suitable topic is: 'How was power distributed between husbands and wives in the families of the 1950s?;

- Exploratory analysis: This searches for peculiarities, characteristic attributes and trends in the text that mark the identity of the message conveyed through the document. This approach involves identifying data, comparing them, weighing their relevance and significance, and recording them systematically. An example of a suitable topic is: 'How did women's magazines portray family life in the 1950s?; and
- Comparative analysis: This compares social issues across countries and cultures. The analysis is very basic and emerges from reading the documents, often presenting the results separately for each point of comparison. An example of a suitable topic is: 'What were the attitudes of students to gay marriage in Zimbabwe and South Africa?

Based on the preceding discussion of various approaches for conducting document analysis, as identified by Sarantakos (2005), it must be mentioned that this research has been conducted using the 'descriptive analysis method' based on its characteristics. In the document analysis, two sets of documents were analysed, namely; public documents (such as Acts of Parliament), and organisational documents (such as organisational policies, agendas and minutes).

The researcher attempted to create an environment conducive for the respondents to speak openly on any issues relating to performance management in the municipality, leadership issues in the municipality, or any other issues that are related to the topic being researched. The detailed responses as covered in the findings chapter bear testimony to this conducive environment created by the researcher during the interview period.

The following section discusses the analysis of data, in order to ascertain how the raw data was analysed, and what method of data analysis was used.

3.4. ANALYSING DATA

There are a number of procedures used by qualitative researchers to analyse the raw data, so that it can be linked with the main objectives of the study, or trends to be analysed. According to Babbie and Mouton (2006) there is no neat and tidy approach to qualitative data analysis. Babbie and Mouton (2006:490) define qualitative data analysis “as the analysis of all forms of data that was gathered using qualitative techniques, regardless of the paradigm used to govern the research”. Miles and Huberman, cited in Berg (2006:304) identify three major approaches to qualitative data analysis, namely:

- Interpretative approaches: Where interviews and observational data can be transcribed into written text for analysis;
- Anthropological approaches: Where researchers have conducted various sorts of field or case study activities to gather data; and
- Collaborative social research approach: Researchers operating in this mode work with their subjects in a given setting in order to accomplish some sort of change or action.

Remenyi (1996) states that once the evidence has been collected it is necessary to conduct an analysis of it. Welman and Kruger (2003:194) state that “an appropriate statistical procedure to analyse data must be chosen even before the researcher begins to collect data”. The approach to evidence analysis varies enormously, and depends upon whether quantitative or qualitative evidence has been acquired. Remenyi (1996) believes that evidence analysis also depends upon the mathematical sophistication of the researcher. Quantitative evidence will generally be analysed using statistical techniques. There are dozens of techniques available, so the technique selected will depend on the precise type of evidence collected. Remenyi (1996) believes that qualitative evidence can be interpreted by means of a number of different approaches, and further states that some of the techniques available are actually qualitatively based, such as content analysis or correspondence analysis. Other approaches are not reliant on quantitative thinking and these include hermeneutic or interpretative understanding of the evidence (Remenyi: 1996). There is no one clear approach to qualitative data analysis, nor even one approach

to each specific type of qualitative data analysis (Babbie and Mouton: 2006).

In this study, use has been made of qualitative research method in the form of content analysis, to analyse data gathered from the interviewees and other documents. This is so because this research study has been qualitative in nature, rather than quantitative, as there has been no need to use statistical methods to analyse information or input from the interviewees. Bryman and Bell (2007: 304) define content analysis “as an approach to the analysis of documents and texts that seeks to quantify content in terms of predetermined categories and in a systematic and replicable manner”. Berg (2006: 306) defines content analysis “as any technique used for making inferences by systematically and objectively identifying special characteristics of messages”. Babbie and Mouton (2006: 491) define content analysis “as a research method that examines words or phrases within a wide range of texts, including books, book chapters, essays, interviews, and speeches as well as informal conversation and headlines”.

The information or raw data analysed was collected from various sources, such as legislation, agenda or minutes, interviews, literature, internet websites and newspaper articles. “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). Boyatzis (1998:31) goes on to state that a good thematic code is one that captures the qualitative richness of the phenomenon.

Boyatzis (1998) further contends that, in developing themes there are five steps involved, which are summarised 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 summarise;

- 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 at patterns without trying to impose a theoretical framework. The researcher also attempts to draw his / her own inferences from what is being revealed;
- Creating a code or set of themes: This requires rewriting 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 not be too many codes or number of themes so that themes do not go missing; and
- Determining reliability: This requires that the researcher allow another person to apply the code or themes to the material to check for reliability.

In analysing interviews conducted in this study, the interview questions asked were grouped in different themes. Responses obtained from the interviewees were tape-recorded, and transcribed in respective themes, or transcripts were linked to the specific theme. This process enabled the researcher to identify areas where there was a common agreement amongst interviewees, as well as areas where there are divergent views. Documents such as legislation were read and interpreted and compared to Council policies, agenda items or the Auditor General's report to identify areas of non-compliance.

Lastly, it was ensured that the raw data received from the recipients was analysed efficiently; hence interviewees were provided with transcripts of interviews to be given a chance to read and confirm what they have disclosed during the interviews, so that the final product is credible, and cannot be challenged based on ethical grounds.

This following section discusses the population as well as the sample within which this research has been conducted.

3.5. POPULATION AND SAMPLING

Babbie and Mouton (2006:124) define population as “an aggregation of elements from which the sample is actually selected”. Welman and Kruger (2003:46) define population as “the study object, which may be individuals, groups, organisations, human products and events, or the conditions to which they are exposed”. Bryman and Bell (2007:182) describe population “as the universe of units from which the sample is to be selected”, and this is in line with how Nachmias and Nachmias (2000:163) define population “as a complete set of relevant units of analysis, or data”. Bryman and Bell (2007:182) contend that “the term ‘units’ is employed because it is not necessarily people who are being sampled – the researcher may want to sample from a universe of nations, cities, regions, firms, etc”. Therefore ‘population’ has a much broader meaning than the everyday use of the term, whereby it tends to be associated with a nation’s entire population (Bryman and Bell 2007:182).

Welman and Kruger (2003) maintain that usually the populations that interest human behavioural scientists are so large that, from a practical point of view, it is simply impossible to conduct research on all of them. Based on the preceding discussion about population, it must be mentioned that in this thesis the population has been all the employees working at Nelson Mandela Bay Municipality, involved in the issues relating to the subject of performance management. These employees represent Senior Management in the municipality, and are involved in performance management, by either being directly affected by its implementation or are implementers/facilitators of performance management in their respective Business Units, or are knowledgeable in the subject of performance management.

Consequently, a researcher has to obtain data from only a sample of the above populations. A sample, according to Bryman and Bell (2007:182), can be described “as the segment of the population that is selected for investigation, and is the subset of the population”, and this is in line with how Nachmias and Nachmias (2000:163) describe the sample “as a subset of population”. It can therefore be concluded that a sample is a

selection made from the population. A sample is further divided into 'sampling units' which, according to Nachmias and Nachmias (2000:164), can be defined "as a single member of a sampling population (e.g. a voter, a household, an event, etc.)".

Nachmias and Nachmias (2000:167) distinguish between two types of sample design, namely:

- Probability sampling: This is distinguished by the ability to specify the probability at which each sampling unit of the population will be included in the sample, and
- Non-probability sampling: Where there is no way of specifying the probability of each unit's inclusion in the sample, and there is no assurance that every unit has some chance of being included.

According to Nachmias and Nachmias (2000:175) probability sampling is divided into four categories, namely:

- Simple random sample: Where a unique number is assigned to each sampling unit, and selecting sampling units by using a table of random digits;
- Systematic sample: Where the researcher determines the sampling interval, select the first sample unit randomly, and select the remaining units according to the interval;
- Stratified sample: Where researchers proportionate and determine strata from each stratum, and select a random sample proportionate to the size of the stratum in the population; and
- Cluster sample: Where the researcher determines the number of levels of clusters; from each level of clusters, select a sample randomly; the basic units of analysis are groups within the sampling population.

According to Nachmias and Nachmias (2000:168), non-probability sampling is divided into three categories, namely:

- Convenience samples: This non-probability research design is obtained by selecting whatever sampling units are conveniently available to the researcher. A college professor could select the students in a class; or a researcher could take

- the first 200 people encountered on the street who are willing to be interviewed;
- Purposive samples: This non-probability research design is obtained when researchers use their subjective judgment and attempt to select sampling units that appear to be representative of the population; and
 - Quota samples: The chief reason for using a quota sample is to select a sample that is as similar as possible to the sampling population. For example, if it is known that the population being researched has equal numbers of males and females, equal numbers of males and females must be selected from the sample. If it is known that 15% of the population is composed of Coloured South Africans, 15% of the total sample must be Coloured South Africans.

Based on the above discussion, regarding sampling, it must be stated that in this thesis, the sample has been the Section 57 employees (i.e. Business Unit Managers who are subjected to performance management, reporting directly to the Municipal Manager), Directors and Assistant Directors, who are involved in the issues relating to performance management within the municipality. In this research, the researcher utilised a combination of the two non-probability sampling tools as identified by Nachmias and Nachmias (2000), namely: 'convenience samples approach', together with the 'purposive samples approach' due to their characteristics as mentioned in the preceding paragraphs. This thesis focuses on the first five years of the implementation of performance management, after the appointment of the first Section 57 employees, after the 6 December 2000 Local Government election.

It must be mentioned that the number of Section 57 employees was originally eleven. However, because some of them resigned or were dismissed by the time the study was conducted, only six Senior Managers were interviewed, as part of the sample.

The following section will be addressing the concerns about ethics that might arise in the course of conducting this research, and how those concerns were attended to.

3.6. ETHICAL CONSIDERATIONS

When conducting research, ethical issues that be considered, to ensure that the end results of the research are credible, reliable, valid and without any bias or subjectivity. Ethical issues arise at various stages in business and management research (Bryman and Bell: 2007). Ethical issues cannot be ignored, in that they relate directly to the integrity of a piece of research and of the disciplines that are involved (Bryman and Bell: 2007). Bryman and Bell (2007:127) state that “discussions about the ethics of business and management research bring us into a realm in which the role of values in the research process becomes a topic of concern”. Bryman and Bell (2007:127) contend that ethical issues revolve around such concerns as the following:

- How should we treat the people on whom we conduct research?
- Are there activities in which we should or should not engage in our relations with them?

It is quite important for the researcher to keep these questions by Bryman and Bell (2007) in mind when conducting the research, to ensure that the research cannot be challenged on ethical grounds, is reliable, credible and will not bring the name of the researcher into disrepute. Underpinning the consideration for ethical behaviour “is the avoidance of harm to human subjects” (Berg 2006:71). Sarantakos (2005:19) contends that “it is the researcher’s responsibility to ensure that the research will not entail any procedures that can cause harm (whether physical, mental and legal harm) to respondents”. Sarantakos (2005) further states that apart from preventing harm, researchers are responsible for ending research that has proved harmful to the respondents or their assistants. In order to achieve a high level of confidentiality, it has been ensured that throughout the research document no mention of direct names were made, nor of who said what during the research interviews; rather, pseudonyms were used (e.g. “Interviewee No.1”, etc.). Those who were interviewed did so of their own will, without being forced to do so, and were amongst senior staff members of the Nelson Mandela Bay Municipality, who could have easily objected if they were against participating in this research.

According to Berg (2006), among the most serious ethical concerns that have received attention during the past two decades is the assurance that subjects (interviewees or respondents) are voluntarily involved and informed of all potential risk. In order to ensure that this concern is addressed, the researcher conducted this research with the interviewees at their own will, without any form of duress, and with highly ranked or senior officials in the municipality. Secondly, the objectives of this research were thoroughly explained to the interviewees.

Remenyi (1998) believes that there are three major ethical issues to consider when undertaking research, namely:

- (i) How the information is collected;
- (ii) How the information is processed; and
- (iii) How the findings are used.

Remenyi (1998) states that when dealing with the first consideration, it is necessary for the researcher to be open and honest with the interviewees or participants; to ensure that he/she keeps the information confidential; and does not obtain the information by threatening the participants. The researcher declares that the highest ethical standard has been upheld when conducting this research, and no information was gathered from the participants by means of threat, or under duress. The interviewees were informed in advance about the research study to be conducted, and the reasons for the study of the implementation of performance management for only Section 57 employees, as well as how the results would be used.

In responding to the first ethical consideration of Remenyi (1998), of how the information is collected, the information for this research has been collected through interviews, document analysis as well as Internet website access. The interviews were conducted based on questions prepared in advance relating to the subject of performance management, in an environment that is suitable to the interviewees, such as home, office or restaurant.

In responding to the second consideration of Remenyi (1998) of how the information is processed, the interviews were tape recorded after the interviewees granted authority to do so, and the proceedings, including the purpose of the research, were explained. The recorded interviews were transcribed into notes or reports. The transcripts as well as the final research document were made available to all the interviewees so that they could be satisfied with what is written in the final document, and could confirm that their names were not divulged, as promised. This assisted in ensuring the accuracy of the information gathered.

In responding to the third consideration of Remenyi (1998) of how findings are used, the responses by the interviewees resulted in the researcher understanding the complexity of implementing performance management to all levels of staff within the Nelson Mandela Bay Municipality. The findings resulted in the researcher being able to develop a recommended performance management implementation model and performance management implementation steps, as well as providing some recommendations on how the culture of performance could be inculcated within the municipality.

Lincoln and Guba (1985) state that good qualitative research can be judged by the criteria of credibility, transferability, dependability and confirmability. Credibility was maintained in this thesis through the usage of multiple methods, such as document analysis and interviews, and also by ensuring that the final draft report is made available to the interviewees before its submission. In order to maintain the criterion of transferability, detailed information or thick description has been gathered as much about the chosen topic as possible (Lincoln and Guba: 1985), so that the findings can be applied in other contexts or with other respondents. This has been made possible through gathering information from relevant literature, legislation, websites, and interviews conducted to gain an understanding regarding the chosen topic. The researcher also intended using the services of an external auditor or experienced lecturer in the field of human resources, in order to uphold the criteria of dependability and confirmability; however, financial resources and limited time prevented the researcher from pursuing that option.

Lastly, in further demonstrating the seriousness of ethics when conducting research, Nachmias and Nachmias (2000:80) state that “the major professional societies have developed codes of ethics to assist their members in ensuring that they consider ethical issues at all times, when conducting research”. Codes of ethics “help the individual researcher because they state and explain what is required and what is forbidden...” and sensitise researchers to their obligations and to those problematic areas where agreement exists over the proper ethical behaviour to be practiced” (Nachmias and Nachmias 2000:80).

3.7. SUMMARY

This chapter consisted of research methodology, and has covered topics such as: different approaches to conduct research and the appropriate research method to use; how research and data collection was conducted; analysing data; population and sampling; and ethical considerations. It was indicated in this chapter that interviewees willingly participated in the interview process and that they were all high-ranking officials of the municipality. The discussion in the chapter has laid a foundation for understanding how research is formally conducted, and different methods of conducting research. The question of ethical behaviour in the process of conducting research is quite important and must be considered at all times when conducting research.

The following chapter will present the findings of this thesis, detailing the information gathered from the interviewees.

CHAPTER 4

FINDINGS

4.1. INTRODUCTION

The purpose of this chapter is to present the findings of interviews held with the interviewees who form part of the sample, namely, the Section 57 employees (i.e. all Senior Managers working on a five-year contract, and directly reporting to the Municipal Manager.), Directors and Assistant Directors, who are knowledgeable with the topic of performance management in the Nelson Mandela Bay Municipality. This process took 12 hours, and during the interviews the respective interviewees openly shared information in strict confidence, and the discussions were recorded and transcribed. The interviews were conducted from Friday, 20 October 2007 to Saturday, 10 November 2007. Various pre-determined questions were asked during the interviews in order to get an understanding of the topic, and whilst challenges that resulted from performance management implementation were identified, workable solutions to those challenges were suggested, and prompt answers to questions were provided. The set of questions asked is tabulated in Chapter Three of this thesis.

4.2. PRESENTATION OF INTERVIEWS CONDUCTED

The interviews conducted made it possible for the researcher to understand the sensitivity of performance management, the manner within which performance management was implemented in the municipality, and the level of systematic blunders made in the process. Interviewees did not only share their frustrations on this topic, but also made a number of recommendations regarding the topic of performance management in the organisation, as well as suggestions on how to cascade performance management to all levels of staff within the municipality, in a holistic and strategic manner.

For the purpose of confidentiality, the interviewees have been given pseudonyms or fictitious names, namely: "Interviewee No: 1, Interviewee No: 2, Interviewee No: 3, Interviewee No: 4, Interviewee No: 5 and Interviewee No: 6". The biographical data of

the interviewees is depicted in the following Figure 4.1:

FIGURE 4.1 Interviewees' biographical data

Interviewee No.	Gender	Age Grouping	Years Work Experience in the Municipality	Educational Level	Employment Status
1	Male	>50 yrs	19 yrs	Tertiary Qualification	Senior Management
2	Male	>50 yrs	35 yrs	Tertiary Qualification	Senior Management
3	Male	>50 yrs	33 yrs	Tertiary Qualification	Senior Management
4	Female	>50 yrs	11 yrs	Tertiary Qualification	Middle Management
5	Male	>55 yrs	37 yrs	Tertiary Qualification	Senior Management
6	Male	>40 yrs	15 yrs	Tertiary Qualification	Senior Management

As can be seen from the above Figure 4.1, the six interviewees jointly have a long service in the municipality, as their number of years' experience in the municipality totals 150 years (which averages about 25 years' work experience per interviewee), with the same level of education and an average age of 49 years. Due to their long service record with the municipality, these interviewees can be considered as employees who are loyal to the organisation. The majority of employees within the municipality who occupy senior positions are men; hence the majority of the interviewees in the above table are men.

The following sections will present responses from the interviewees, in different themes or topics, as per the questions asked:

4.2.1. PERFORMANCE MANAGEMENT AND ITS IMPLEMENTATION ONLY AMONGST SECTION 57 EMPLOYEES

The majority of the interviewees held the same view: that implementing performance management amongst Section 57 employees only was a blunder. There appeared to be an understanding by the interviewees that the effective implementation of performance management should have been via a bottom-up approach, that is, from the lower levels up to the higher levels, and as one interviewee said: “The gospel of performance management system’s implementation should be continuously preached daily, not only during a certain peak-hour period, and issues relating to performance management should not be considered as a matter of legal compliance.” There appeared to be a uniform understanding that all staff members should understand the valuable roles they play within the bigger organisation. They should understand fully what is expected from them, and that performance management is not only used for policing people; rather, it should be understood as a suitable system that can be used for identifying the training and developmental needs of employees. Various authors, including Beardwell and Holden (2001) hold the view that performance management should be used as a strategic human resource tool for identifying the training and development needs of the employees.

Only one interviewee held a different opinion on the above topic, saying that the introduction of the performance management for the Section 57 employees only, as per the Municipal Systems Act No. 32 of 2000, was the right thing to do. The interviewee supported this by stating that local government needed to continuously benchmark itself for the purpose of service delivery, and the interviewee maintained that the only way to achieve this was to implement a performance management system for the Section 57 employees only. The interviewee held the view that the Section 57 employees should perform as required of them by the institution (i.e. Municipal Manager, Executive Mayor or Municipal Council), and as per the performance agreements they signed. The interviewee believed that it was the responsibility of the Section 57 employees to ensure that their directors or subordinates are aware of what was expected from them, as Section 57 employees’ performance depends on the subordinates’ performance. The interviewee

re-iterated the fact that the key performance areas are indicated in the municipality's IDP document for all Business Units. The interviewee also held the view that the Section 57 employees were responsible for ensuring that performance management system was cascaded down to every member of staff, within their respective Business Units, and they should be proactive and take initiatives to ensure that this strategy is achieved.

Other points raised by interviewees regarding the above topic can be summarised as follows:

- (i) When performance management was introduced at the municipality, amongst the Section 57 employees only, it was used as a “carrot that was dangled from the distance”. This is because interviewees felt, objectives were made difficult to achieve, as well as because of the high level of politicisation of the payment or non-payment of performance bonuses.
- (ii) Performance management has been used as a “political football”, which was full of “crap”. This feeling stems from the fact that whilst the performance results from the municipality's system, known as Activity Driven Balanced Scorecard (ADBS), would indicate that the relevant Business Unit Manager has performed above expectation (i.e. above 80% as agreed upon), when such results were tabled at a full Council meeting, the politicians would protest against those results.
- (iii) Legally obliging only Section 57 employees to be subjected to performance management created an undue pressure on Section 57 employees. There was a suggestion from one interviewee that there needed to be a clear legislative requirement that compels all municipal employees to be subjected to performance management. One interviewee stated that the conditions of service for municipal employees, which were nationally negotiated, were one major stumbling block that would need to be addressed first.

- (iv) One interviewee indicated that the problem with performance management applying only to Section 57 employees was the “spitefulness or grudge” that some non-Section 57 employees would demonstrate, as non-Section 57 employees felt that whatever Section 57 employees were doing was motivated by a potentially high performance bonus (i.e. they are financially driven). Two interviewees stated that performance management at the municipality was perceived to be just a “farce” that is utilised simply for heightening people’s emotions.

One interviewee indicated that some of the problems that resulted in staff members at lower levels not even understanding what performance management was all about, were caused by the lack of proper human resource strategies such as an induction process that should be conducted by Human Resource Business Unit. This is in line with the view of Spangenberg (1994:43) that “orientation and training programmes prior to implementation of performance management are needed”. During an induction process, employees should be informed of what is expected of them, how performance is to be measured, what the incentives or reward for good performers are (whether financial or non-financial incentives), when they are to be awarded, etc. and this should all be agreed upon in advance between the employer and the employee.

The deliverables should be clearly defined, SMART (i.e. Specific, Measurable, Achievable or Attainable, Realistic and Timebound) and unambiguous. Various authors state that the objectives should be achievable, amongst others Amos, Ristow, and Ristow (2004:64), state that “people are more productive when they have clear, obtainable objectives (goals) to achieve”. Spangenberg (1994:86) contends that “if goals are set too high, employees may lose their motivating potential, and will give up when they fail to achieve them”.

Most interviewees said that involving key stakeholders or adopting the “participatory approach” when dealing with performance management issues was the right thing to do. One interviewee even stated that the fact that Nelson Mandela Bay Municipality adopted

a Performance Management Policy Framework in May 2006 without any buy-in from key stakeholders, more especially the labour federation, was a disaster on its own. Interviewees were all in agreement that leadership should always solicit the views of the unions, especially on issues that affect their membership, as the municipal environment was quite unionised. This is in line with the view of Spangenberg (1994:43) that “productive working relationships with the trade unions are essential if the performance management system is to be implemented at all levels”. It is agreed that this would result in improved work relations, reduce the levels of mistrust between the employer and employee, and the fear of a ‘hidden agenda’ will be minimised.

The above discussions clearly demonstrate how interviewees not only cited problems with performance management implementation amongst Section 57 employees, but also identified or recommended some workable solutions. The following section will deal with the second question that relates to the leadership’s role in implementing performance management.

4.2.2. PERFORMANCE MANAGEMENT AND THE LEADERSHIP ROLE IN THE MUNICIPALITY

There is a view that leadership should play a pivotal role in championing successful implementation of any new system in an organisation, including implementing performance management within the municipality. Spangenberg (1994:41) states that “for effective implementation of performance management, proactive, upfront leadership is required”. Spangenberg (1994:41) is of the view that such leadership comprises the following valuable characteristics:

- “Serving as a positive role model for company values;
- Commitment to the programme, and;
- Accountability”.

Mlaba (2005b) holds the view that top leadership should play a pivotal role in performance management implementation within the municipality, and its successful

cascading of the system to all employees of the municipality. This could perhaps be demonstrated by launching the system in the presence of all members of staff, through an 'Imbizo' where all employees of the municipality are invited and addressed by the Executive Mayor and the Municipal Manager on this topic.

Four of the six interviewees held the view that the development of a Performance Management Policy Framework, and any other matters relating to performance management, would succeed only when the leadership realised the importance of allowing all key stakeholders to freely participate in the process. All the interviewees held the view that performance management implementation was not prioritised by leadership.

The following are some of the points that can be highlighted from the interviews, regarding the above topic:

- (i) One interviewee stated that in local government there was a lack of visionary leadership and strategic managers, as "people are specialists in their fields and not strategic in thinking". The interviewee stated that managers of today were suffering from a "Silo mentality" as they are only concerned about their own sections, and don't look at the broad organisational picture.
- (ii) Some interviewees stated that top leadership should display a demonstrable buy-in of the issues affecting performance management, in the whole municipality, and they should be the ones who lead in "preaching the gospel" of performance management implementation across the board.
- (iii) One interviewee stated that employees had not been involved in performance management issues, that there were many political issues within the organisation clouding everything, and it was the leadership's responsibility to ensure that issues relating to performance management were depoliticised.
- (iv) Interviewees were unequivocal that those who occupy leadership and management positions should always set achievable targets for their subordinates, motivate employees to go an extra mile, and praise them when

they have delivered a satisfactory job. Performance targets should not be made a “haunting thing”, as one interviewee puts it, and should not be like a “pie in the sky” and leaders should continuously inject or motivate subordinates to go an extra mile. This view can be supported by quoting from Hall (1994:131), who states that “good leaders and managers are not motivated by a need for personal aggrandisement, or by a need to get along with subordinates, but rather by a need to influence others’ behaviour for the good of the whole organisation”.

- (v) There was an overwhelming agreement that the leadership failed to communicate the performance management issues, and this could be exemplified by the fact that Council adopted the Performance Management Policy Framework on 30 May 2006, without even communicating it to the relevant stakeholders. There was an agreement that leadership failed when it comes to a participatory approach, which is one of the key requirements of the Municipal Systems Act No. 32 of 2000. One interviewee stated that leadership within the institution did not take performance management issues seriously; rather, the leadership concentrated only on compliance issues.

The discussion from the preceding paragraphs indicates the views that interviewees held as far as the leadership’s role in the implementation of performance management within the municipality. There is a view that local government employees are not output driven, nor are they performance driven. One interviewee gave an example: “China is successful today, because China is output driven, and when Chinese look at us (as South Africans) they see a bunch of lazy people, whilst when we look at them we see a bunch of people who suffer from sleeping disorders – they do not know when to rest”. The interviewee believed that for every action there should be outputs, a flexible workforce should be created, and “succession plans” should be developed, before talking about performance management. One interviewee held a view that there should be no one who was irreplaceable in local government, and the leadership was responsible for developing strategies to ensure that this was a success.

The following section discusses the third question dealing with performance measuring system used by the municipality, just to assess whether the interviewees are convinced that the ADBS is suitable for measuring performance, or if there are any areas identified for improvement.

4.2.3. PERFORMANCE MANAGEMENT AND THE MEASURING SYSTEM USED WITHIN THE MUNICIPALITY

There has been a general consensus amongst the interviewees that the system used by the municipality, namely the Activity Driven Balance Scorecard (ADBS), is generally a better system, compared to the manual system that was utilised in the past when conducting performance appraisals, and the ADBS is easily understandable. The interviewees appeared to be impressed by the system used by the municipality, and were aware that the objectives that were set in the municipality's Integrated Development Plan were used to determine performance areas for the relevant Business Unit. However, Interviewee No. 2 was not convinced that the IDP was prepared appropriately, as he believed that it was a document that was compiled haphazardly, did not respond to the needs of the institution, and was in no way integrated.

The other problem that was raised regarding the ADBS system was the reliance on human intervention. Because the system was not automated, it relied on performance coordinators for various Business Units having to input information regarding the progress made on their objectives. It was recommended that the human intervention should be curtailed, where practically possible, by rather linking General Ledger System, where the progress on expenditure could be measured through a click of the button rather than manual inputting method in use.

The following section deals with the fourth question, which deals with the incentives (financial or non-financial incentives) that can be used to reward employees for good performance within the municipality, in order to ascertain the views of the interviewees in this regard.

4.2.4. PERFORMANCE MANAGEMENT AND THE INCENTIVES (FINANCIAL OR NON-FINANCIAL)

There is a growing understanding that financial incentives alone cannot be used as the motivators for people to perform above standard, nor can they be used alone to motivate members of staff to accept the implementation of performance management or its cascading down to all employees of the municipality. According to Mol (1990:59) “money does not motivate, but moves a person to achieve a goal in order to obtain the reward”.

It is viewed that non-financial incentives are as important as the financial incentives, as some people perform well if they are simply thanked for their performance, or given an award for their splendid performance. As one interviewee stated, it was important to understand the Maslow’s hierarchy of needs, where he referred to the ‘self-actualisation’ need. Nel *et al* (2001a) define self-actualisation as the uninhibited expression of your true self and your talents. They contend that once other needs in the hierarchy (i.e. physiological needs, safety needs, social needs and ego needs) are largely satisfied or can readily be satisfied, people then spend their time in search of opportunities to apply their skills to the best of their ability. Maslow (1954:92) describes self-actualisation needs “as the desire to become more and more what one is and to become everything one is capable of becoming”.

Mol (1990) contends that employees function at one of three basic levels:

- Minimum level – doing less than is required (this is an employee who makes more errors, is tardy, delivers poor quality work, and is disciplined more often);
- Expected level – doing just what is required (this is an employee who does only enough so that he/she does not get into trouble), and;
- Maximum level – doing more than is required (this is an employee who is prepared to work harder than is necessary, use his/her initiatives, apply his/her

skills where needed, and put in an extra effort to achieve goals).

Interviewees shared their opinions on the issue of financial or non-financial incentives, whether they could be considered as motivating or de-motivating the workforce. The following paragraphs are the representations of the summarised discussions on what transpired during the discussions on this theme:

- (i) Two interviewees stated that the municipality's approach regarding the payment of performance bonus for the Section 57 employees became a "disincentive" instead of an incentive bonus. Some interviewees stated that they would have preferred a non-financial method of recognising their performance, as they were of the view that money does not always work as a motivator for improved performance. One interviewee even stated that an entertainment such as a 'braai' or an award such as 'a best performing employee' award could work better than the monetary reward, as long as employees are remunerated appropriately for their performance. This idea is in line with what Mol (1990:59) says: that "money does not motivate, but moves a person to achieve a goal in order to obtain the reward".
- (ii) Some interviewees said that the municipality should be looking at the possibility of converting the 13th cheque (bonus), that the non-Section 57 employees automatically received whether they performed or not, into a performance bonus system. The interviewees stated that they were fully aware that this idea might not be well supported by some key stakeholders, such as the Union Federation; however, that perhaps with proper consultation, especially at national level, the idea might be successful. One interviewee even stated that people are, by nature, "incentive-driven", and the municipality should capitalise on that fact.
- (iii) One interviewee said that the payment of performance bonus to Section 57 employees only has a "stigma" attached to it, as some people were of the view that the bonus was a favour, as people are always judgmental (they judge a

person, instead of judging the quality of the work delivered). Some of the interviewees were of the view that all employees were employed to perform duties to the best of their abilities for which they received monthly remuneration, and the performance bonus should not be the issue as long as fair remuneration was paid.

- (iv) Some interviewees felt that introducing an incentive bonus (e.g. some incentives for not being sick for a period of time, or having innovative ideas) that should be paid to all employees of the organisation, based purely on performance, could be a good thing to do. However, interviewees said that this should be marketed or communicated appropriately with all key stakeholders, and the “rules of the game” should be clearly defined and unambiguous.
- (v) Three interviewees said that performance management implementation in local government or any sphere of government could have been retarded by the quality of the workforce occupying positions, probably as a result of the pre-1994 era, where government institutions were used as a “dumping ground” of less qualified employees, and the post-1994 era, where transformation issues had to be addressed, by hiring “people of colour” who were either highly qualified with limited experience or less qualified and less experienced. Some interviewees emphasised the fact that experience was as important as education, and that experience could not be bought from anywhere (“It is a process”).

One interviewee stated that all municipal employees needed to continuously ask themselves the simple question, “What have I done for the municipality today? / What has been my positive contribution?”, because eventually their consciousness would propel them to perform. One interviewee quoted Nelson Mandela’s statement that those who work in the public sector should always keep in mind that: “They are the servants of the communities they serve”.

One of the interviewees further stated that financial and non-financial incentives would work perfectly well if the measurements and objectives were clearly defined, and without measurements in place, incentives could be subjective or farcical. These measurements, according to the interviewee, should be the result of a consultative process, and they should be clear and unambiguous. According to the interviewee, incentives could be in the form of “job promotion for a good performer”, when a vacancy exists at certain levels, “time off for a day or hours, depending on the achievement”, or “employee of the year award”. The interviewee also recommended some sort of extra bonus or 14th cheque that could be developed with clear and unambiguous measurables agreed upon by key stakeholders.

The following section discusses the fifth question, which deals with the location of performance management within the municipality, in order to ascertain whether interviewees are in agreement with various authors, amongst them Ulrich (2002), that the ideal place where performance management issues should be handled within the organisation, is the Human Resources Business Unit, or whether they agree with the municipality’s current location of performance management, namely the Office of Policy and Transformation Manager, who reports to the Deputy Executive Mayor.

4.2.5. PERFORMANCE MANAGEMENT AND ITS LOCATION WITHIN THE NELSON MANDELA BAY MUNICIPALITY

As shown in the literature review chapter, theory indicates that performance management is one of the human resources strategies that is not simply used to police employees, but to identify training and development needs of employees. Various authors share this view and amongst others, Benton, Cantrell and Vey (2004) contend that effective implementation of performance management within an organisation will assist in identifying the training and development needs of employees. The implementation of performance management in local government ensures that the objectives of the municipality, as listed in the municipality’s IDP document, are achieved, or where

possibilities exist that they might not be attained, strategies are developed to deal with the challenges in good time.

The interviewees were asked to provide some comments on where the performance management function is located in the municipality, as it is not implemented by the Human Resource Directorate, but by the Office of Policy and Transformation Manager, who reports to the Deputy Executive Mayor.

All the interviewees agreed with the theory that performance management is a human resource matter, which in an ideal world is handled by the Human Resource Department. However, one interviewee stated that although he is not opposed to what the theory is saying, because of the capacity problems faced by Human Resource Directorate at the Nelson Mandela Bay Municipality, the performance management was being conducted from the Office of Policy and Transformation, whose incumbent manager is reporting to the Deputy Executive Mayor.

The following section discusses the sixth question, which deals with perceptions of the historical culture of performance within local government, in an attempt to identify possible reasons for a lack of performance culture within the organisation.

4.2.6. PERFORMANCE MANAGEMENT AND HISTORICAL CULTURE OF PERFORMANCE WITHIN LOCAL GOVERNMENT SPHERE

There is a growing perception that performance management would be difficult to implement within the local government sphere, mainly because of its unionised or politicised environment. Interviewees were requested to comment on the issues of the historical culture of performance amongst employees within the municipality, and the following is a summary of their comments:

Interviewees No. 2 and 3 stated that performance management challenges in any sphere of government have “historical origins”, through the apartheid system, and they

supported the view that government institutions were used in the past as a “dumping ground” for under-performing and less educated employees. They stated that this has led to the difference in performance between private sector employees and public sector employees, the latter being perceived as under-performing. They believed that the Nationalist government legacy still haunts government institutions. One interviewee went on to state that there is a correlation between lack of experience and lack of performance.

Lastly, one interviewee further stated that the building blocks of developing an effective performance culture is the bottom-up approach, not the current top-down approach, as the interviewee was of the view that the performance of any Senior Manager depended on the performance by the total workforce and the creation of a performance culture within the respective Business Unit, from the bottom. This can be supported by citing Spangenberg (1994:267) who states that “unless performance is imbued in the culture of the organisation, success will not come easily”, and this can be achieved through the promotion of a culture of openness within the organisation.

The following section discusses the seventh question, which deals with the establishment of a performance management committee, in order to get an understanding of whether the interviewees would agree with the forming of such committee or would be opposed to it.

4.2.7. PERFORMANCE MANAGEMENT AND THE ESTABLISHMENT OF AN APOLITICAL PERFORMANCE MANAGEMENT COMMITTEE

Some interviewees said that performance management was done subjectively in the municipality, with one interviewee stating that at times people were keen on “measuring the face” instead of “measuring the output”. A question was asked rhetorically whether the establishment of an apolitical performance management committee, constituted only by specialists or academics in the field of performance management, would help in ensuring that credibility in the whole process is maintained.

The following is an overview of comments made by the interviewees:

All the interviewees were in agreement with the idea of establishing a performance management committee, with one interviewee stating that this committee should be established by at least three academics that are neutral, apolitical, and specialising in the field of performance management. The interviewee also mentioned that these academics should be responsible for evaluating Section 57 employees' performance, collecting any evidence, and using the ADBS system, and should agree with the actual results of an individual's performance. One of the interviewees gave a second option, which would be to rather outsource the performance management exercise to a private company that would not play any role in the internal politics, but rather stick to the job at hand. The same company would also be able to give guidance to the municipality on how to holistically cascade performance management system to the lowest paid employees of Council. The interviewees agreed that this approach would bring credibility to the whole performance management processes for all stakeholders involved.

The following section discusses the eighth question, which deals with the approach that could be used to cascade performance management to all levels of staff within the municipality.

4.2.8. THE RIGHT APPROACH TO CASCADING PERFORMANCE MANAGEMENT TO ALL LEVELS OF STAFF

When the interviewees were asked to indicate the best approach to cascade performance management to all levels of staff within the municipality, as required by the Municipal Systems Act No. 32 of 2000, varying answers were provided. However, it became very clear that the correct approach should not exclude the ingredients such as a visionary leadership (including the Executive Mayor and Municipal Manager) to launch the performance management system to all employees of the municipality; strategic managers; an approach that promotes participation or some kind of involvement; involving the key stakeholders in decision-making process especially on matters that affect the workforce; and most importantly, involving the labour unions; continuous

communication with all employees about matters affecting them; and creating a learning organisation through continuous training and development.

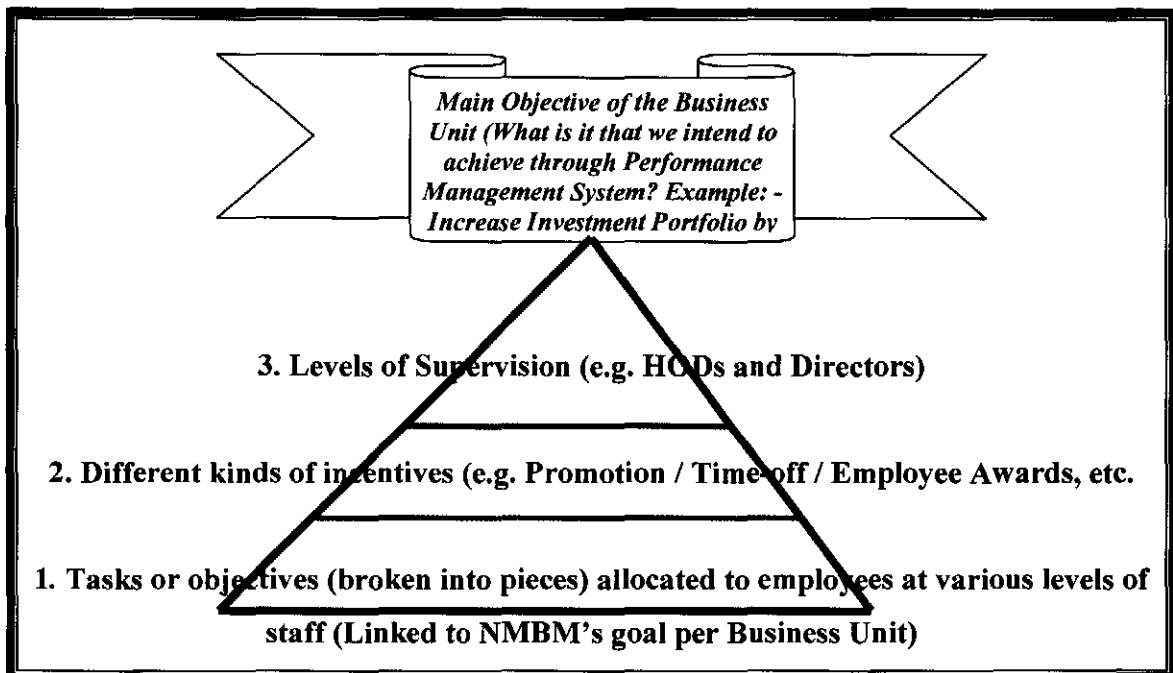
Some of the points raised by the interviewees on this theme can be summarised as follows:

- (i) One interviewee said that in local government there was a need to “build team work, or create a team spirit” with focus groups, and to promote a bottom-up approach in the implementation of performance management. These focus groups should be able to give advice to top management on various issues, including issues relating to the performance management implementation. The interviewee said that once people understood that they were part of the team and their input was valued, they would be prepared to go an extra mile for the municipality, and take ownership of all processes.
- (ii) One interviewee also said that the basic conditions of employment for municipal employees, which were nationally negotiated, were one major stumbling block that would need to be addressed first, to ensure that there was an understanding of the importance of holistically implementing performance management, or cascading it down to all levels of staff, as required by the Municipal Systems Act No. 32 of 2000. It was suggested that the basic conditions of employment should be clear on issues relating to implementation of performance management within municipalities.
- (iii) Interviewees agreed that challenges that resulted from ineffective HR strategies or policies, such as induction processes that did not address performance management-related issues, and the fact that “job descriptions were too broad” should be attended to.
- (iv) There was an overwhelming agreement that involving key stakeholders (a participatory approach) when dealing with performance management issues was one of the right approaches to undertake. The researcher is of the view that management should always solicit the views of the unions, especially on issues that affected their membership, as the municipal environment was quite unionised. Interviewees believed that this would result in improved work

relations, and would reduce the levels of mistrust between the employer and the employee to a great extent, as decisions were taken inclusively.

- (v) One interviewee said that performance management should be like a “pyramid shape”, where the whole Directorate was working towards one common goal, which was clear or unambiguous, with a bottom-up approach. The interviewee believed that communication in the implementation of performance management was the way to go, and the performance management “gospel” should be an ongoing or continuous thing. Interviewee No. 4 further drew a schematic presentation of the type of the pyramid, where on top of the pyramid there should be a clear vision or objectives that the institution was aiming to achieve, with everybody from the bottom up pushing for the success of this vision. The following Figure represents the pyramid, as recommended by Interviewee No. 4.

FIGURE 4.2. Presentation of a pyramid shaped performance management implementation plan



Source: The Researcher’s own construction emanating from Interviewee No: 4

- (vi) One interviewee said that “a change of mindset” by the municipal employees

would ease a widespread implementation process. This was because there was a view that some of the municipal employees came to work for the sake of doing so: they lacked motivation, and they did not realise that they have an important part to play in contributing to service delivery. One interviewee contended that it was important that managers or supervisors continuously motivate their subordinates to take their work seriously, and always be prepared to put in extra work where necessary. The interviewee said it was important that every employee understood that they have an important role to play within the organisation.

- (vii) Another interviewee said that one of the major failures in local government was the fact that job descriptions were too broad and do not define outputs into daily, weekly, and monthly activities. Also, employees were not aware that what they did had a direct impact on the “bigger picture”.

It should also be noted that topics frequently mentioned by interviewees included incentives (financial or non-financial), participation, communication, visionary leadership, strategic managers, objectives being SMART, and that performance management should not be used as a policing tool. It is believed that these issues should be addressed in order to ensure that effective implementation of performance management within the municipality is achieved.

The following section deals with the ninth question, which deals with other implementation challenges of performance management within the organisation, as identified by the interviewees.

4.2.9. PERFORMANCE MANAGEMENT AND IMPLEMENTATION CHALLENGES

In closing the interview process, the interviewees were asked a general question about any challenges or success stories that they could share with the interviewer. Some Section 57 employees shared their frustration about how the performance management was

implemented in the Nelson Mandela Bay Municipality. There has been a general acceptance, or at least an understanding of the Activity Driven Balanced Scorecard (ADBS) system used by the municipality, and the process of identifying objectives that are to be used to measure the performance of the Business Unit, which originated from the municipality's Integrated Development Plan. However, when it came to the actual measuring and payment of performance bonuses, the frustrations of the Business Unit Managers clearly surfaced. The change of leadership (administrative leadership, in the form of the Municipal Manager, and the political leadership, in the form of the Executive Mayor, after the 2006 local government elections) during the first term of the Section 57 employees, who were appointed in early 2001, also created various challenges, including performance management problems.

The frustrations and challenges shared by some interviewees are summarised in the following paragraphs:

- (i) One interviewee stated that in the five years that he had been with the NMBM as a Section 57 employee, he received only three performance bonuses from the employer. The municipality did not pay Section 57 employees their performance bonuses for 2005/06 and 2006/07, as performance evaluations were not conducted for unknown reasons. The interviewee stated that an attitude then developed of: "If the leadership is reluctant to pay me what I deserved or what I've worked for, they can stuff it." The interviewee concluded by stating that he could have preferred a non-financial method of recognising his excellent performance, as he felt that money alone did not always work as a motivator for improved service, which is in line with the view shared by Mol (1990) that money alone cannot be used as a motivator.
- (ii) Two of the interviewees said that the other failure in the way performance management was implemented was that at times the leadership took one issue that was a failure in a Business Unit, e.g. Audit Qualification, or electricity power failures, and capitalised on it, as if it was the only deliverable in the

performance agreement, and failed to look at the other elements of performance in their totality. The interviewees contended that performance management in the municipality at the time of the interview was nothing but a “farce”, unfair, and completely subjective. The interviewees felt that performance management should be institutionalised. In order for the municipality to achieve this, leadership should solicit buy-in, and promote participatory environment from all key stakeholders.

- (iii) One interviewee stated that stakeholders should be involved, even from the level of “crafting a vision of the municipality”. The leadership should ensure that key stakeholders have been part of that vision, and they knew exactly what the vision was aiming to achieve. This is in line with the views shared by Baldoni (2006) that leaders and managers should seek input from different parts of the organisation when crafting a vision. The interviewee contended that the vision should address reality. The interviewee challenged the vision of the municipality by asking: “What does it mean to be a “Global City”? How can NMBM be a Global City, when NMBM doesn’t exist all over the world?” The interviewee believed that a vision should be crafted in a participatory manner as it was aimed at inspiring every member of staff to work harder. Interviewees stated that by so doing, the municipality would have committed employees, who would then have buy-in to any new innovative ideas, and would feel like owning any process within the municipality.

The above section demonstrated the challenges identified by the interviewees in the implementation of performance management amongst Section 57 employees within the municipality, and also some recommendations that were made, such as the crafting of the vision in a participatory manner. This approach is in line with the model (which will be discussed in Chapter 5) that is recommended for effectively implementing performance management within the municipality, where the crafting of the vision through a joint approach is the first step to be undertaken.

4.3. SUMMARY

This chapter presented the findings of the interviews about performance management implementation by the Nelson Mandela Bay Municipality for only Section 57 employees. Interviews conducted enabled the researcher to obtain an understanding about the challenges that the organisation might be faced with when cascading performance management across the board, without proper consultation or stakeholder buy-in. Also, interviews conducted resulted in an understanding of what performance management is all about, and the long and bumpy road that should be travelled before everyone can say that the NMBM is ready to implement performance management for all levels of staff.

It is interesting to note that the interviewees did not only cite the problems experienced in implementing performance management amongst Section 57 employees, but also indicated some workable solutions, such as the establishment of a Performance Management Committee, where apolitical and specialist academics are appointed to look after all performance management related issues. The idea that was shared by another interviewee that performance management should be like 'Christianity' is very important, as there is a perception that performance management is only used as a compliance issue, or as just 'a ticking in the box exercise', as it is felt that performance management does not feature prominently in the municipality's agenda.

Lastly, it is interesting to note that some of the Section 57 employees were frustrated by the way performance management was implemented for them, as one interviewee stated that at times the interviewee wished that his results could even be below the 80% pass mark as he was reluctant to go through the daunting process that leads to a payment or non-payment of a performance bonus.

The following chapter will focus on recommendations and conclusions, where the recommended performance management implementation steps, as well as a recommended performance management implementation model will be discussed in detail.

CHAPTER 5

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

[Quotes by interviewees: "Performance management should be like Christianity, we should eat it, drink it and talk about it everyday". "Performance management should not be used to 'haunt' employees but to rather develop and capacitate them". "Performance management is being used within the municipality 'as a carrot that is dangled from the distance', and is being used as a political football".]

5.1. INTRODUCTION

The previous chapter discussed the topic of performance management implementation and its challenges within the municipality. The interviewees, as quoted in the previous chapter, indicated their frustrations and the excellent ideas that they have about performance management. This chapter will discuss the findings of this thesis, deal with the original objectives as stated in Chapter 1, briefly discuss the limitations of this research, and make some recommendations by introducing performance management steps and a performance management model, and end with concluding remarks.

5.2. DISCUSSION OF FINDINGS

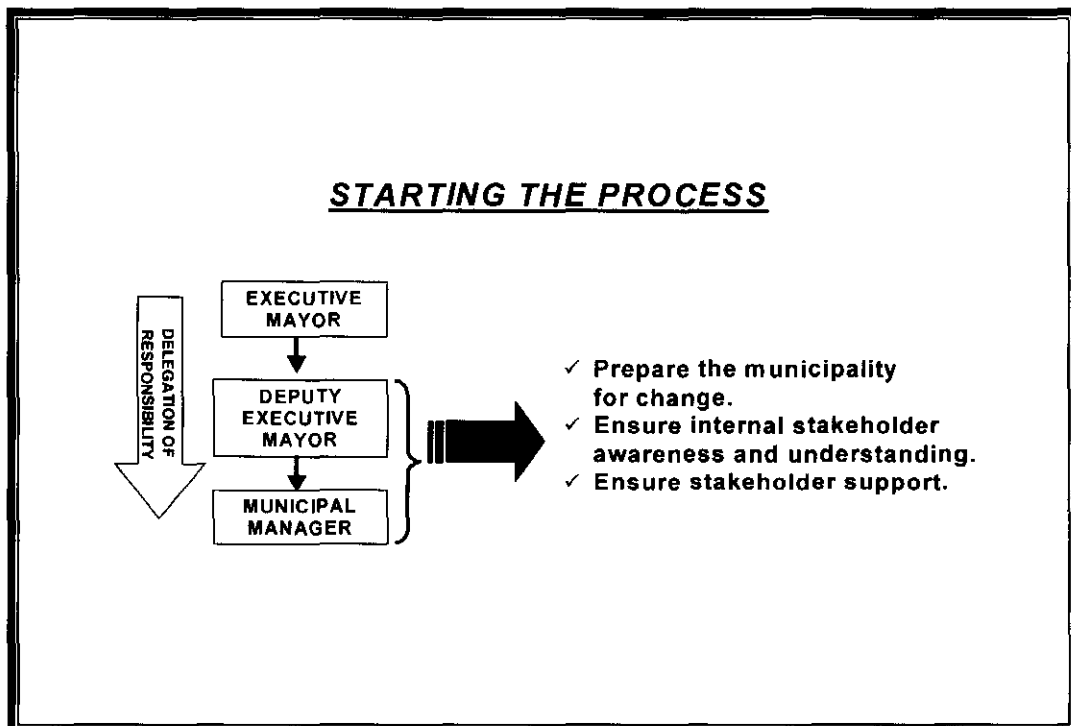
The lessons learnt when conducting this research could be of assistance to the management or leadership on issues to consider when cascading performance management to all levels of staff, within any municipality in the country.

5.2.1. THE CRITICAL ROLE PLAYED BY LEADERSHIP

In Chapter 2 of this thesis, the pivotal role that ought to be played by the leadership (both political and administrative) in the implementation of any new system, strategy, policy

and any new plan, including performance management, was discussed. Reference can be made to Mlaba (2005a), who states that the leadership (both political and administrative) should lead from the front on all performance management related issues, unity of purpose should exist between political and administrative leadership (no ‘us and them’ situation, but one united voice), and performance management should be treated as a human resource strategic tool. In supporting the views of Mlaba, the following Figure 5.1 is the schematic presentation of critical phases for developing a performance management system, recommended by Yarona Management Services (2007). As indicated in Figure 5.1 political leadership (i.e. Executive and Deputy Executive Mayor), and the executive leadership led by the Municipal Manager play pivotal role in championing the process. Both the political and executive leadership should prepare the municipality for change, ensure internal stakeholder awareness and understanding, and ensure stakeholder support.

FIGURE 5.1 Critical phases for developing a performance management system



Source: Yarona Management Consulting (2007), Performance Management System Presentation – Nelson Mandela Bay Municipality.

The leadership is responsible for ensuring that the municipality is converted into a 'learning organisation' with a 'learning culture', and this will be the environment created when the organisation continuously learns and improves in the process. Pedler, Burgoyne and Boydell (1991) define a learning organisation as an organisation that facilitates the learning of all its members and continuously transforms itself.

Starkey, Tempest and McKinlay (2004) state that leaders in learning organisations are responsible for building organisations where people are continually expanding their capabilities to shape their future. Starkey *et al* (2004) identified the following characteristics of a learning organisation:

- Learning approach to strategy: Ensures that the various aspects of forming policy and strategy are a learning process, as well as allowing development and revision of business plans;
- Participative policy-making: Ensures that all organisational members can contribute to major policy decisions;
- Informating: Assumes new ways will be found of using information technology not only to provide a model of organisational processes required for control, but also to make widely available the kind of knowledge that will enable competent participation in the processes associated with making things;
- Formative accounting and control: Ensures that accounting and budgeting systems meet the information needs of all internal clients of those systems so as to strengthen the ethos of self-responsibility, fostering semi-autonomous individuals and groups;
- Internal exchange: Implies that all departments and units relate to each other as potential customers and suppliers within a partly regulated internal market exchanging information on expectations, negotiating, contracting and providing feedback;
- Reward flexibility: Within a general framework of Human Resource Management, ensures flexibility in the types of rewards used;

- Enabling structures: Ensures that the structure is responsive to the changing environment (internally and externally);
- Inter-company learning: Carries the learning ethos to suppliers, customers and even competitors through, for example, joint training, shared investment and Research and Development,
- Learning climate: This is necessary to facilitate individual learning; and
- Self-development for all: Opportunities should be available for all, and should be sufficient to allow people to take advantage of the enabling climate.

When conducting interviews, the researcher felt that interviewees thought that leadership is failing to show commitment to performance management issues. It became clear that the environment of stakeholder participation regarding performance management implementation has not been created within the municipality. This is not in line with the view of Spangenberg (1994:87) that “having employees participating in decision-making processes will increase their motivation and commitment to achieve organisational goals”. Roberts (2007:94) contends that “participatory systems function most effectively in an atmosphere of trust and open communication”. Roberts (2007:94) further states that “if employees perceive that they will be punished for disagreeing, providing negative feedback, or making mistakes, open communication will be extinguished, mitigating the positive influence of participation”. Interviewees cited the example of the adoption of the Performance Management Policy Framework on 30 May 2006, which occurred without consulting any key stakeholders, such as labor unions, as a recipe for disaster. This resulted in interviewees concluding that the municipality might have done this merely to comply with legislation (i.e. Municipal Systems Act No. 32 of 2000), as the Auditor General is strict in auditing performance management legislative compliance matters.

Interviewees stated that when it came to the actual payments of their performance bonus, arguments at full Council meetings would result in their being told by the politicians that they do not deserve performance bonuses, as they are viewed by politicians as under-performers. This was the case, notwithstanding the fact that the results of the Activity Driven Balanced Scorecard (ADBS) indicated that the incumbent has obtained a rating in

excess of the required 80%. This supports the statement made by one interviewee that performance management within the municipality was used as political football, and a carrot that is dangled from the distance. The politicisation of performance management in the public sector is in line with what Heinrich (1999) contends that some of the more commonly cited problems regarding performance management in public organisations include a top-down approach, conflicting organisational goals, political influences, and high administrative and monitoring costs. One interviewee further stated that there was a point where he felt that even obtaining results that were less than the required 80% would make him happy, to avoid the subsequent fighting. The fact that Business Unit Managers were paid their performance bonuses only three times in the five-year term further illustrates a systemic problem.

Some interviewees stated that the municipality lacked leaders with visionary skills, and managers lack strategic skills. Both the leadership and management were instead concentrating on 'fighting fires', with no clear vision communicated to all stakeholders.

Leadership should be seen as leading from the front, and needs to address this sensitive subject of performance management, even if it is in a form of launching it through an 'imbizo' or gathering where all employees of Council are addressed by the Municipal Manager and the Executive Mayor. Welch and Welch (2007:2) state that "leaders have to continuously talk about a new initiative at every meeting, celebrate its smallest milestones and champion everyone who supports it, as much as the leader does".

Latham and Locke, cited in Spangenberg (1994:45) proposed five steps for enhancing employee performance, namely: "develop a vision that binds people together by providing them with a long-term goal; set specific short-term goals for implementing vision; model behaviour in important areas; be available to employees to listen to their ideas and concerns; and, finally, measure performance".

The following section discusses the findings made on the question of culture of performance within the municipality.

5.2.2. CULTURE OF PERFORMANCE WITHIN THE MUNICIPALITY

The revelations made by the interviewees, as discussed in Chapter 4, indicate that a performance culture is lacking within the municipality. One interviewee stated that some municipal employees have negative attitudes towards their duties, and others come to work simply for the sake of it. There is a lack of interest from some of the employees. One of the interviewees said: “We (as municipal employees) should know that we are the servants for our communities’... ‘We are here to serve our people’.”

Interviewees gave various reasons for the lacking culture of performance, and they include the following:

- (i) Lack of visionary and charismatic leaders, and strategic managers: Charismatic leaders will be able to encourage subordinates to go an extra mile. There is a feeling that the NMBM leadership rather concentrates on mistakes made, instead of applauding employees who performed superbly, and show them the way when they have failed or under-performed. Deeprose (2003) states that it’s not just what leaders do that makes a difference in the motivation of an organisation’s employees, it’s also how they do it. This indicates the importance of the leadership style that an effective leader should possess and apply in leading the municipality.
- (ii) Lack of work spirit: One interviewee indicated that some of the employees do not understand that they serve communities. The interviewee further indicated that if one can understand the basic fact that the salary one receives is from a member of the public, municipal officials should all be prepared to go that extra mile within the municipality.
- (iii) Lack of strategic human resource management initiatives: One interviewee indicated during the interview that an effective induction process, which

incorporates performance management related issues could instil a performance culture. Another HR strategic issue that was mentioned by one interviewee is the fact that job descriptions within the municipality are too broad, and they do not supply details of the job to be undertaken. Another interviewee had the idea of a succession plan, so that the organisation can continuously promote within, in order to preserve its core employees. In supporting the idea of 'home-grown management', Collins and Porras (2004:173) state that "visionary organisations develop, promote, and carefully select managerial talent grown from inside the organisation to a greater degree than the comparison organisations". Collins and Porras (2004:173) are of the view that effective organisations do this "as a key step in preserving their core".

- (iv) Lack of participative spirit: It is believed that if your key stakeholders are not involved in key decision-making processes, one should expect a lack of co-operation from them. Hall (1994) states that when people are involved in matters that affect them in the workplace, they feel good about themselves, personally powerful and capable, and have positive feelings about their work, which Hall (1994) calls a sense of ownership. In further demonstrating the importance of participation in processes that affect different stakeholders within the organisation, Spangenberg (1994) contends that the more participative, and hopefully more democratic, organisational environment requires a new mind-set from both organisational leaders and followers. Spangenberg (1994) states that leaders should ensure they apply the following factors in order to create a more participative environment, within their organisations:
- Become better communicators and stimulate creative involvement by all people in key business decisions;
 - Design their organisations to minimise bureaucracy and optimise the flow of products and services to customers;

- Employ management decision processes that ensure both discipline and involvement;
- Ensure that they use power for the benefit of the entire organisation, rather than for personal gain, and;
- Possibly conduct thorough personal inspection, including examinations of their own power motives and ways of controlling people.

When key stakeholders are involved in decision-making processes, it could result in improved performance, a satisfied workforce, objectives met as originally planned, and acceptance of change, as people feel that they own the process and would be prepared to nurture or take care of it until its fruition.

- (v) The incentives method: There is a view that incentives (both financial and non-financial) motivate employees to perform more than expected. Some interviewees also mentioned that municipal employees receive their 13th cheque (bonus) whether they have performed or not, as another possible factor that results in the lack of performance culture.

Some interviewees suggested that the 13th cheque might need to be incentivised; however, that might create some challenges as the bonus is seen as part of the conditions of service. One interviewee suggested a 14th cheque that could be earned by everybody, but only with clear “rules of the game or deliverables” in place that should be unambiguous to everybody. There is a view that the non-financial incentives or the intangibles should also be considered as motivating methods for employees to work harder. Deeprose (2003:155) states that “money won’t make employees love their work, but administered fairly, it can keep smouldering resentment from poisoning their attitude toward their managers, their jobs and the enterprise”. He contends that at least in the short term, money can generate real enthusiasm among workers who seek their pleasures in costly off-the-job pursuits. In short, Deeprose says that financial rewards might inspire short-term performance

changes, but over time the additional money is perceived as an entitlement.

Hiam (2003:87) states that employee incentive programmes should have three elements for them to work well, which are as follows:

- “A clear goal (make it fair, simple and easy to explain): Nobody participates if they are confused or uncertain about the goal and ground rules;
- An incentive with emotional value to participants: Leaders need to choose something that employees care about, and help give additional meaning in the way they design and present the programme; and
- An attainable incentive: Make sure that every participant can attain the goal.”

Hiam (2003) sums up an effective employee incentive programme as clear goals with emotional value that employees see as attainable.

Some interviewees view the problem of performance culture within the municipality as being historic. Many interviewees agreed that in any government sphere, the pre-1994 era resulted in government institutions being used as a ‘dumping ground’ for under-performers, as these institutions appointed less educated people, based on skin colour, as opposed to the private sector. Two interviewees stated that the post-1994 era also created its own challenges for public sector, as either highly qualified employees with little or no experience were placed or appointed in high level positions, or people with inferior level of education, and with no experience, were placed in strategic positions, in the name of nation building.

All the above factors cannot be denied as possible contributors to the resultant lack of performance within the municipality. Having discussed the performance culture within the municipality, the following section discusses the findings made regarding a favourable approach that can be used to implement performance management within the municipality.

5.2.3. A FAVOURABLE APPROACH TO IMPLEMENTING PERFORMANCE MANAGEMENT WITHIN THE MUNICIPALITY

The interviewees shared some views on how to successfully cascade performance management for all the members of staff in the Nelson Mandela Bay Municipality. The interviewees didn't simply highlight or identify the problem areas, however: they provided some workable solutions, which can be stated as follows:

- (i) Develop an exciting vision for the municipality in a participatory way: Effective companies view the vision as an important part of the organisation, and it is like a heart that makes the body function properly. Leaders in effective organisations, such as SAB-Miller, and Delta Corporations, ensure that when they craft vision for the organisation, they involve every key stakeholder so that they can all understand and support the organisation's vision. The reason for doing so is that a vision's success rests with all the employees of the organisation, and it is quite logical that you cannot develop a vision without their participation. People should feel excited and proud of their organisation; it should not simply be a question of earning a salary at month end.

Baldoni (2006) indicates six ways that an organisation can use in order to get people to buy into a vision, which are as follows:

- Describe the vision in real terms: Give people a clear sense of what the organisation will look like when the vision has been achieved;
- Focus the vision and commit to it: You should keep the vision focused and concrete enough for everyone to grasp and buy into;
- Share the vision process: In the development of even the highest-level visions, leaders and managers should seek input from parts of the organisation;
- Communicate the vision in personal terms: You have to integrate the vision, and you should make it personal. The vision should move from what the leader wants,

to what the people can make happen;

- Personalise the vision: Some companies paint their vision statement on a wall and invite employees to sign their names to it. It is believed that the physical act of signing initiates commitment to the vision, and encourages people to further their commitment with subsequent actions. Managers then need to follow with Business Unit's objectives that fulfill the vision, and;
- Tell vision stories: Invite people to share stories of their progress, and post the stories on intranet or internet website.

- (ii) Performance management should be a 'bottom-up' approach, not a 'top-down' approach: Two interviewees stated that performance management, within the municipality, should be implemented using a 'bottom-up approach' by starting from the total workforce and work through to the Senior Management.
- (iii) Performance management and a 'mindset change': It was mentioned during the interviews that some of the municipal employees have 'negative attitudes' towards their work, and a mindset change before implementing performance management would be helpful. Employees should be aware that they are as important in the organisation as the Municipal Manager and for the municipality to ensure that this attitude is passed on to all employees, participation by all key stakeholders in decision making and the use of the right channels of communication are seen as the key. Performance management should not be used to plague employees; it should be an enjoyable exercise that excites everybody, and should rather create a 'fun' atmosphere amongst all employees.
- (iv) The performance management objectives or deliverables should be clear and measurable: The aim of performance management is not to 'police' any member of staff, but to assist where under-performance problems have been identified, so that if there are gaps in the system or there are training deficiencies, such issues can be attended to without any delay. It is believed

by interviewees that if the performance objectives for employees are clear, relevant and unambiguous, employees will ensure that they compete in attaining such goals. If performance goals are too easy, employees will not feel challenged and might get bored. If the goals are too difficult, they might seem unattainable and not worth striving for.

It is also important that the performance objectives be set jointly with employees, and should not be seen as an instruction coming from the top. Bruce and Pepitone (1999) state that when involving employees in setting performance standards, one is not just being nice, rather being smart for the following three reasons:

- Employees who are involved in developing performance standards are more likely to discuss the obstacles that might impede their efforts, so that one can deal with those obstacles before they get in the way;
 - Employees who are involved in developing performance standards are more likely to understand the standards and the reasons behind them, so one won't need to work so hard to communicate them; and
 - Employees who are involved in developing performance standards are more likely to accept those standards and be willing to try to meet them.
- (v) Evaluation methods and incentives (financial and non-financial) should be clear to all stakeholders: Evaluating, reviewing and rewarding performance are all critical phases in measuring one's performance against the agreed upon objectives. It is quite important that all parties involved should agree with evaluation method and reward system, when evaluation will be conducted, what is to be evaluated, what will be the incentives or rewards for excellent performance, what is considered to be under-performance and what the penalties are for poor performance. This will assist in ensuring that the 'rules of the game' are clear, and apply to everybody, without any favouritism or cronyism.
- (vi) Establish a Performance Management Committee: Interviewees felt that it

would be a good idea to establish an apolitical performance management committee, by appointing some academics or specialists from the business environment, who understand the subject of performance management to spearhead this initiative within the municipality. It is believed that utilising the services of specialists from outside the employment of the municipality would ensure credibility of the process, as well as minimise the chances of subjectivity.

There will be a detailed discussion regarding a proposed model and steps that are recommended when cascading performance management within the municipality, later in this chapter. The following section discusses the findings made regarding problems identified by interviewees in implementing performance management for only Section 57 employees.

5.3. PROBLEMS IN IMPLEMENTING PERFORMANCE MANAGEMENT FOR SECTION 57 EMPLOYEES ONLY

Some of the challenges identified can be summarised as follows:

- (i) A 'stigma' that is carried by performance management: One interviewee stated that the non-Section 57 employees perceive Section 57 employees as only doing whatever they do only for financial gain or reward. This illustrates the need for ensuring that performance management should be cascaded to all levels of staff;
- (ii) Non-Section 57 employees show no will to perform: One interviewee stated that some of the municipal employees lack courage, or come to work for the sake of doing so, as they lack commitment. A work culture needs to be created where some methods that might include incentives could be considered. One interviewee even stated that performance management should be incorporated in the induction process of employees, and there needs to be clear legislation, or even a Council resolution, that compels all employees of the municipality

to be performance managed;

- (iii) Performance bonuses become contentious: Interviewees indicated that when it comes to the actual payment of performance bonuses, a debate in Council meetings would arise, to the extent that Section 57 employees were only paid their performance bonuses in three financial years, during their first five-year contract period with the municipality. The rules of the game should be clearly stated in the successful implementation of performance management, and there shouldn't be arguments when it comes to paying for good work. This will ensure that performance management implementation is freed from any subjectivity; and
- (iv) Performance management should be a strategic human resource tool: It transpired during the interviews that performance management in the municipality is not used as a strategic human resource tool, as it was argued that it is not even located at the Human Resource Business Unit.

The following section discusses the findings made on approaches that can be used to inculcate a culture of performance within the municipality.

5.4. HOW TO INCULCATE A CULTURE OF PERFORMANCE WITHIN THE MUNICIPALITY

This section attempts to demonstrate how the culture of performance within the municipality could be inculcated or enhanced. The list of ways in which a culture of performance can be enhanced can be quite long; however, the following are basic points shared by the interviewees:

- (i) By setting clear and unambiguous objectives in a participatory way;
- (ii) By agreeing on measuring tools, when to measure, how to measure, and what are acceptable or unacceptable performance levels;

- (iii) Incentives should be clear and known to all stakeholders (whether it's financial or non-financial incentives);
- (iv) Leaders should lead by example and be visionary, and managers should manage strategically. Blanchard and Johnson (2003) state that those who manage people should realise that people are the most important resources in the organisation. Effective leadership should be able to motivate employees to go the extra mile.

Collins (2001:20) identified five qualities, which an effective leader should possess, and are as follows:

- Highly capable: Makes productive contributions through talent, knowledge, skills and good work habits;
- Contributing team member: Contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting;
- Competent manager: Organises people and resources for the effective and efficient pursuit of pre-determined objectives;
- Effective: Catalyses commitment to and vigorous pursuit of clear and compelling vision, stimulating higher performance standards; and
- Level 5 Executive: Builds enduring greatness through a blend of personal humility and professional will.

Collins (2001) defines Level 5 leaders as those leaders who can channel their ego needs away from themselves and into the larger goal of building a great organisation. This should not be interpreted as meaning that Level 5 leaders do not have ego or self-interest; rather, their ambition is for the organisation, not themselves (Collins: 2001).

Perhaps for the municipality to succeed, the Level 5 leadership qualities as identified by Collins (2001) should be encouraged. Leaders who possess Level 5 leadership qualities, have a high level of emotional intelligence. Goleman (1998) defines emotional intelligence as the awareness of and the ability to manage one's emotions in a healthy and

productive manner, or a skill that involves the ability to perceive, assess and positively influence one's own and other people's emotions. Goleman (1998) believes that emotional intelligence is the primal job of leadership and is comprised of four domains, viz: (a) Self-Awareness, (b) Self-Management (c) Social-Awareness and (d) Relationship Management.

- (v) Successes should be celebrated – It is not wise for leaders to only punish employees when they have under-performed, and be quiet when there are some achievements. Hence it is advisable to ensure that successes, whether big or small, are celebrated throughout the municipality;
- (vi) Create a team spirit or participative approach – All matters that affect stakeholders should be communicated or be prepared jointly. That will ensure that decisions that affect stakeholders are communicated easily and that should mean that there is hopefully no resistance when it comes to the implementation of the performance management system;
- (vii) Develop a culture of change acceptance – Some people are quite resistant to change, and it is the leadership's role to ensure that people are not allergic to change, but instead understand that for any organisation to be successful, it should change at some point. The leadership should demonstrate a culture of change, as the leadership should speak with one voice, and not send contradictory messages to the workforce.

As highlighted in Chapter 1 of this thesis other objectives of this thesis are to recommend performance management implementation steps and a performance management implementation model, which can be used by the municipality in assisting in cascading performance management in a holistic manner to all members of staff, as required by the Municipal Systems Act No. 32 of 2000. As can be seen from the literature review, Chapter 2, various authors have described performance management as a process, and its implementation can also be seen as a process that can take a number of years to be fully achieved. An example can be made of Makana Municipality, which has implemented performance management, not only to Section 57 employees, but has gradually

implemented it for other levels of staff. The successful aspects of Makana Municipality in implementing performance management include the leadership (i.e. political and administrative) being effective leaders when it comes to performance management related matters, the training of all employees in the system, so that they can understand why they should be subjected to performance management, as well as understanding the importance of various individual roles they play within the municipality. This was done by making use of the services of an experienced consultant in the field of performance management, namely, Howard Cook and Associates.

The following section will therefore, as part of the recommendations of this study, outline the performance management implementation steps and a performance management implementation model that the municipality could consider when intending to successfully cascade performance management to all the members of staff.

5.5. RECOMMENDATIONS

This section is divided into two sub-sections, namely (a) recommended performance management steps, and (b) recommended performance management model. It is believed that successful implementation of performance management requires particular steps to be taken, which are discussed in the following section.

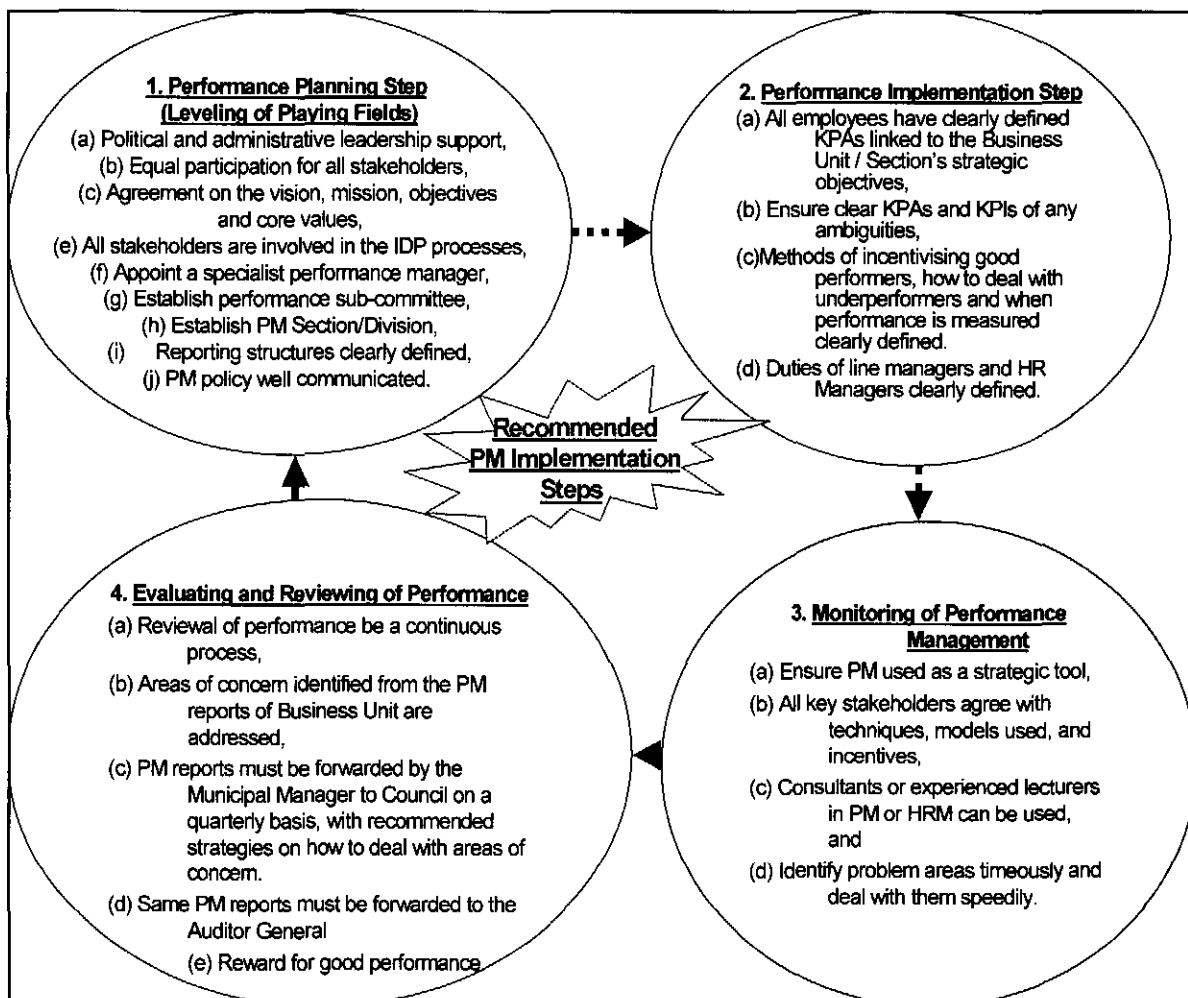
5.5.1. RECOMMENDED PERFORMANCE MANAGEMENT IMPLEMENTATION STEPS

Performance management should excite members of staff, and the primary or basic aim of implementing performance management should be to assist employees, developmentally. The municipality should create a learning culture, and make sure that the necessary resources are made available for employees to upgrade their skills, and it is believed that such action will yield positive spin-offs for the municipality, which could lead to an improved performance. Without the leadership's support whether it is in the implementation of the performance management steps or the performance management

model, this system is doomed to fail. Another leading example of a municipality that has worked exceptionally well in implementing performance management is the Cape Winelands District Municipality in the Western Cape, as their approach involved the Mayor and Municipal Manager leading this process (Toefy: 2007).

The following Figure 5.2 are the recommended steps of performance management implementation, which have been developed using the combination of theoretical information and experience shared with the interviewees.

FIGURE 5.2 Recommended performance management implementation steps



Source: The Researcher (through interpretation of the views of interviewees and literature)

As depicted in Figure 5.2, the successful implementation of performance management would firstly need a performance planning stage, and this is done to ensure that the playing fields are levelled to the best of everybody's ability. This stage could also include the launching of the performance management implementation process by the leadership to the workforce in an 'imbizo' organised for all employees of the municipality. This stage should also include the agreement on performance objectives for the year set between manager/supervisor and employee, performance measuring methods to be utilised, when performance is to be measured, agreement on what is viewed as under-performance, the reward system (including incentives i.e. financial or non-financial), etc. The process to be undertaken for the crafting of the vision and mission of the organisation, the preparation of the IDP document, and the adoption of the Performance Management Policy, should have been dealt with before the commencement of this phase, as it is believed that one cannot start talking about performance without having a clear vision of the municipality, and the performance management policy that is in line with relevant legislation.

The second phase is where actual performance starts happening, and where it should be ensured that individual employees have their own performance standards or goals that are aligned to the Business Unit's goals, and in turn such goals be aligned to the municipality's goals.

The third phase involves ensuring that performance of all employees is continuously monitored, and it is important that this monitoring is not conducted only at the end of the term or financial year, as was the case with the appraisal system in the erstwhile Port Elizabeth Municipality, but whenever is necessary during the process. This will ensure that challenges that are experienced by employees are easily identified, and attended to in good time. Some of the challenges that result in under-performance could be due to lack of training and development initiatives, where such trainings can be arranged for affected employees. At this stage use can be made of experienced mentors, especially the retirees of the municipality who could assist in training employees in-house (on the job training) instead of sending employees away for further training.

The last and critical phase involves the evaluating, reviewing and rewarding of performance, which can result in some unnecessary tensions if it is not handled in a diplomatic way. Spangenberg (1994:54) states that “the appraisal-reward phase of performance management is probably the most direct and reciprocal, and certainly the most troublesome”. It is recommended that reviewal and evaluation should be continuous, and not performed only at the end of the term, in the same way as the third phase. This will assist in avoiding the unnecessary tension that could be created by this phase, as this is where incentives are paid or not paid, depending on one’s performance. In ensuring that evaluation and reviewal is not performed for the sake of doing so, lessons can be learnt from what Spangenberg (1994:54) states that “outcomes of performance review should be fed directly into three human resources systems, namely, reward, training and development, and career management”. As can be seen from Figure 5.2, performance management implementation process is continuous, as after phase four, performance-planning phase must immediately commence, for the following term. It would be wise at this stage to also evaluate or analyse the previous process as a whole, to identify if there are any gaps that must be attended to.

Having looked at the performance management implementation steps, the following section introduces the recommended performance management implementation model that could be utilised by the municipality, in order to cascade performance management to all levels of staff. It is believed that this performance management implementation model can be utilised by any municipality or is suitable for any municipal environment.

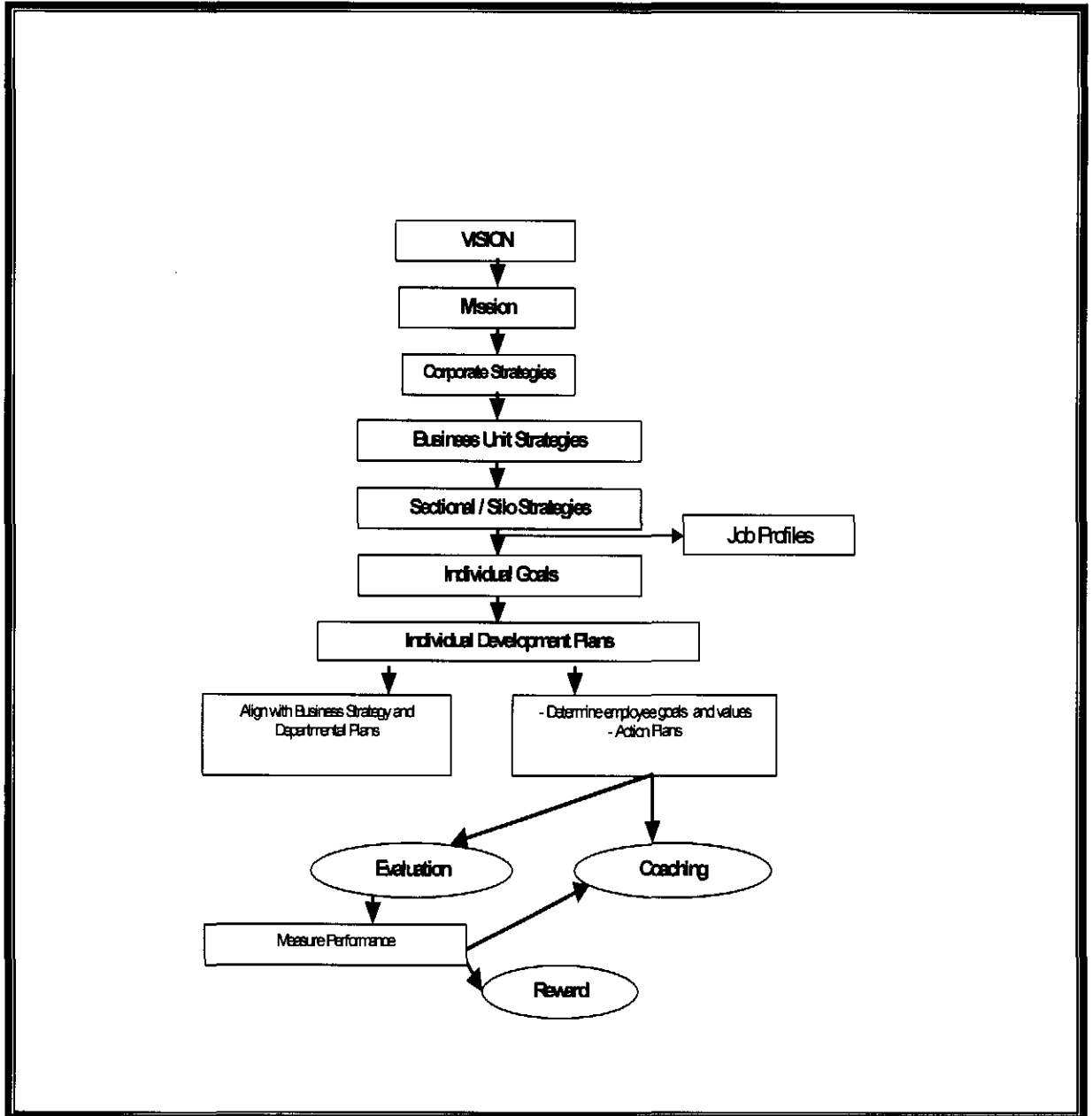
5.5.2. RECOMMENDED PERFORMANCE MANAGEMENT IMPLEMENTATION MODEL

The successful implementation of a performance management requires a performance management implementation model. This model should clearly indicate all the necessary building blocks to implement an effective and efficient performance management system. Implementation of performance management in an organisation is a process, and if the

municipality follows the steps of implementation as recommended in this model, it is believed that a culture of performance will be encouraged within the municipality. It should be remembered that successful implementation depends on the involvement of key stakeholders, where everybody plays a part in this process, and the leadership truly leads. Involvement is defined by Hall (1994) as the wellspring of commitment and creativity, which are themselves indispensable dimensions of productivity in organisations, but it is a factor that is often neglected by managers even as they seek top-level performance. Hall (1994) contends that when a manager creates opportunities for people to participate in planning their work and making decisions about how it is to be carried out, those people become ego-involved. Hall (1994) further states that these feelings of energy and commitment allow people to bring all of their talent to bear in the pursuit of innovative strategies and creative alternatives.

Depicted hereunder as Figure 5.3 is the recommended performance implementation model for the municipality. Discussion of this model will follow.

FIGURE 5.3 Recommended performance management implementation model



Source: The Researcher (through interpretation of the views of interviewees and literature)

As can be seen from the above model in Figure 5.3, it is recommended that successfully implementing performance management in the municipality should commence from developing a vision, via a participative approach, which clearly states where the

municipality wants to be in the next few years. The vision is the driving force within the organisation, and all employees or key stakeholders of the municipality should be aware of the vision. A vision is a clear picture of a desired end result that is aimed for. Effective leaders first develop a vision that unites employees by providing them with a long-term goal that gives them a sense of purpose (Spangenberg 1994:165). A vision is inspiring because it makes it clear to employees that what they are doing is worthwhile (Spangenberg 1994:165). One of the pivotal roles played by leadership is ensuring that the vision of the organisation is shared, which can be done when it is communicated to all involved (Spangenberg 1994:175). Organisations such as SAB-Miller and Delta Corporation, amongst others, welcome visitors with a board in their reception areas that states the vision of the company, and includes the signatures of company employees above the vision. This clearly indicates that all the employees have a buy-in into the vision, and they have played their role in crafting the vision.

The vision should be short and sweet, and relevant to the environment, e.g. ‘We will always be the cream of the crop’, or ‘We will always be the number one municipality in AFRICA’. This will then drive all employees to make sure that the municipality remains number one in all respects, such as legal compliance, good corporate governance, high service delivery levels, good municipal turnover ratio, and healthy finances.

Secondly, each Business Unit should develop a mission statement to help ensure that the corporate vision is attained. The process followed in crafting the mission should be the same as the process followed when the vision is crafted, in that all employees of the Business Unit should be involved in crafting the mission for their respective Business Unit. By doing so the Business Unit Manager is ensuring that everybody understands where their objectives originate and why they should be achieved.

Thirdly, it is important that strategies should be developed to ensure that this ‘Big, Hairy and Audacious Goal (BHAG)’, such as ‘We are the number one municipality in Africa’ is successfully attained. Collins and Porras (2004:94) state that “a BHAG engages people – it reaches out and grabs them in the gut... “A BHAG is like the moon mission, it is clear

and compelling and serves as a unifying focal point of effort and it often creates immense team spirit". As it is understood, these goals and objectives should be in the Integrated Development Plan (IDP) document of the municipality, and they should be linked to the Business Units, Sections or Silos within the Business Units and allocated to every individual within the Business Units. If, for example, there is an objective that reads, 'Ensuring that investments increase by 15% year on year', such a goal should be allocated to the relevant Business Unit (Budget and Treasury in this case). Within Budget and Treasury this goal will be allocated to a Silo Manager, who should also nominate an employee within his / her Silo who will be responsible for ensuring that the 15% increase is achieved and will be responsible to produce reports accordingly. At this stage, individual goals, individual job descriptions, and individual development plans should be developed. An individual job description will assist in ensuring that people know exactly what is expected of them, whilst an individual development plan will assist in ensuring that there are plans in place for the employee to be developed in areas where there is a need for training and development. There should be an alignment between individual goals, sectional goals, Business Unit goals, and the big corporate strategies. Municipal employees should not be pulling in different directions, nor should there be employees who are loitering around, not knowing what to do, whilst they are on the payroll.

Lastly, when all of the above stages of the model have been developed, then performance management processes can be addressed. Performance management processes should include performance evaluation and performance measurement methods to be used, coaching, if any, and the reward systems that are agreed upon within the municipality. By this stage a performance management policy should have been developed, aligned with the government regulations or relevant legislation, through a participative process with the key stakeholders. Performance management policy should be subject to review, in the same way as other policies of the municipality. Through following this model a performance culture would have been created within the municipality, and all members of staff will know exactly what they are meant to do, and hopefully will take pride in their work.

The following section discusses some limitations to this thesis.

5.6. LIMITATIONS OF THE RESEARCH

In the process of conducting this thesis, some problems unfortunately transpired, of which some were out of the researcher's control. These limitations or challenges can be summarised as follows:

- (i) End of contract for some Section 57 employees.

This thesis has been conducted amongst the Senior Management within the municipality, such as Section 57 employees. However, during the process of the research some Section 57 employees were either dismissed, resigned or ended their contractual obligation with the municipality. At least interviewing six Senior Managers has enabled the researcher to conclude this thesis.

- (ii) Being unable to interview the Executive Mayor and Municipal Manager.

There was an intention to interview the leadership in the form of the Executive Mayor and the Municipal Manager. However, that became impossible due to their time constraints. Interviewing them could have been valuable, as it has been repeatedly indicated in this thesis that the pivotal role they have to play in the implementation of performance management within the municipality is critical, as is the role they have to play in inculcating a culture of performance within the municipality.

- (iii) The appointment of the researcher as Chief Financial Officer at Makana Municipality.

On 1 July 2007, the researcher was appointed as a Chief Financial Officer of Makana Municipality in Grahamstown. The challenge encountered by the researcher mainly revolved around arranging meetings with the interviewees, due to the researcher being

stationed in Grahamstown as opposed to the Nelson Mandela Bay area. At some stage the researcher felt that because of the researcher's new position, interviewees might not trust the researcher, or the aim might be for the researcher to criticise the municipality for the sake of criticising, instead of offering constructive criticisms.

- (iv) The need to confirm that effective leadership can improve performance culture within the municipality, or to find a correlation between effective leadership and improved performance culture within a municipal environment.

A further study needs to be undertaken to determine whether effective leadership in the municipality would improve performance. This study could be conducted perhaps by comparing a top-performing municipality with one that is seen as under-performing. The performing municipalities could be seen as those that continuously win awards, such as Vuna Awards, versus those who never won any awards. The performance areas for determining good performance could be, for example, good governance, unqualified audit reports, financial viability, service delivery, or customer satisfaction index.

- (v) The need to confirm that cascading performance management to all levels of staff will improve service delivery within the municipality, and will inculcate a culture of performance.

It is felt that a further study needs to be undertaken to determine whether the implementation and cascading of performance management for all members of staff will improve service delivery and will inculcate a culture of performance. Unfortunately, this research study could only be conducted after the performance management was implemented or cascaded across the board, and only then could it be judged to be successful or not.

5.7. CONCLUSION

This thesis has indicated the complexities involved when implementing performance management within a municipality. There is an overwhelming agreement that all municipal employees should be subjected to performance management, not only the Section 57 employees as is happening at the time of writing. It has been vehemently stated during interviews that communication, stakeholder involvement or participation in decision-making processes, and visionary or strategic leadership, are some of the best ingredients that could be used to cultivate a culture of performance within the municipality, and also ease the actual implementation of performance management for all municipal employees.

It is believed that the leadership has the responsibility to convert the municipality into a learning organisation, with a culture of continuous learning and improvement. It should be remembered that people can make or break the organisation, and should always be considered to be the 'assets' of the municipality, although there are those that could become 'liabilities' if soft issues (such as human resource issues, e.g. induction processes, clearly defined objectives, clear job descriptions, and a clearly defined reward system) are not considered in a serious light. Hence it is imperative to always understand that everybody within the municipality has a valuable role to play.

The latest report on performance management tabled in the workshop held at Cacadu District Municipality on 12 June 2007 (See attached as Annexure "D") illustrates the challenges faced by municipalities throughout the country in implementing performance management, in order to comply with the Municipal Systems Act No. 32 of 2000. It indicated that out of 283 municipalities throughout the country, only 27 (a mere 9.5%) municipalities have fully implemented performance management for all members of staff. The Nelson Mandela Bay Municipality will have to try even harder to ensure that it complies with the legislation, as a high-capacity municipality in the Eastern Cape, even if it means hiring service providers or consultants specialising in the subject of performance management implementation. That is the route that medium-capacity municipalities such

as Makana Municipality, Ndlambe Municipality, and the Sundays River Municipality, have taken, which has resulted in their being able to cascade performance management to all levels of staff. The utilisation of consultants for the implementation of performance management within the organisation can be supported by citing Spangenberg (1994:251), who states that “if performance management forms part of a change effort aimed at bringing about a major shift in strategy, leadership, culture, with potentially serious undertones, the collaboration of outside consultants may be preferable”.

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ANNEXURE “A”

**PERFORMANCE APPRAISAL FORMS
(ERSTWHILE PORT ELIZABETH
MUNICIPALITY)**

Name: MURIEL J. NGALWANDE Staff No. 02/612199
 Title: FINANCIAL ACCOUNTANT
FINANCE Department: GTU TREASURERS

ASSESSORS: PLEASE READ THE FOLLOWING NOTES CAREFULLY BEFORE COMPLETING THE RATING FORM.
 (a) There are three factors which are rated numerically, i.e. KNOWLEDGE, APPLICATION and GENERAL CONDUCT.
 (b) When rating, take one factor at a time and read through all the sentences (i.e. a - d) which apply to each degree, working from the lowest degree upwards, i.e. from I to V.
 (i) if a sentence applies in **all respects**, place a in that block;
 (ii) if one or more sentences of a particular degree do not apply, carefully consider the corresponding sentences of both the higher and lower degrees to decide which degree seems to fit the employee's standard best, e.g. if (a), (b) and (c) of degree III apply but (d) does not, then consider II(d) and IV(d) and tick the **most** suitable one.
 (c) There may not be more than one tick in each horizontal level, e.g. you may not tick both III(a) and IV(a).
 (d) There may not be more than four ticks for each factor.

(A) KNOWLEDGE

D E G R E E S					Points
I	II	III	IV	V	Score
(a) Little or no knowledge. Score: 1	(a) Has fair knowledge of the job, but still has a lot to learn. Score: 3	(a) Knows sufficient to perform the job satisfactorily in all respects. Score: 5	(a) Knows a lot about the job and is consulted on the more unusual aspects by others. Score: 7	(a) Is regarded as an expert on the job, and is often consulted by others. Score: 10	
(b) Was appointed very recently or has little or no ant experience. Score: 1	(b) Has been in the job a little while now, and is coming on nicely. Score: 3	(b) Has been in the job quite a time, and has now experienced most of the unusual aspects. Score: 5	(b) Has been in the job a long time, and there is very little that has not been experienced. Score: 7	(b) Has been in the job a very lengthy period, and there is practically nothing which has not been experienced. Score: 10	
(c) Has to be assisted and guided constantly. Score: 1	(c) Receives assistance quite frequently, particularly with operations which do not occur very often. Score: 3	(c) Receives assistance occasionally from an information point of view. Score: 5	(c) Receives very little assistance from an information point of view, seldom has to consult others. Score: 7	(c) Receives no assistance whatsoever from an information point of view. Score: 10	
(d) Has been shown often how to do job, but never seems to learn. Score: 1	(d) Learns slowly, but will improve with time. Score: 3	(d) Has learnt most aspects of the job in a reasonable period of time. Score: 5	(d) Knows own job and many related aspects well. Score: 7	(d) Is very "clued-up" on the service as a whole in addition to being an expert on own job. Score: 10	
TOTAL A:					34/34 31

(B) APPLICATION

D E G R E E S					Points
I	II	III	IV	V	Score
(a) Everything is done carelessly with a "don't care" attitude. Score: 1	(a) Inclined to make fairly frequent errors, and work has to be checked carefully because of this. Score: 3	(a) Works well, and although occasionally errors are made, tries to be efficient. Score: 5	(a) Has a conscientious approach to the job, and the work is always well done. Score: 7	(a) Is exceptionally conscientious and accurate, very seldom makes errors. Score: 10	
(b) Frequent follow up is necessary to ensure that work which has been allocated is actually done. Score: 1	(b) Quite often seems to find reasons for why a job has taken so long. Score: 3	(b) Works steadily with little supervision and produces a satisfactory amount of work. Score: 5	(b) Works hard, and always produces a lot, even without much supervision. Score: 7	(b) Turns out an outstanding quantity of work, can be completely trusted to get on with the job in any circumstances. Score: 10	
(c) Shows no interest in job whatsoever. Score: 1	(c) Lacks interest in the job, and would probably prefer to resign if the opportunity arose. Score: 3	(c) Tries to think things out before referring up, and seems to like the job. Score: 5	(c) Is very interested, and contributes more than the normal requirements of the job. Score: 7	(c) Is exceptionally interested in the job, and is always coming up with workable new ideas. Score: 10	
(d) Objects strongly to being allocated anything unusual or extra. Score: 1	(d) Doesn't seem to like being allocated anything extra or unusual. Score: 3	(d) Is a willing worker and seldom complains. Score: 5	(d) Seems to be eager to take extra work, is very willing and co-operative. Score: 7	(d) One of those people who seem to cope no matter how much is allocated and is still happy about it. Score: 10	
TOTAL B:					37/37 3

(C) GENERAL CONDUCT

D E G R E E S					Points
I	II	III	IV	V	Score
(a) Does not get along with others; very 'abrasive'. Score: 1	(a) Fairly co-operative, is, however, regarded as 'difficult'. Score: 3	(a) Usually gets along with others and is normally co-operative. Score: 5	(a) Works very well with others; fully co-operative. Score: 7	(a) Works exceptionally well with others; promotes co-operation. Score: 10	
(b) Continuously tardy; late more than twice per month; always leaves early. Score: 1	(b) Frequently tardy; late at least once per month; often leaves early. Score: 3	(b) Occasionally tardy; sometimes leaves early. Score: 5	(b) Rarely late, seldom quits early - normally advises supervisor. Score: 7	(b) Very punctual; never late; obtains permission to leave early. Score: 10	
(c) Disloyal; completely indifferent towards job and organisation. Score: 1	(c) Fairly loyal; is inclined however, to be critical of job and organisation. Score: 3	(c) Loyal, seems to have the interest of the job at heart. Score: 5	(c) Zealous worker; eager and interested in job. Score: 7	(c) Completely loyal; devoted to job. Score: 10	
(d) Unreliable; needs constant supervision. Score: 1	(d) Is inclined to neglect work; puts things off; has to be watched. Score: 3	(d) Works steadily; occasionally needs follow up. Score: 5	(d) Hardworking; needs very little supervision. Score: 7	(d) Completely reliable. Needs no supervision. Score: 10	
TOTAL C:					40

Score: $\frac{\text{Total of A + B + C}}{120} \times \frac{100}{1} =$ 88% 88% IN

CHECK LIST

1. Has it been necessary to reprimand the employee in the past six months? (If 'yes', give brief details).

No

2. Has the employee been commended for any aspect of his job or work performance during the past six months? (If 'yes', give brief details).

Yes - for A Saayman + a Call from Israel.

3. Has the employee had any sick leave or absenteeism during the past six months? (If 'yes', give brief details, i.e. number of days and reasons).

*Yes
1 x Sick Diarrhea*

4. What are the employee's strong points? (Give brief details).

Cooperative, Accommodating and always willing to assist (help) when requested to do so

5. What are the employee's weak points? (Give brief details).

GROWTH POTENTIAL

- a. Too new to rate (under six months).
- b. Excellent potential to advance to high positions of responsibility within municipal service. Has high capacity to learn, develop and apply knowledge and experiences. Degree and speed of progress is limited only by lack of opportunity and the necessity for a reasonable amount of experience in each position.
- c. Above average potential to advance to higher levels of responsibility more quickly than the average person, but not at an exceptionally fast pace. Learns and applies experience more easily than typical employee.
- d. Average potential to advance at a normal pace to more responsible positions, but probably unable to reach upper management levels.
- e. Satisfactory potential with progress towards higher and broader responsibilities more dependent on job knowledge and experience than capacity and ability.
- f. Has reached limit of advancement in organisation due to e.g. lack of ability, unable to acquire or apply necessary skills and knowledge, no desire to advance further, etc. (see general remarks).

PROMOTABILITY

- a. Too new to rate (under six months).
- b. *Immediately promotable* - ready now or within 3 months for promotion to next higher level.
- c. *Promotable within 1 year* - will be ready after additional job training.
- d. *Requires additional development* - recently assigned to new position or requires additional training and experience to establish promotability.
- e. *Does not desire promotion* - expresses a desire to remain at present level because of health factors, relocation, personal circumstances, etc.
- f. *Misassigned* - job assignment not compatible with employee's abilities, background, experience, or interest. However growth potential is satisfactory or better.
- g. *Unpromotable* - not promotable under present circumstances for specified reasons (see general remarks).

GENERAL REMARKS *

.....

* both supervisor and employee have to indicate whether they have any comments or not.

This is to certify that the ratings and comments detailed above were reviewed with me:

[Signature]
 EMPLOYEE'S SIGNATURE

4/7/2000
 DATE

[Signature]
 SUPERVISOR'S SIGNATURE

12/7/2000
 SUPERVISOR'S TITLE

ANNEXURE “B”

PERFORMANCE MANAGEMENT POLICY FRAMEWORK (NELSON MANDELA BAY MUNICIPALITY)



nelson mandela bay
M U N I C I P A L I T Y
PORT ELIZABETH | UITENHAGE | DESPATCH

PEFORMANCE MANAGEMENT POLICY FRAMEWORK

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PERFORMANCE MANAGEMENT POLICY FRAMEWORK FOR THE NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

1. INTRODUCTION

Local government in South Africa is confronted with many challenges because of its status, functions and responsibility. One of the challenges of the developmental local government is to annually produce an Integrated Development Plan (IDP) that outlines the integrated developmental priorities of the municipality. The IDP is developed and reviewed with full community participation, as is the budgeting process. It is therefore logical that the performance of a municipality on the implementation of a community driven IDP process, be measured.

Performance management is a transformation tool, because it involves change and is also an indication of good governance and improving service delivery. The ethos of performance management raised on the understanding that all local government stakeholders take part in the whole process. This includes other spheres of government and the community at large. The importance of performance management therefore requires that performance management is applied to the organization and all its employees which include non-section 57 employees. This will ensure the realization of the goals and objectives of the IDP.

Research confirms that if well formulated strategies are not successfully executed, the reason is usually that the strategy is never measured. Performance Management holds the key to the successful implementation of an IDP. Performance management is a requirement for local government in South Africa. The role of performance management is critical in ensuring that developmental local government is achieved and the municipality is able to translate policy into practice that delivers results. A Performance Management System (PMS) for the Nelson Mandela Metropolitan Municipality will ensure that the Municipality acts in the best interest of the public it serves.

2. DEFINITION OF KEY PERFORMANCE MANAGEMENT CONCEPTS

CONCEPT	DEFINITION
Key Performance Areas (KPA's)	Key areas of responsibility.
Objective	Statement about what outcomes the organization wishes to achieve.
Key Performance Indicators (KPI's)	Measures (qualitative and quantitative) that tell a person whether he/she is making progress towards achieving his/her objectives.
Input indicators	An indicator that measures equipment, resources, economy and efficiency.
Output indicators	An indicator that measures results.
Outcome indicators	An indicator that measures the impact of reaching the target.
Baseline Indicators	Baseline indicators tell us what the status quo is at the beginning of the year
Performance targets	Planned level of performance or milestones an individual or organization sets for itself in respect of each indicator identified.
Target dates	The deadline applied to the performance target.
Performance Agreement	An agreement provides a broad framework for the assessment of the performance of a Manager over the next year (this is not an employment agreement, but merely provides parameters against which the performance of a Manager will be measured).
Performance plan	Plan of agreed Key Performance Areas, Objectives, Key Performance Indicators and Targets covering a period of twelve months and assessed quarterly.
Annual Performance Review Cycle	Twelve (12) continuous months period: 1 July to 30 June of the following year.
Review	Within an evaluation cycle four (4) performance reviews/assessments will take place, which entails an assessment of employees, business units and the institution as a whole to monitor progress, resolve problems and adjust performance outputs, as part of the performance cycle.
Formal Performance Reports	Quarterly reports reflecting actual achievement of targets during the performance review cycle
Section 57	Person appointed in terms of Section 57 of the Municipal Systems Act 32 of 2000, which reports directly to the Municipal Manager and operate under a fixed-term performance contract.

3. WHAT IS A PERFORMANCE MANAGEMENT SYSTEM?

A municipality's performance management system entails a framework that describes and represents how that municipality's cycle of processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different roleplayers (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

4. LEGISLATIVE FRAMEWORK

4.1 The Constitution

The Constitution of the Republic of South Africa Act 108 of 1996 mandates local government to become developmental according to three approaches, namely integrated development planning and budgeting, performance management, and working together with local citizens and partners. This results in the reduction of poverty, good governance and enhanced service delivery. The said constitutional mandate provides a solid foundation for the development and implementation of a PMS for any municipality.

4.2 The Batho Pele White Paper (1998)

The Batho Pele White Paper is about putting people first and improving service delivery, and these principals are the basis for a Performance Management System.

Batho Pele consists of eight principles, which basically cover what a PMS entails:

- *Consultation* Citizens should be consulted on service delivery levels and quality.

- *Service standards* Service standards should be set and communicated to citizens.

- *Access* All citizens should have access to basic services, as well as equal access to all the services to which they are entitled.

- *Courtesy* All citizens should be treated with courtesy and consideration.

- *Information* Full and accurate information regarding services is to be provided to citizens.

- *Openness and transparency* Informing citizens of key aspects of service delivery that affect them.

- *Redress* Ensuring an apology, explanation and remedial action, if promised service delivery levels and standards are not met.

- *Value for money* Services should be provided economically and efficiently without compromising standards.

4.3 The White Paper on Local Government (1998)

The White Paper on Local Government (1998) proposed the introduction of performance management systems to local government as a tool to achieve developmental local government. It concludes that:

“Integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. It will enable them to focus on priorities within an increasingly complex and diverse set of demands. It will enable them to direct resource allocations and institutional systems to a new set of development objectives.”

The White Paper adds that:

“Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritize the amount of time it takes a municipality to answer a query; others will prioritize the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced”.

4.4 The Municipal Structures Act 117 of 1998

Section 19 of the Municipal Structures Act stipulates that a municipal council must annually review:

- The needs of the community.
- Its priorities to meet those needs.
- Its processes for involving the community.
- Its organizational and delivery mechanisms for meeting the needs of the community.
- The overall performance in achieving the objects set out in Section 152 of the Constitution.

4.5 The Municipal Systems Act 32 of 2000

The Municipal System Act 32 of 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 described nationally by the minister responsible for local government.
- Conduct an internal audit on performance before tabling the report.
- Involve the community in setting indicators and targets and reviewing municipal performance.

4.6 Municipal Planning and Performance Management Regulations (2001)

The above regulations allow for practical implementation of the performance management obligations of the Municipal Systems Act.

4.7 The Municipal Finance Management Act 56 of 2003

The MFMA makes provision for the following:

- Sound and sustainable financial management.
- Financial and non-financial assessment, and reporting quarterly and annually.
- Reporting on entities under the control of the relevant municipality.

5. THE OBJECTIVES OF THE NELSON MANDELA BAY METROPOLITAN MUNICIPALITY'S PERFORMANCE MANAGEMENT SYSTEM

A Performance Management System seeks to achieve the following -

5.1 To clarify institutional goals and priorities

The use of a PMS clearly identifies a set of agreed upon goals that have been prioritized for each financial year.

5.2 To monitor, support and improve processes

A PMS ensures all factors contributing to service delivery are analyzed and improved upon.

5.3 Improved service delivery

A PMS assists in identifying performance gaps, developing and implementing interventions, and improving efficiency and effectiveness, thereby enhancing service delivery.

5.4 Early warning signals

A PMS provides all stakeholders with a diagnostic signal of the potential risks that are likely to affect the realization of the full implementation of the organisation's IDP.

5.5 Learning and improvement

A PMS must provide a mechanism for learning and improvement, as well as determining the need for training and capacity development. It should also provide the basis for a skills development plan.

5.6 Increased accountability

A PMS serves to ensure that officials are held accountable to their supervisors, supervisors to their managers, Business Unit Managers to the Municipal Manager, the Municipal Manager to the Executive Mayor and the Mayoral Committee, the Executive Mayor and the Mayoral Committee to the Council and the Council to other spheres of government and the community at large.

5.7 Legislative compliance

The PMS is a legislative requirement.

5.8. Promote community participation in local governance

Through regular reporting and participation of the community in identifying key performance indicators, a PMS ensures that residents participate in local government.

5.9 To create a culture of performance amongst employees

Performance management should not be seen as a punitive or simply a legislative requirement, but a system that assists in developing a culture of performance within an institution.

6. THE RELATIONSHIP BETWEEN IDP, PMS AND THE BUDGET

The figure below illustrates the relationship between the IDP, Budget and PMS.

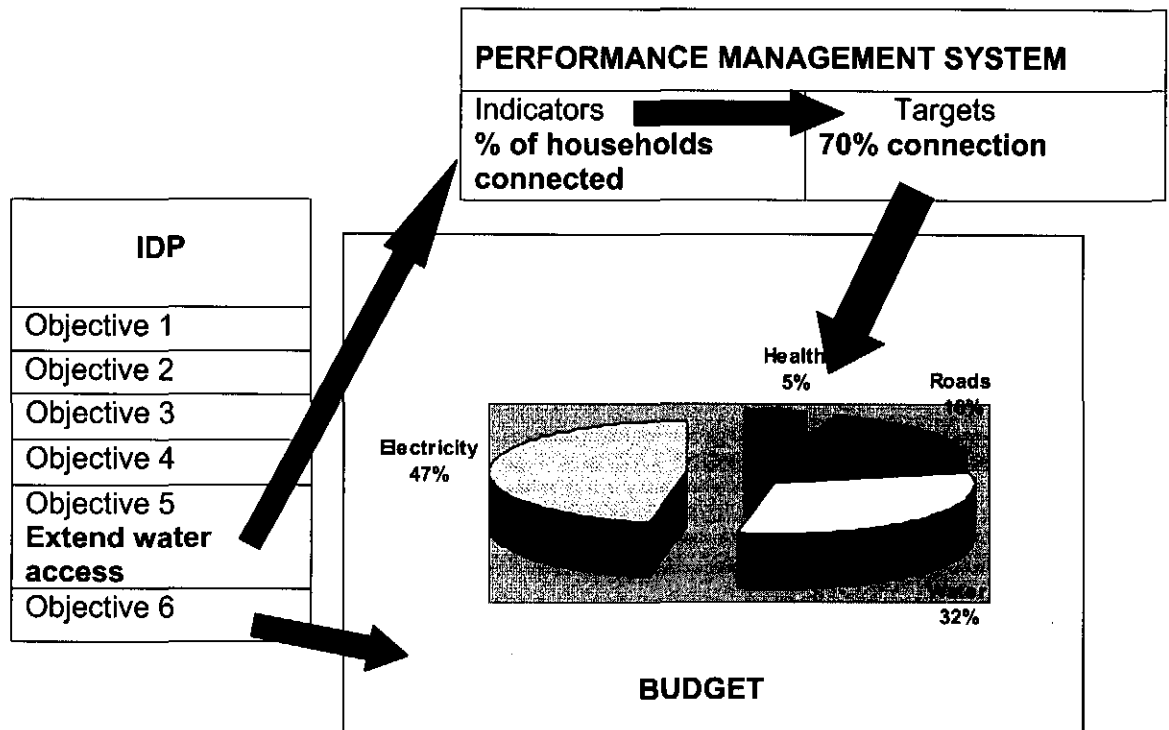


FIGURE 1

The IDP is a plan that defines municipal priority areas, objectives and projects. Priority areas are the basis for Key Performance Indicators (KPIs) in the PMS. KPIs measure progress on IDP objectives. The Municipality uses KPIs to set performance targets that are necessary to reach realistic goals. Targets inform budget commitments that must be made to meet objectives. IDP objectives and their related PMS targets inform the structure and scope of the budget. The budget, in turn, speaks back to the IDP and the PMS. The budget set limits on what is achievable.

On the diagram above, one of the objectives in the IDP is to extend water access. This becomes a KPA for PMS. PMS has to develop an indicator (output) to measure the progress with regard to the implementation of the KPA, which is % of households connected per year. From the indicator a target is set, namely 70% connection. The 70% connection will depend on the availability of funds. The budget is also informed by the IDP.

7. KEY ELEMENTS OF THE PMS

The following are key elements of the PMS:

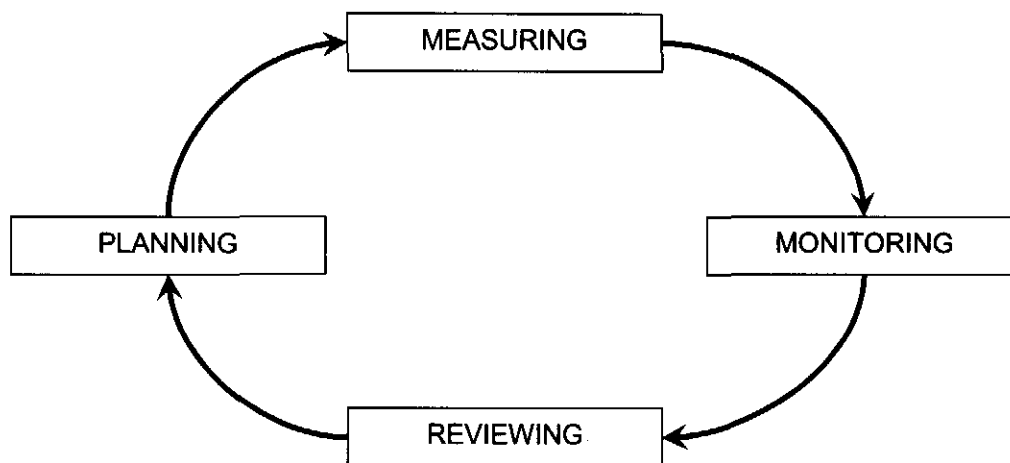


FIGURE 2

7.1 Planning

The IDP fulfils the planning stage of performance management. Performance management fulfils the implementation, managements, monitoring and evaluation of the IDP process. Therefore any change to the IDP by way of resolution of council would impact on the PMS and it should be amended accordingly.

The municipal IDP identifies key performance areas, priorities, objectives and deliverables. The measurement framework therefore involves setting targets and indicators. Practically, this is done as indicated in figure 4 below: -

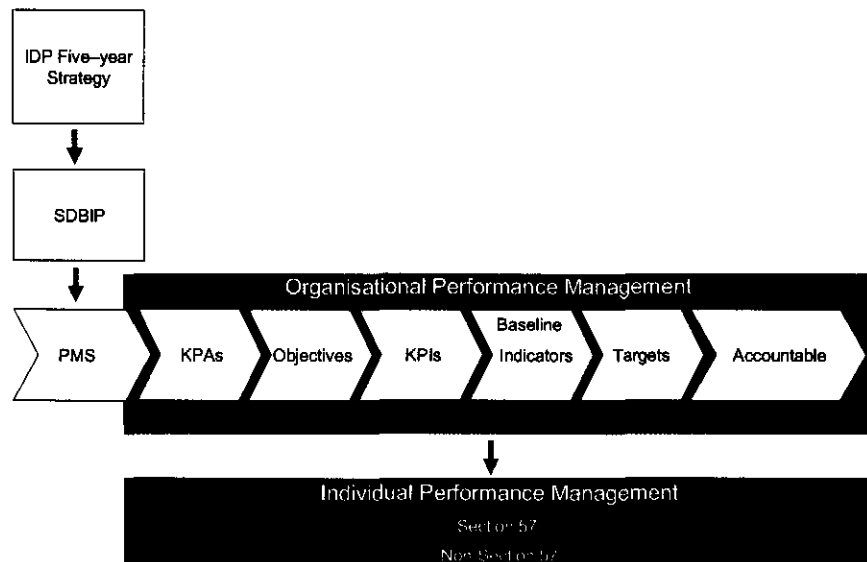


FIGURE 3 : PLANNING STAGE OF PMS

7.1.1 Setting Key Performance Areas

KPAs are transferred directly from the IDP to the service delivery and budget implementation plan (SDBIP), which then form the basis for a PMS, e.g. the provision of water as shown in figure 1.

7.1.2 Setting Objectives

Objectives should be specific, outcome- and impact-focused and should not be general statements,

e.g.

- To ensure that all citizens are settled in a formal structure by 2014
- To ensure the reduction of unemployment of economically active adults to 20% by 2014

7.1.3 Setting Key Performance Indicators

Indicators are measurements that tell us whether progress is being made in achieving organizational goals. They essentially describe the performance dimension that is considered key in measuring performance.

The SMART principle should apply with regards to KPIs which states that each indicator must be:

Specific : Each KPI must be clear and concise.

Measurable : A KPI should not be vague and general but measurable e.g 'number', '%' or targets.

Achievable/Attainable : KPI should be within reach.

Realistic : Can it be done taking into account constraints?

Timebound : Can it be achieved within a certain timeframe?

There are three types of indicators as shown in the table below.

Types of Indicators	Definition	Example
Input indicators	<ul style="list-style-type: none"> Indicators that measure economy and efficiency. 	<ul style="list-style-type: none"> Budget projection % capital budget spent to provide water. Unit costs for delivering water to a single household Amount of time/money/number of people it took the municipality to deliver water to a single household.
Output indicators	Indicators that measure results. They are usually expressed in quantitative terms (ie number / %).	<ul style="list-style-type: none"> Number of households connected.
Outcome indicators	Indicators that measure the impact of reaching the target.	<ul style="list-style-type: none"> Percentage of households with access to water.

TABLE 1: TYPES OF INDICATORS

Baseline Indicators

Baseline indicators tell us what the status quo is.

Performance Targets

Performance targets should be realistic and measurable and should correspond with available resources and capacity.

Accountable

This entry can either be a Business Unit on an organizational level, a division on a business unit level, or it can be an individual's name, if on an individual level.

7.2 Monitoring

Monitoring is an ongoing process that runs parallel to the implementation. It involves data collection, analysis and assessment of work completed. It also involves the comparison of performance between intervals (e.g. monthly, quarterly, bi-annually and annually). It is through monitoring performance that early warning signs can first be detected and necessary interventions put in place before the final review stage.

7.3 Performance Measurement

This involves measurement against targets that have been set in the institutional strategic scorecard or the SDBIP. A number of measuring instruments can be used to measure performance this includes the use of models.

7.3.1 Balanced Scorecard Model

Performance of an organization should be examined across the organization in terms of all its priorities using a model. A model for performance management provides a framework for managing, analyzing and improving performance of the organization. In order to assess an organization's performance, a balanced view is required, incorporating a multi-perspective assessment of how the organization is performing as seen by different categories of stakeholders.

The balanced scorecard enables the Nelson Mandela Bay Metropolitan Municipality to clarify its vision and strategy and translate them into action. It provides feedback around internal business processes and external outcomes in order to continuously improve strategic performance and results. This is reflected by the model below.

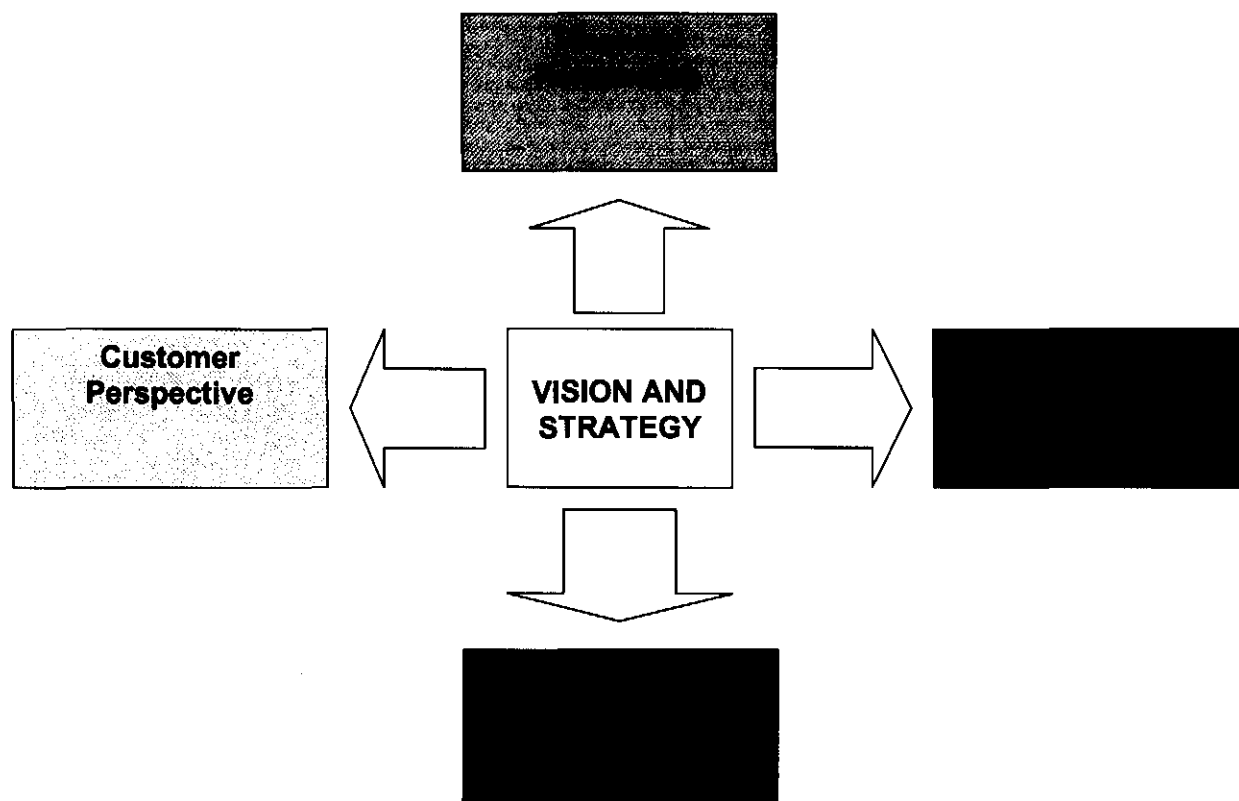


FIGURE 4: THE BALANCED SCORECARD MODEL

The balanced scorecard suggests that organizations are best viewed and measured from the four perspectives. Each perspective is regarded as essential for translating vision and strategy into performance, as explained below.

Financial Perspective

Financial perspective focuses on:

- Sound financial management and budgeting.
- Financial viability and strength.
- Revenue collection and expenditure.

Customer Perspective

Customer perspective builds on four strategic outcomes.

- Affordable, sustainable, customer focused service delivery.
- Safety and security.
- Improving the quality of life of all citizens.
- Public participation and involvement.
- Batho Pele principles

Internal Business Process Perspective

The way an institution operates determines its ability to meet its obligations. An institution with poor business processes, systems and structures can not function effectively.

This perspective is built on four strategic outcomes:-

- Institution Building and development.
- Business re-engineering processes.
- Internal controls, and risk management
- Legislative compliance.
- Efficiency and effectiveness of Council structures and committees.

Learning and Growth Perspective

The learning and growth perspective is built on three strategic outcomes:-

- Human Resource Management and Development.
- A quality built natural environment.
- Economic development
- Sports, arts, crafts and recreational development
- Intergovernmental and International Relations.

7.3.2 Linkages between Organizational and Individual Performance Management

The performance of an organization is integrally linked to that of its staff. If employees do not perform, an organization will fail. It is therefore important to manage both at the same time. Performance should be examined across the organization in terms of all its priorities.

The organisational scorecard emanates from the upper layer of the institutional SDBIP. These targets are then filtered through to respective business units, which forms the basis for Section 57 performance contracts. From this level, the KPIs are further filtered down to divisions, where they then form the basis of performance plans for first level managers. This process then continues in the same manner through all levels.

Performance measurement includes the measurement of:

- (i) Costs, resources and time used to produce outputs in accordance with the input indicators;
- (ii) The extent to which the Metropolitan Municipality's activities or processes produced outputs in accordance with the output indicators, and
- (iii) The total improvement brought by outputs in accordance with the outcome indicators.

The tool for measuring and monitoring performance is shown below:

KPA	Objective	KPI	Base-line	Annual Target	Revised Target	QTR ending 30 Sep 2006 Target	QTR ending 30 Sep 2006 Actual	QTR ending 31 Dec 2006 Target	QTR ending 31 Dec 2006 Actual	QTR ending 31 Mar 2007 Target	QTR ending 31 Mar 2007 Actual	QTR ending 30 Jun 2007 Target	QTR ending 30 Jun 2007 Actual	Explanation of variance, comments and/or corrective action	Accountable	Weighting	
Provision of water and sanitation	To ensure that all households in municipal demarcated areas have access to water and sanitation by 2014	% of HH (dwellings) with access to basic level of water		Formal dwellings		Formal dwellings											
				Informal dwellings		Informal dwellings											
		% of HH (dwellings) with access to basic level of sanitation		Formal dwellings		Formal dwellings											
				Informal dwellings		Informal dwellings											

TABLE 2: PERFORMANCE SCORECARD WITH QUARTERLY TARGETS

KPA (Functional Area)	Capital Budget 2006/07	Cashflow by month											
		July 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007
Provision of water and sanitation	1 016, 000	80,000	90,000	50,000	30,000	80,000	76,000	90,000	80,000	80,000	80,000	70,000	50,000
Actual expenditure													

TABLE 3: EXPENDITURE PROJECTIONS

7.4 Performance Reviews

Performance review is a process through which the organization, after measuring its own performance, assesses whether it is doing the right thing. It focuses on two things, namely evaluation of performance and review of performance indicators. In addition, the performance of employees is also reviewed and assessed on a quarterly basis.

The first method to conduct performance reviews is to consider whether the current level of performance is better than that of the previous year, using baseline indicators. The second method is to look at the municipality's performance in comparison with other municipalities, by way of a benchmarking exercise. The third method is to look at what the communities the municipality services think of its performance across a spectrum of services, by way of customer surveys or other community feedback mechanisms, including feedback from ward committees and other structures established to enhance public participation.

This review approach is consistent with the "best value" review framework of challenging, comparing, consulting and competing. The framework calls for the municipality to challenge its current level of performance, compare it to others, consult with the customers or communities, and find ways of competing with others to provide best value in service delivery.

7.4.1 Who conducts reviews?

- (a) The Supervisors to review the performance of those employees reporting directly to them.
- (b) The Line / Functional Managers to review the performance of their respective areas on a monthly basis, which should at least cover all the organizational priorities respective to these functions.

- (c) The Portfolio Committees to review performance on organizational priorities of functions respective to their portfolio.
- (d) The Municipal Manager to review the performance of Section 57 employees who are mostly Business Unit Managers.
- (e) The Mayoral Committee to review the performance of the administration on strategic issues on a quarterly basis with the final quarterly review taking the form of an annual review.
- (f) The Council to review the performance of the Nelson Mandela Metropolitan Municipality, its committees the administration and entities on an annual basis, in the form of a tabled annual report at the end of the financial year.
- (g) The public to review the performance of the Nelson Mandela Metropolitan Municipality and public representatives.

Performance analysis must be performed in order to identify poor performance and its causal and contributing reasons so that the Municipal Manager can implement an appropriate response strategy to improve performance. Likewise, all people managers must analyze, review and if necessary establish reasons for non-performance and implement turn-around strategies.

7.4.2 Performance Review Process for Employees

- a) Employees and managers to complete a performance review form and prepare initial ratings separately.
- b) Managers and employees then meet to conduct formal performance ratings
- c) Only those items relevant for the review period in question should be scored.
- d) Based on scoring and discussions, an individual learning plan (ILP) is developed. Every employee within the Municipality should have an individual learning plan. Such a plan must be developed after a formal performance review, indicating the training and development activities planned for that employee to help him/her improve in his/her current job or to obtain new skills and knowledge in order to advance in his/her career. This should be agreed upon between the manager and employee.

In addition to formal training, an individual learning plan can also include other capacity development mechanisms such as mentorship, on the job training, rotation, and succession planning.

- e) All documentation should then be sent to Human Resources for inclusion in the employee files.

7.4.3 Performance Scoring and Rewards for non-section 57 employees

In order to encourage excellence in performance, non-financial rewards must be introduced.

The rewards set out in the following table are recommended:

SCORE OBTAINED	NON-FINANCIAL REWARDS
90 – 100	<ul style="list-style-type: none"> • One day free leave; or • The employee may select a work tool that will enhance his/her ability to perform better in his/her job. The amount spent on the work tool may not exceed the rand value of one day's leave of the employee's total package.
80 – 89	<ul style="list-style-type: none"> • Half day free leave; or • The employee may select a work tool that will enhance his/her ability to perform better in his/her job. The amount spent on the work tool may not exceed the rand value of a half day's leave of the employee's total package.
75 – 79	<ul style="list-style-type: none"> • No reward.
< 75	<ul style="list-style-type: none"> • Compulsory performance counseling.

Another option for managers is to reward high performance through the following mechanisms:

- Issuing certificates for excellent performance.
- Hosting a special awards dinner.
- Circulated and posted letter of recognition, especially from top management.
- Personal call / visit from the Municipal Manager or Executive Mayor.

The Municipality can use any or a combination of the above options.

7.4.4 Process for rewarding performance

To ensure consistency, transparency, fairness and affordability, the above reward schemes should follow the following process:

- a. The manager / supervisor concerned should compile a performance summary report after reviews.
- b. The Business Unit Manager should then assess all results of performance reviews conducted in his/her Business Unit, on the basis of the following:
 - *Is there any potential for bias?*
 - *Are the objectives too easy / difficult to attain?*
 - *Are the performance measures too vague, thus allowing for subjective measures?*
 - *Is there a relationship between the performance of the supervisor and his/her subordinates?*
- c. The Business Unit Manager should submit his/her suggestions for rewards to the Policy and Transformation Office, with copies to Internal Audit Services and the Human Resources Business Unit.
- d. The Policy and Transformation Office should prepare a summary of the audited results and send it to the Office of the Municipal Manager. This summary, which should state the names of the employees recommended for an award and their score sheets, should also indicate the percentage of employees falling in each category, i.e. what percentage of employees fall into the 90 – 100 performance score category and so on, as reflected in the example below:

PERFORMANCE SCORE	% OF EMPLOYEES ACHIEVED THE SCORE
90 – 100	5%
80 – 89	20%
75 – 79	70%
< 75	5%

- e. The Municipal Manager must then consider the report and submit proposals to the Executive Mayor.
- f. Results will then be communicated back to the Business Units.
- g. The deserving employees can then receive the rewards (a copy must be kept in his/her file).

Performance scores should be quality assessed by the Policy and Transformation Office, the Office of the Municipal Manager, and Internal Audit. It must, however, be emphasized that the ultimate responsibility for the good performance of each Business Unit and its employees lies with the manager concerned.

7.4.5 Performance Reward for the Municipal Manager and Section 57 Employees

Scoring ranges and their applicable rewards are outlined in the table below.

FINAL SCORE	BONUS AMOUNT	
	MUNICIPAL MANAGER	BUSINESS UNIT MANAGERS
100	20% of Annual Salary	15% of Annual Salary
90-99	15% of Annual Salary	12% of Annual Salary
80-89	8% of Annual Salary	8% of Annual Salary
Below 80	No Bonus	No Bonus

TABLE 5: BONUS ALLOCATIONS

7.4.6 Performance calculations and ratings

At the end of each performance review cycle, all employees will be assessed in terms of the required targets reflected on their respective performance plans.

The following elements are essential in determining performance levels:

7.4.6.1 Performance Rating

The rating can be defined as the level of achievement of the Targets set for a specific Key Performance Area.

The Nelson Mandela Bay Metropolitan Municipality uses the one-point system for rating performance. The definition of which is as follows:

0 out of 1 = target not met.

1 out of 1 = target met.

The advantage of this rating criteria is that a person either reaches or does not reach a target and should be compensated accordingly. This is a simpler objective system and ensures that people work towards the achievement of the set objectives. It ensures that the obligations set in the IDP are met and no less.

7.4.6.2 Performance Weighting

Weightings allow emphasis to be placed on KPAs and key objectives which carry more importance and/or take more time. Every KPA in the performance agreement or plan must be assigned a weighting. The total of the weightings on the performance agreement must add up to 100.

The purpose of the weighting is to enable Council to ensure performance of the key objectives with the highest strategic importance, and to reward outstanding performance accordingly.

7.4.6.3 Weighted Score

The weighted score represents the product of the average rates of all the targets for each key objective, and the weight for a specific Key Objective; eg. if the average rate is 3 and the weighting is 15, then the weighted score = 3×15 which equals 45.

7.4.6.4 Total Weighted Score and Performance Percentage

The total score is the sum of the weighted scores for all the key objectives for a specific post. Therefore by adding all the weighted scores, one arrives at a figure representing the total weighted score.

The performance percentage is the total weighted score shown as a percentage of the maximum achievable score. The maximum achievable score is the product of the total weighting (100) and the maximum points per Key Objective. The maximum achievable score in this proposal will therefore be 100.

If the total weighted score is 75, then the performance percentage would be equal to $(75/100) \times 100$ which is equal to 75%. This will be the performance percentage.

7.4.6.5 Performance Bonus Calculations

An amount has been budgeted for Section 57 employees, which is equal to 20% (Municipal Manager) and 15% (Business Unit Managers) of their annual salary package. The performance bonus is to be paid from this amount. The annual performance bonus is the product of the amount budgeted for performance bonuses and the performance percentage.

The annual performance percentage can therefore be calculated by multiplying the amount budgeted for performance bonuses with the performance percentage. Eg. if the amount budgeted for the performance bonus is equal to R110 000,00 and the performance percentage is equal to 80%, then the performance bonus will be equal to 80% of R110 000,00 which is R88 000,00.

Example of Performance Bonus Calculation using the one point system:

Key Objective	Weighting	Target	Rating	Weighted Score
KPA1	20	Target 1	1	13.40
		Target 2	0	
		Target 3	1	
		Average	0.67	
KPA2	40	Target 1	1	26.67
		Target 2	1	
		Target 3	0	
		Average	0.67	
KPA3	40	Target 1	1	40.00
		Target 2	1	
		Target 3	1	
		Target 4	1	
		Average	1.00	
TOTAL (Out of 100)				80.07
Total	100		Percentage Performance	80.07

TABLE 6: PERFORMANCE BONUS

Total Amount Budgeted for performance bonus : R110 000,00

Performance Bonus = Budgeted Amount X Performance Percentage
 = R110 000 X 80.07%
 =- **R88 077**

7.5 Dealing with Unsatisfactory Performance Through Corrective Action

Poor performance should be dealt with in accordance with the Labour Relations legislations of the country.

7.5.1 Performance Investigations

The Mayoral Committee or Audit Committee can commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided, or on a random *ad hoc* basis. Performance investigations should assess:

- The reliability of reported information.
- The extent of performance gaps from targets.
- The reasons for performance gaps.
- Corrective action and improvement strategies.

7.6. Disputes

Any disputes arising from the implementation of the PMS should be dealt with through the dispute resolution procedure of the Municipality. For the Municipal Manager and other Section 57 employees disputes would follow provisions reflected in their performance agreements.

7.7 Reporting on performance

Reporting requires that the priorities of the organization, its performance objectives, indicators, targets, measurements and analysis be taken into account and that this information be presented in a simple and accessible format, relevant and useful to the specified target group, for review. One of the objectives of performance management in local government is to ensure accountability. It is therefore necessary that the reporting process follows the following lines of accountability:

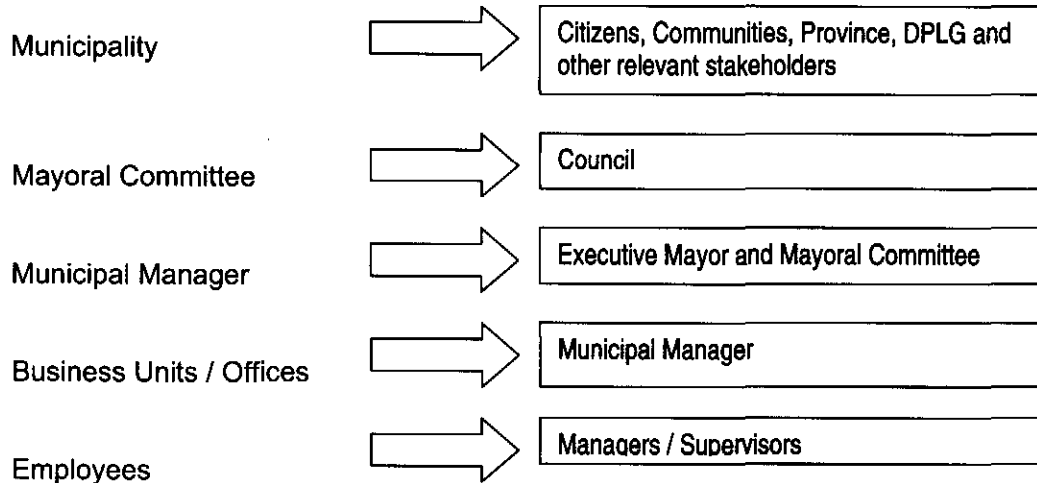


FIGURE 5: REPORTING PROCESS

Reporting timelines and obligations for each structure are explained below.

Frequency and nature of report	Mandate	Recipients
Quarterly progress report	Section 41 (1) (e) of the Systems Act, Section 166 (2) (a) (v) and (vii) of the Municipal Management Finance Act (MFMA) and Regulation 7 of the Municipal Planning and Performance Management Regulations.	<ol style="list-style-type: none"> 1. Municipal Manager 2. Executive Mayor and Mayoral Committee 3. Council 4. Audit Committee
Mid-year performance assessment (assessment and report due by 25 January each year)	Section 72 of the MFMA. Section 13 (2) (a) of the Municipal Planning and Performance Management Regulations 2001.	<ol style="list-style-type: none"> 1. Municipal Manager 2. Executive Mayor 3. Council 4. Internal Audit 5. Audit Committee 6. National Treasury 7. Provincial Government
Annual report (to be tabled before Council by 31 January (draft and approved / published by 31 March each year)	Sections 121 and 127 of the MFMA, as read with Section 46 of the Systems Act and Section 6 of the Systems Amendment Act.	<ol style="list-style-type: none"> 1. Executive Mayor 2. Council 3. Audit Committee 4. Auditor-General 5. National Treasury 6. Provincial Government 7. Local Community

TABLE 7: REPORTING TIMELINES AND OBLIGATIONS

7.8 Publication of Performance Reports

An annual report should be developed and published on an annual basis . Such report is legislatively required to be available to the public. It is advisable that, within the resources and capacity constraints of the Nelson Mandela Metropolitan Municipality, the public be more frequently informed of performance information through press releases, radio programmes, billboards, community meetings, ward committees and other public participation programmes. The report to the public should be summarized and made simple so that ordinary citizens can understand it. Furthermore, the report should cover both financial and non-financial matters.

7.9 Public Feedback Mechanisms

Public feedback on reported performance can be obtained, if the public are provided with and are aware of dedicated mechanisms for submitting feedback such as toll-free lines, addresses, and feedback boxes.

7.10 Public Reviews

Public campaigns must be annually launched to involve citizens in the review of municipal performance. Such a campaign could employ the following methodologies:

- Ward committee system and the People's Assembly and other outreach programmes be reported to the public and their review of the Municipality be submitted to Council. The Performance Management Team should be used to summarise this input.
- Various forms of media, including radio, newspapers and billboards, can be used to convey the citizens' review. The public should be invited to submit comments via telephone, fax, e-mail and public hearings, to be held in a variety of locations.

8. AUDITING AND QUALITY CONTROL

Reports generated should undergo quality control to ensure credibility of the information provided.

8.1 Internal Audit

The Municipality's Internal Audit Services function must be continuously involved in auditing the performance reports of services and the strategic scorecard. As required by the regulations, it will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Audit Committee.

8.2 Audit Committee

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 all Nelson Mandela Bay communities and organs of civil society.

The role of the Audit Committee will be to assess:

- The functionality of the Municipality's Performance Management System.
- The adherence of the system to the local government legislations.
- The extent to which performance measurements are reliable.

The operation of this Audit Committee will be 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 that municipality;
- assess whether the performance indicators are sufficient;

In order to fulfill its function, an Audit Committee may, according to the regulations:

- Communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;
- 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, provide information required by the Committee; and
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

9. CO-ORDINATION

The co-ordination of the implementation of the planning, measurement, reporting and review process requires a multi-disciplinary team, representative of the organization and its key processes.

Each Business Unit / Office should have a contact person who co-ordinates performance management in his/her respective Business Unit / Office. The Office of Policy and Transformation are the overall co-ordinators, working hand-in-hand with IDP, Human Resources and Budget and Treasury together with the departmental representatives.

10. NEW ORGANIZATIONAL CULTURE

A successful PMS is dependant on an organizational culture that values performance. This requires commitment from both officials and Councillors. Furthermore it requires alert community interest and participation in municipal activities. Pride in what one is doing should be a monitoring factor on its own in an environment where performance is the culture.

11. FLOWCHART DEPICTING THE PERFORMANCE MANAGEMENT SYSTEM

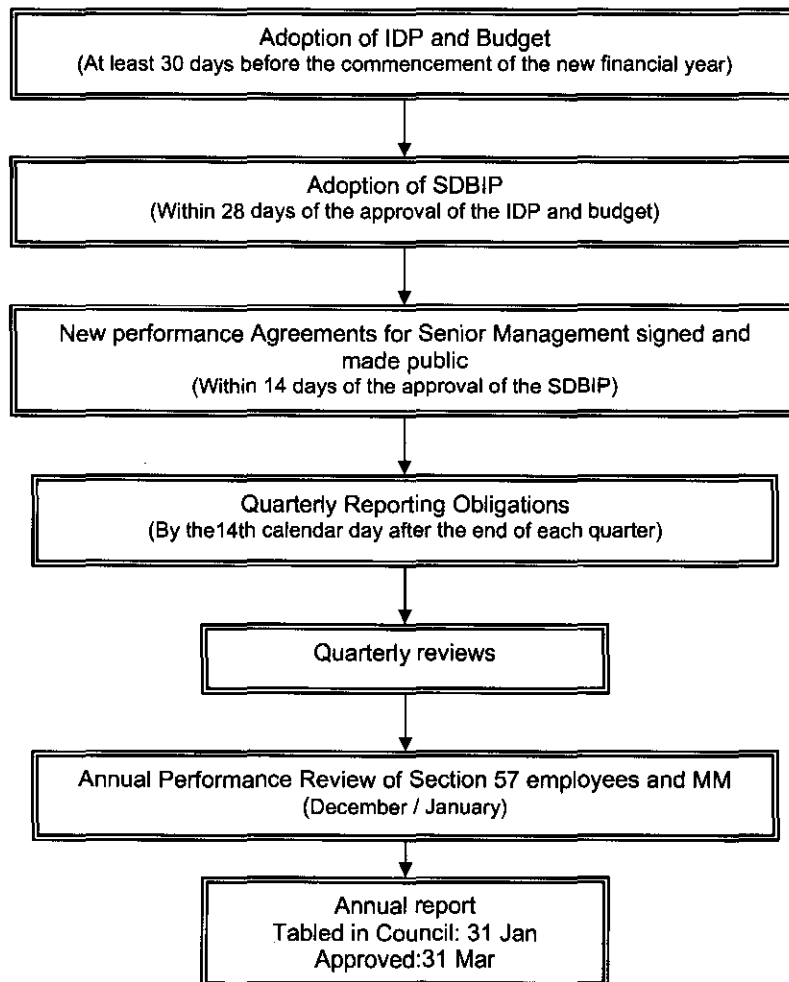


FIGURE 6: THE PERFORMANCE MANAGEMENT SYSTEM

ANNEXURE “C”

INTERVIEW TRANSCRIPTS FOR INTERVIEWS CONDUCTED

INTERVIEW NO: 3 –PvR

Date: 7 November 2007

Time: 15h00 – 17h00

An interview was held with the above gentleman on the 7 November 2007, between 15h00 to 17h00, for the purpose of clarifying some questions the interviewer had, based on the topic, and the following is the information shared disclosed by the interviewee (NB: That the name of the interviewee will never be disclosed in any part of the final report): -

The interviewee, who worked in local government for a period of thirty-three years, resigned on the 31 July 2007, after the end of his Section 57 contract employment with the NMBM, and was the Chief Financial Officer (in charge of the Budget and Treasury Office). He started his career in Local Government in 1974, and has gone through the “rank-and-file” in the Treasury Office until he became the City Treasurer of Uitenhage Municipality, and lastly became the first Chief Financial Officer of Nelson Mandela Bay Municipality. He indicated the experienced he gained in local government where he has been able to obtain a first hand experience of the conditions in townships (or township experience) and those of so-called “white areas”. This vast or diverse experience enabled him to understand the pressures Councilors who represent communities from the “disadvantaged areas” are subjected to, and makes one always have that vigor of continuously being a “servant of the people”.

The interviewee is of the view that the appointment of Section 57 employees, who are legally obliged to be subjected to performance management system created an undue pressure on them if it is not cascaded to at least all levels of supervision. This according to him is quite unfair, as the subordinates reporting directly to the Section 57 employees are not subjected to any form of “performance agreement”, and their bonuses are paid to them in full, whether they perform or not. [Quote: Having only Section 57 employees to be subjected to performance management system is quite an unfair situation, he is strongly of the view that there needs to be a clear legislative requirement that says “all employees must be subjected to PMS even if it is a Council Resolution to that effect”].

According to the interviewee the conditions of service for municipal employees, which are nationally negotiated, are one major stumbling block that will need to be addressed first, for the purpose of ensuring that there is a legal understanding of the importance of holistically implementing a performance management system, or cascading it down to all levels of staff, as required by the Municipal Systems Act No: 32 of 2000.

The interviewee indicated that some of the failures that result in staff members at lower levels not even understanding what a performance management system is all about, is the lack of a proper “induction process”. He stated that those in leadership positions always come up with “buzz-words” which are not clearly defined and simplified so that those who have limited knowledge or education can easily understand, e.g. KPI / KPA, etc. He believes that during an induction process each employee should be informed of what is expected of him/her, what are the deliverables, how performance is to be measured, what are the incentives (whether financial or non-financial incentives, etc.) that are to be awarded, when are they to be awarded, etc. and this must all be agreed upon on between the employee and the employer. The deliverables must be clearly defined, SMART and unambiguous.

[Quote: For PMS to work properly, performance management system “gospel” must be preached, not only once a year, or once a quarter, or once a month, but must happen everyday of our lives, and must start from the top. The leadership (both political and administrative) must be exemplary at all times, and must be the “change agents” or the beacons of hope when it comes to this subject]. He emphasized the importance of involving key stakeholders “participatory approach” when dealing with performance issues. The fact that NMBM adopted a “Performance Management Policy” without any buy-in from key stakeholders, more especially the labor federation, was according to the interviewee a disaster on its own, as the question that one continuously asks oneself is “how does one implement something that has not been supported by key stakeholders”. Management must always solicit the views of the unions, as the municipal environment is quite unionized, especially on issues that affect their membership. This will result in improved work relationships, reduce the levels of mistrust between the employer end

employee, and the fear of always thinking about a “hidden agenda” will be minimized.

[Quote: In local government we have started the performance management system implementation in a wrong way around, by only enforcing Section 57 employees and Municipal Managers to be the only ones who are subjected to PMS whilst the other workforce is not legally forced to PMS, and their thirteenth cheque is automatically paid to them, whether they perform or not]. [Quote: What annoyed me most with the PMS applied only to Section 57 employees, is that “spitefulness or grudge” that some employees will demonstrate, as they are always of the view that whatever Section 57 employees are doing is more because of wanting to achieve a high performance bonus]. [Quote: Performance assessment at the NMBM was perceived to be just a “farce” that is just for raising people’s emotions].

The interviewee is strongly of the view that an independent “performance management committee”, which is formed by external or outside specialists or academics who clearly understand matters relating to PMS should be established, so that issues of “subjectivity” can be avoided or reduced. The rules of the game must be clearly defined, upfront, with the “performance management committee”.

The other failure in the way PMS was implemented is that at times people take one issue that is failure, e.g. Audit Qualification, and capitalize on it, as if it is the only deliverable in the performance agreement, and fail to look at the other elements of performance. [Quote: My view is that PMS at this moment in the municipality is nothing but just a “farce”, unfair, and completely subjective. I strongly believe that a performance management system must be institutionalized. In order for the institution to achieve this, leadership must solicit buy in, and promote participatory environment from all key stakeholders. We must start by selling or marketing the concept of performance, performance assessment and performance management in local government in everything we do, for us to win. How can you adopt a Performance Management Policy Framework without soliciting key stakeholders’ support that is disastrous approach].

[Quote: I strongly believe that all stakeholders must be involved, even from “crafting a vision of the municipality”. The leadership must ensure that stakeholders have been part of that vision, and they know exactly what the vision is aiming to achieve. Do not come up with the vision that is out of touch, or does not address reality. *What does it mean to be a “Global a City”, How can you be a Global City, whilst you don’t exist all over the world. A vision must be crafted in a “participatory way. By so doing you will have committed employees, who will have buy-in to any new innovative ideas and will feel like owning any process within the institution].*

The interviewee is of the view that in local government we lack leadership with clear visions (the visionaries), strategic leaders, but instead we specialize in “fighting fires”. [Quote: Performance management must be like Christianity, where one lives, breaths and eat Christianity, not just a peak-hour thing, it must be like a second nature].

The interviewee is of the view that the payment of performance bonus only to Section 57 employees has “stigma” attached to it, as some people are of the view that one has been done a favor, as people are always judgmental (they judge a person, instead of judging the quality of the work delivered). He is of the view that all staff members are employed to perform duties (for which they receive monthly salaries), to the best of their abilities, and performance bonus should not be the issue for as long as equitable or fair remunerations are paid.

He is of the view that performance management system must be used to the benefit of the employee, where areas of training, development or capacitation are identified to the benefit of the employee and to improve performance, not just as a policing tool. He believes that in local government it is too late for the employer to be able to amend conditions of service to make the 13th cheque (bonus) to be performance based, as all employees are now treating it as a right to receive it. He is of the view that maybe introducing an incentive bonus (e.g. some incentives for not being sick for a period of time, innovative ideas, etc.) that must be paid to all employees of the institution, based purely on performance will not be a bad thing to do. However, he strongly believes that

this must be marketed appropriately with all key stakeholders, and the “rules of the game” must be clearly defined and unambiguous.

The interviewee is of the view that performance management system’s implementation in local government or any sphere of government has been retarded by the quality of the workforce occupying positions, probably as a result of the pre-1994 era, where government institutions were used as a “dumping ground” of less qualified employees, and the post-1994 era, where transformation issues had to be addressed, by hiring “people of color” who are either highly qualified with limited experience or vice versa. He emphasized that experience is as important as is education is important, and lastly stated that experience cannot be bought from anywhere (it is a process).

Lastly, he supports the idea of “mentorship” by using experienced guys with the right attitude so that they can guide the younger generation in the sophisticated environment. He believes that there is a correlation between experience and lack of performance, as those employees who cannot perform might be lacking when it comes to experience [Quote: You cannot perform if you don’t know what to do].

ANNEXURE “D”

STATUS OF PERFORMANCE MANAGEMENT IMPLEMENTATION REPORT – PRESENTATION MADE AT CACADU DISTRICT MUNICIPALITY

PERFORMANCE MANAGEMENT SYSTEM
DISTRICT-WIDE PLANNING WORKSHOP

12 JUNE 2007

HELD AT

CACADU DISTRICT MUNICIPALITY

Summary of the PMS Implementation Audit

(a) Development and adoption of PMS Frameworks

- 141 municipalities have developed and adopted PMS frameworks.
- 40 municipalities have not developed and adopted PMS frameworks.

(b) Implementation of PMS Frameworks

- 27 municipalities are fully implementing PMS.
- 56 municipalities are partially implementing PMS.

Summary of the Audit Findings

(c) Performance Objectives and Targets

- 133 municipalities have developed performance objectives and targets.
- 48 municipalities have not developed performance objectives and targets.

(d) Performance Monitoring and Review

- 103 municipalities have established monitoring and review systems.
- 78 municipalities have not established monitoring and review systems.