

The alignment of performance indicators within the Overstrand Local Municipality: Determining the role of management

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KEYWORDS

Performance Management, Performance Management System, Human Resources, Appraisal, Management, Performance Feedback

ABSTRACT

This study investigates the role of managers, especially senior managers, with respect to the alignment of individual and institutional performance indicators in the Overstrand Local Municipality. Service delivery is an important issue for South African municipalities and is directly linked to performance management. In order to achieve institutional goals and improve service delivery, the alignment of individual and institutional performance indicators is vital. The managers' role with respect to alignment is important because they are the driving force behind the institutional performance management system (PMS) in the municipality.

A qualitative research methodology is used in this study and includes a literature study and unstructured interviews. The main objective of this research is to determine the role of management in the alignment of individual and institutional performance indicators in the Overstrand Local Municipality using a municipal scorecard model. The secondary objectives include the formulation of descriptions of the theoretical models and principles of performance management, and the principles and legislative requirements for a comprehensive PMS; determining challenges that managers experience in aligning institutional and individual performance indicators using a municipal scorecard model; and proposing recommendations based on best practice examples towards a management framework that will facilitate the effective alignment of individual and institutional performance indicators.

The findings of the study were that the alignment of performance indicators in the Overstrand Local Municipality is unsuccessful, especially at the lower levels. Theoretically, alignment is possible, but the practical implementation thereof remains a challenge. The negative perceptions, attitudes and behaviours that employees exhibit in relation to performance management, both institutional and individual, also came to the fore. Furthermore, employees do not understand the concept and

importance of institutional performance. This clearly shows a lack of alignment in the municipality and managers have a very important role to fulfil in order to ensure alignment. Additionally, the challenge that managers experience in inculcating a performance culture in the municipality is particularly evident in the manner in which performance planning, communication, leading and monitoring are done.

Various recommendations were made to the Overstrand Local Municipality regarding the alignment of performance indicators through the management functions of planning, organising, leading and control. The implementation of these recommendations will enable the municipality's senior managers to create a positive performance culture, which should be reflected in the manner in which individual performance is managed. Moreover, the recommendations will assist the managers to align individual and institutional performance, positively influence service delivery and ensure organisational responsiveness to community needs.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION AND ORIENTATION

1.1	INTRODUCTION	1
1.2	ORIENTATION AND PROBLEM STATEMENT	1
1.3	RESEARCH OBJECTIVES	9
1.4	RESEARCH QUESTIONS	10
1.5	CENTRAL THEORETICAL STATEMENTS	10
1.6	RESEARCH METHODOLOGY	11
	1.6.1 Approach	11
	1.6.2 Data collection methods	12
	1.6.3 Population	14
	1.6.4 Procedure	15
	1.6.5 Ethical considerations	16
1.7	SIGNIFICANCE OF THE STUDY	16
1.8	CHAPTER LAY-OUT	17
1.9	CONCLUSION	18

CHAPTER TWO: A LITERATURE REVIEW OF INSTITUTIONAL PERFORMANCE MANAGEMENT

2.1	INTRODUCTION	20
2.2	THEORETICAL FRAMEWORK OF THE PERFORMANCE MANAGEMENT SYSTEM	20
2.3	PERFORMANCE MANAGEMENT MODELS	24
	2.3.1 The key performance area model	24
	2.3.2 The balanced scorecard	25
	2.3.3 The municipal scorecard	25
2.4	THE MUNICIPAL SCORECARD	26
	2.4.1 The Institutional Development Perspective	28
	2.4.2 The Service Delivery Perspective	28
	2.4.3 The Municipal Development Perspective	29
	2.4.4 Governance Process Perspective	29

2.4.5	The Financial Management Perspective	29
2.5	MUNICIPAL PLANNING AND PERFORMANCE	31
2.6	PRINCIPLES OF A PMS	32
2.7	ROLE PLAYERS	37
2.7.1	The municipal council	38
2.7.2	The municipal manager	38
2.7.3	Senior management (directors)	39
2.7.4	Employees	40
2.7.5	The community	40
2.8	CONCLUSION	41

CHAPTER THREE: A REVIEW OF ENVIRONMENTAL FACTORS INFLUENCING PERFORMANCE MANAGEMENT

3.1	INTRODUCTION	42
3.2	EXTERNAL ENVIRONMENT	43
3.2.1	Political and Legislative Environment	45
3.2.2	Economic Environment	51
3.2.3	Social / Cultural Environment	54
3.3	INTERNAL ENVIRONMENT	57
3.3.1	Knowledge	58
3.3.2	Attitudes and Perception	61
3.3.3	Behaviour	63
3.4	CONCLUSION	64

CHAPTER FOUR: MANAGEMENT CHALLENGES REGARDING THE ALIGNMENT OF INSTITUTIONAL AND INDIVIDUAL PERFORMANCE INDICATORS WITHIN THE OVERSTRAND LOCAL MUNICIPALITY

4.1	INTRODUCTION	66
4.2	CONCEPTUALISING MANAGEMENT	66
4.3	MANAGEMENT CHALLENGES	69
4.3.1	Planning	69
4.3.2	Organising	75

4.3.3	Leading	78
4.3.4	Control	84
4.4	GENERAL OBSERVATIONS	90
4.5	CONCLUSION	92

CHAPTER FIVE: PROPOSED MANAGEMENT FRAMEWORK FOR THE ALIGNMENT OF PERFORMANCE INDICATORS

5.1	INTRODUCTION	94
5.2	BEST PRACTICE EXAMPLES	94
5.2.1	eThekwini Metropolitan Municipality	95
5.2.2	George Local Municipality	99
5.2.3	Theewaterskloof Local Municipality	104
5.3	PROPOSED MANAGEMENT FRAMEWORK	108
5.3.1	Planning	109
5.3.2	Organising	112
5.3.3	Leading	115
5.3.4	Control	117
5.4	CONCLUSION	119

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1	INTRODUCTION	120
6.2	SUMMARY	120
6.3	RECOMMENDATIONS	123
6.4	CONCLUSION	125

BIBLIOGRAPHY	126
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LIST OF FIGURES

Figure 2.1:	Basic elements of the systems approach	27
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LIST OF ANNEXURES

Annexure 1:	List of interview questions	139
Annexure 2:	Institutional structure of the Overstrand Local Municipality	141
Annexure 3:	Letter of Consent	142

CHAPTER 1: INTRODUCTION AND ORIENTATION

1.1 INTRODUCTION

South African municipalities are plagued by service delivery protests, which place a renewed focus on the ability of municipal management to implement proper performance management systems. Grobler *et al.* (2006:481) state that obtaining better performance has been a consistent theme in all sectors for many years. According to Perry and Wise (1990:367), the past three decades have brought about vast changes in the public sector, especially regarding human resource development and both individual and institutional performance management.

Since the late 1970s, the terms performance measures, indicators, appraisals, value for money and quality have increasingly become part of a new lexicon regarding municipal management (Boland & Fowler, 2000:418). During the 1980s and 1990s, the then government of South Africa initiated the restructuring of public institutions and their management, which led specifically to the introduction of and emphasis on public sector performance measurement.

Chapter one will comprise an orientation to the study, as well as the problem statement. Clarity will be given on the research questions and objectives.

1.2 ORIENTATION AND PROBLEM STATEMENT

Performance management systems that align institutional performance with individual performance are currently encouraged in all South African government departments with a view to improving service delivery nationally in all provinces, districts and local municipalities, and even in local communities. In this regard, the South African Department of Public Service and Administration encourages the monitoring of employees' performance by means of an employee performance management and development system (EPMDS). For local government, Section 67 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (hereinafter referred to as MSA, 2000) regards the monitoring, measurement and evaluation of the performance of employees as a platform to develop human resources and to hold

municipal employees accountable to serve the public efficiently and effectively (South Africa, 2000). However, it is not only the measurement of employee performance that is important, since, as Moorhead and Griffin (2004:200) argue, institutional performance management is a key component of any effective institution. Closely linked to that, Hilliard (1995:24) is of the opinion that performance improvement might be aimed at attaining a synergistic strategy, which will ultimately nurture a culture favourable to service excellence within the institutional sphere.

Increasingly – especially during the last few years – communities that are serviced by a municipality expect services of a high quality and value for the rates and taxes they pay. According to Section 152(1) of the Constitution of the Republic of South Africa, 1996, the objectives of local government include the provision of basic services such as water, electricity and infrastructure in a sustainable manner, the provision of accountable and democratic government with the involvement of local communities, as well as the promotion of local economic development and growth (South Africa, 1996). The objectives of local government necessitate that employees are managed in such a manner as to ensure proper alignment between individual performance goals and municipal service delivery targets.

In order to address the above, Section 25 of the MSA, 2000 stipulates that each municipality must adopt a single, inclusive strategic plan for the development of its area (South Africa, 2000). As indicated by Theron (2007:80), the Integrated Development Plan (IDP) is the management and planning instrument intended to facilitate the development goals and objectives of municipalities. The IDP contains the municipal council's development priorities, strategies and objectives, as well as a financial plan for the municipality (Nealer, 2008:6). Section 46 of the MSA, 2000, stipulates that a municipality must prepare a performance report for each financial year reflecting the performance of the municipality and of each external service provider (South Africa, 2000). Section 38 of the MSA, 2000 prescribes that a municipality must:

- Establish a performance management system (PMS) that is in harmony with its resources, the best fit for its current position and aligned with the priorities, goals, benchmarks and objectives enclosed in the IDP;

- Encourage a culture of good quality service delivery and performance management among its political structures, councillors and administration;
- Manage the affairs of the municipality economically, effectively, efficiently and responsibly;
- Set appropriate key performance indicators (KPIs) and measurable performance targets with regard to the municipality's development priorities and objectives set out in the IDP in consultation with the community;
- Establish mechanisms to monitor, report, measure and review performance in consultation with the community at least once a year;
- Set up appropriate mechanisms to identify underperformance promptly;
- Conduct an internal audit of performance;
- Submit results of performance measurement for audit by the Auditor-General (AG) annually;
- Include a report on performance, as well as the audit report on performance by the AG in the municipality's annual report required in terms of Section 121 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA, 2003) (South Africa, 2003); and
- Publish the annual report for the information of councillors, employees, the public and other spheres of government.

Therefore, performance management is achieved through the development of a PMS that comprises a predetermined set of guidelines for employees employed by an institution that is linked to the achievement of institutional goals and objectives. Placing emphasis on individual performance, Schultz *et al.* (2003:76) define performance management as a systematic process that formally documents the goals and objectives of each employee. A PMS assists employees to understand their responsibility in achieving institutional effectiveness and efficiency by aligning their individual performance indicators to institutional performance indicators.

According to the Public Service Regulations (2001), an employee PMS should have been implemented by all departments with effect from 1 April 2001. Employee performance management is guided by Part VIII, Section A of the Public Service Regulations of 2001, which states that employee performance should be managed in

a consultative, supportive and non-discriminatory manner with the aim of improving efficiency and effectiveness, as well as employee development and alignment with the department's strategic goals. Although the main goal of employee performance management is development, consistently adequate performance and recognition of outstanding performance are also important (South Africa, 2001a). For local government, Section 57 of the MSA, 2000 requires that the municipal manager and heads of department should sign performance agreements with employees. These performance contracts should include performance objectives, targets and timeframes, and standards and procedures to evaluate performance, with the intervals for evaluation being indicated. The performance objectives and targets must also be practical, measurable and based on key performance indicators as set out in the IDP (South Africa, 2000).

From the above it can be argued that the role of management with respect to aligning institutional performance indicators with individual performance agreements is of paramount importance. Against the above-mentioned background of the MSA, 2000, a PMS can therefore be used to improve service delivery, because this is directly related to individual and institutional performance objectives being met and the strategic goals of the IDP being reached. Khoza (1994:6), reflecting on the essence of the role of a PMS in service delivery, states that "[...] improving overall performance in the public sector thus requires innovative managerial practices and more creative approaches to performance management". This study will specifically involve conducting research to determine the nature of these managerial practices in order to propose recommendations for the alignment between institutional and individual performance indicators.

Effective performance management can be obtained by establishing a positive relationship between public sector employees, resources, service delivery and the targets and priorities of the IDP in the public sector (Henry *et al.*, 1997:101). Moreover, the success of any institution depends on the commitment and involvement of its managers (Management Study Guide, 2012). According to the Management Study Guide (2012), managers act as role models for employees, design policies for efficient performance and define the core values of the institution.

It is the managers' responsibility to communicate the mission and values of the institution, define expectations to achieve goals and keep employees informed.

For Hale (2004:3), performance is about doing meaningful work in effective and efficient ways; therefore it could be argued that performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their ability. A shared understanding about what is to be achieved and how it is to be achieved is key to the notion of performance management; this will increase the probability of achieving both individual and institutional success (Armstrong & Murtis, 1998:240).

In addition, performance management is concerned with the total performance of the institution and how the results achieved by individuals and teams contribute to that performance. Harrison (1993:248) rightly claims that "the purpose of performance management is to establish systems and methods that translate the strategic goals of a municipality into individual performance criteria terms". Due to the managerial and measurement nature of performance management, the strategy should be driven by top management. According to the former Department of Provincial and Local Government (DPLG) (South Africa, 2006:14-16) (now Department of Cooperative Governance and Traditional Affairs (COGTA)), performance management is a strategic approach to management that will supply both managers and employees at different levels with the skills and methods to plan, observe, evaluate and appraise the performance of the municipality in terms of indicators, benchmarks and objectives for efficiency and effectiveness.

From the above it is clear that management is responsible for the alignment of institutional performance indicators to individual performance outputs and outcomes. The MSA, 2000, in Chapter 6 thereof, places specific emphasis on performance management through the setting and measurement of performance indicators for the institution as well as its employees. Section 57 (MSA, 2000) makes the employment of the municipal manager and managers directly accountable to him/her subject to separate performance agreements concluded annually before the end of July each year. Section 67 (MSA, 2000) regards the monitoring, measurement and evaluation of the performance of employees as a platform to develop human resources and to

hold municipal employees accountable to serve the public efficiently and effectively (South Africa, 2000).

Section 38 of the MSA, 2000, places the responsibility on the council to implement a PMS, while the executive mayor is held responsible for the development and management thereof. The executive mayor assigns the responsibility for the development and management of the PMS to the municipal manager. However, the council still remains the principal oversight body and will be held accountable for the implementation and execution of the PMS in the municipality (South Africa, 2000).

Local government uses one of three performance models, namely the spreadsheet model, the municipal scorecard and the balanced scorecard. The spreadsheet model is mainly used by under-resourced and rural or semi-rural/urban municipalities. The municipal scorecard model is suggested for semi-resourced and mainly rural, semi-rural/urban or mainly urban municipalities. The most effective application of the balanced scorecard model is in resourced municipalities that are most likely to be urban or semi-urban (South Africa, 2006:75).

In 2003, Statistics South Africa defined a rural area as including commercial farms, small settlements, rural villages and other areas that are further away from towns and cities. Van der Waldt *et al.* (2007:5) define urban areas as a collection of dwellings and other buildings with a sizeable resident population. For an area to be classified as urban, the population has to be between 2 500 and 10 000 people.

Carter *et al.* (2004) explain that resourced municipalities have most of the mandatory financial management systems in place, as well as a resource base that allows for earning surpluses. These municipalities can be found in or near areas of economic growth. Under-resourced municipalities pose grave challenges to government and represent approximately 30% of South Africa's municipalities. These under-resourced municipalities are typically in serious financial trouble, with large debts and in need of constant support from government.

The municipal scorecard is used to assist municipalities to identify best practices, as well as areas for improvement. The municipal scorecard serves as a benchmarking

tool that offers comparative information on the quality of services and the efficiency of the municipality (International Finance Corporation, 2008).

This model (Chris Hani District Municipality, 2011) is useful as it:

- is aligned with the strategic plan and IDP processes of the municipality;
- is relevant to developmental local government;
- provides a balanced view of performance based on the municipal inputs, outputs, outcomes and process;
- provides a simple depiction of municipal performance at all levels; and
- is compliant with the requirements of the MSA, 2000.

The Overstrand Local Municipality uses a municipal scorecard model, which consists of three components (Overstrand Local Municipality, 2008), namely:

- An institutional/municipal scorecard that encompasses the KPIs and targets of all the directorates, including the general KPIs and inter-directorate KPIs and targets;
- The individual scorecards of the directors and, as the system devolves, also the individual scorecards of the departmental/functional managers and other employees in each directorate; and
- Directorate scorecards that are not specific documents but, if need be, could be compiled as a collective of the KPIs and targets of the directors, departmental/functional managers and other employees in each directorate to which the system has been cascaded.

The focus of the research is to investigate the role of the Overstrand Local Municipality management in ensuring the proper alignment between individual and institutional performance management through the use of performance indicators as detailed in a municipal scorecard. The key performance areas of the Overstrand Local Municipality, as listed in the IDP, are as follows (Overstrand Local Municipality, 2011:19):

- improved service delivery;
- infrastructure development;
- financial viability;
- local economic development;
- safety and security; and
- development and the transformation of the institution in terms of skills development, as well as succession planning and performance management, with the aim of capacitating the municipality to meet objectives.

In the 2010 Annual Report of the Overstrand Local Municipality (Overstrand Local Municipality, 2010:28-131), the following general municipal challenges were identified:

- housing backlog and densely populated informal settlements;
- unemployment;
- maintenance of infrastructure assets;
- backlog in infrastructure; and
- sourcing of funds.

Good governance and public participation challenges include inexperienced councillors and ill-functioning ward committees. In the municipal transformation and institutional development area, the reaching of employment equity targets is challenging. The basic service delivery challenges experienced by the municipality consist of the replacement of ageing water pipes, the reduction of water losses, the maintenance of existing tarred roads and the scarcity of skilled employees (Overstrand Local Municipality, 2011:28-131).

The following are challenges with regard to the implementation of the Local Economic Development (LED) strategy (Overstrand Local Municipality, 2010:97):

- a lack of understanding by the public and stakeholders with regard to the LED and the functions of the municipality;
- municipal policies and red tape that put a strain on development;

- a lack of reliable and up-to-date data to make a positive impact;
- difficulties regarding the mobilisation of resources;
- the impact of the national/international economic situation; and
- Overstrand Local Municipality has a strong seasonal economy.

The challenges described above are partly the result of Municipal KPIs not being achieved. As such, the importance of managers aligning institutional performance indicators to individual employee outputs and outcomes becomes imperative. Against the above background, this study will focus on the specific problem of managing the PMS through institutional and individual performance alignment in the Overstrand Local Municipality.

1.3 RESEARCH OBJECTIVES

The main objective of this study is to determine the role of management in aligning individual and institutional performance indicators using a municipal scorecard model in the Overstrand Local Municipality. To achieve the main objectives of the study, the secondary objectives are to:

- Describe the theoretical models and principles of performance management;
- Identify the principles and legislative requirements of a comprehensive PMS as prescribed for municipalities in South Africa;
- Determine the challenges that managers experience in aligning institutional and individual performance indicators through a municipal scorecard model; and
- Propose recommendations, based on best practice examples, for a management framework for the effective alignment between individual and institutional performance indicators, thereby contributing to the body of knowledge regarding municipal scorecards and performance indicators, and to overcome the challenges that will be observed through this study.

1.4 RESEARCH QUESTIONS

To achieve the research objectives stated above, the following research questions will be asked:

- What are the theoretical models and principles of performance management?
- What are the principles and legislative requirements of a comprehensive performance management system as prescribed for municipalities in South Africa?
- What are the challenges for management in terms of aligning institutional and individual performance indicators through a municipal scorecard model?
- What recommendations can be made to address the shortcomings of the current scorecard model for effective alignment between individual and institutional performance indicators?

1.5 CENTRAL THEORETICAL STATEMENTS

The following preliminary statements will serve as the basis for the study:

- A good performance management system improves institutional performance and this depends on whether it is implemented comprehensively and remains focused on institutional results (Chingos, 1997; Noe *et al.*, 2000:46; Schultz *et al.*, 2003:76; Moorhead & Griffin, 2004:195).
- A flexible performance management system that upholds the principle of law, equity and public interest improves public sector administration and promotes good governance (Mukono, 2009:1).
- High performance institutions need managers with an understanding of how to use and improve the PMS. A good PMS should aim to increase performance and align all levels of the institution in order to achieve its objectives. Furthermore, a critical focus on an institution's performance management should affect the overall success of the institution (Cole, 2011:2).

1.6 RESEARCH METHODOLOGY

A literature study and unstructured interviews (See *Annexure 1*) will be utilised to determine the role of management in the alignment of institutional and individual performance indicators through the municipal scorecard implemented by the Overstrand Local Municipality. Two main research procedures will be used for this study in order to determine the extent to which management aligns institutional performance indicators with individual employee performance. Firstly, the available literature on the subject will be utilised, and secondly, through the survey procedure, unstructured interviews with the relevant persons within the municipality will be conducted. The data collected using these methods will assist in answering the aforementioned research questions.

1.6.1 Approach

The research approach is a qualitative one involving the analysis of a case study, namely the Overstrand Local Municipality. A qualitative approach is appropriate to gather information within smaller groups. Qualitative research offers the researcher the opportunity to understand and explain the phenomena investigated without any predetermined boundaries (Strauss & Corbin, 1990; *cf.* Krefting, 1991; Henning, 2005:3). The data collection methods to be used in this qualitative research setting will be a literature review and unstructured interviews.

Qualitative research has distinctive strengths, such as the opportunity to study behaviour or attitudes, as well as being flexible and relatively inexpensive (Babbie, 2008:343). These strengths will be valuable in the local government setting, as the interview schedule is adaptable. The unstructured interviews will also offer the interviewees the opportunity to elaborate on questions. This will provide the researcher with in-depth information.

Sarantakos (2005:45) points out that qualitative research also has some limitations. In general, this kind of research is normally based on small samples and does not produce fully representative results, so critics question the objectivity of this approach. The concepts of validity and reliability might also be tentative. In this study,

a single case study is researched, which might be small in respect of the total number of municipalities in South Africa, but since qualitative research attempts to create an in-depth understanding of a social phenomenon (in this case alignment of individual and institutional performance management indicators within a single municipality), care will be taken to include a large sample of the research population in the study (the Overstrand Local Municipality), including senior management. As an independent researcher in an unfamiliar research setting, the objectivity of the study will not be influenced.

According to Cronjé and Chenga (2007:213), trustworthiness in qualitative research can be increased by the following elements:

- truth value (confidence in the truth of the findings and the context within which the study was undertaken);
- applicability (the degree to which the findings can be applied to other contexts and settings, or to other groups);
- consistency (whether the findings would be consistent if the inquiry was replicated with the same subjects or within a similar context); and
- neutrality (the degree to which the findings are a function solely of the informants and conditions of research, and not of other biases).

The study accepts the truth value of the Overstrand Local Municipality as a legally established institution in the municipal sphere of government. The findings of the research will be applicable to the performance management field and can be used by other institutions as a guideline. Neutrality will be promoted by ensuring that the study reflects only the information obtained through the implementation of the research instruments.

1.6.2 Data collection methods

Data gathering will be done, firstly, by consulting various books and articles, as well as relevant legislation. The PMS document and other relevant policies of the Overstrand Local Municipality will be examined. The following databases will be

consulted to ascertain the availability of study material for the purpose of this research:

- Catalogue of theses and dissertations of South African Universities;
- Catalogue of books: Ferdinand Postma Library (North-West University);
- NRF: Nexus;
- Index to South African Periodicals (ISAP); and
- EBSCO academic Search Elite.

Secondly, unstructured interviews will form part of the data collection methods. Unstructured interviews typically refer to a series of questions asked by the interviewer, of which the sequence of questions can be changed and further questions can be asked in response to significant replies (Bryman, 2004:113). When conducting unstructured interviews, the researcher will use a list of basic questions that will enable him/her to probe and explore more deeply by offering the interviewees the opportunity to elaborate on their answers. This will enable the researcher to gather more in-depth information than would have been forthcoming from the set questions alone (Wagner *et al.*, 2012:134).

The advantages of the unstructured interview include the following (Bless *et al.*, 2006:119):

- There is a positive rapport between the interviewer and the interviewee. This is a simple, efficient and practical way of gathering data about things that cannot otherwise be easily be observed, for example feelings and emotions;
- The unstructured interview has a high validity. Interviewees can talk in detail and in depth. The meanings behind an action might be revealed as the interviewee is able to speak for him-/herself with little direction from the interviewer;
- Complex questions and issues can be discussed and clarified, as the interviewer can probe areas suggested by the interviewees' answers, thereby picking up information that had either not occurred to the interviewer or of which the interviewer had no prior knowledge;

- With few pre-set questions, the interviewer is not pre-judging what is and is not important information; and
- The interview can be easily recorded.

The limitations of the unstructured interview include the following (*cf.* Wisker, 2001:168-176; Bless *et al.*, 2006:119):

- The success of the interview depends on the skill of the interviewer, the ability to think of questions during the interview and the articulacy of the interviewee;
- The interviewer might give out unconscious signals or cues that guide interviewees to give answers expected by interviewer;
- Interviews are time consuming;
- It is difficult to exactly repeat a focused interview, so interviewees might be asked different questions (non-standardised);
- The depth of qualitative information might be difficult to analyse, for example deciding what is relevant and what is not relevant;
- The personal nature of the interview might make findings difficult to generalise as the interviewees might effectively be answering different questions; and
- The researcher has no real way of knowing if the interviewee is lying.

Therefore, the researcher should be skilled enough to ask follow-up questions and must be objective at all times during the interview. The researcher should allow ample time to conduct the interviews. As far as possible, the interview questions should be kept similar in all the interviews, while the findings should reflect the honest answers provided by interviewees.

1.6.3 Population

The Overstrand Local Municipality is located on the south western coastline of the Overberg District Municipal area bordering the City of Cape Town in the west and Cape Agulhas Local Municipality in the east. The municipality covers a land area of

approximately 2 125km², with a population of 74 543 people in 2007 and currently estimated at 87 000. The municipal area includes Hangklip/Kleinmond, Greater Hermanus, Stanford and Greater Gansbaai. Tourism is a major economic driver in the area and its popularity as a holiday destination results in a fourfold increase of its population over the holiday season (Overstrand Local Municipality, 2011:7).

Unstructured interviews will be conducted with selected employees within the Overstrand Local Municipality. The municipal manager and the six directors from each directorate were identified for these interviews and selected because of their responsibility with regard to the challenges identified in the Annual Report of the Overstrand Local Municipality (2010:28-131). The seven senior managers will include the municipal manager; director: community services; director: finance; director: infrastructure and planning; director: local economic development; director: management services; and director: protection services. See *Annexure 2* for the institutional structure of the Overstrand Local Municipality.

These managers were selected by making use of purposive sampling, also referred to as judgement sampling. When using purposive sampling, the researcher uses his/her own experience or ingenuity to select the appropriate interviewees for the research (Wagner *et al.*, 2012:93). The sampling technique is appropriate since it allowed the researcher to select interviewees based on their managerial responsibilities and experiences in facilitating the alignment between individual and institutional performance management indicators.

1.6.4 Procedure

To summarise the research design, the following procedure will be followed:

- A literature study will be undertaken to determine the role of management in ensuring the alignment between institutional and individual performance management and the implementation thereof;
- Unstructured interviews will be held with selected interviewees to determine their perceptions regarding their role in the implementation of the municipal scorecard;

- All captured data will be analysed in an appropriate, scientific manner (qualitative data in a thematic way), taking the research objectives into account; and
- Recommendations will be made pertaining to the role of managers regarding aligning institutional performance indicators to individual performance output.

1.6.5 Ethical considerations

The North-West University (NWU) considers research ethics to be a high priority. The Research Ethics Committee of the NWU was developed in order to serve as the guardian of ethical considerations in research. This process will safeguard the ethical manner in which the proposed research will be conducted. The following ethical considerations will always be kept in mind while conducting the research:

- Voluntary participation (no interviewee will be forced to take part in the research and interviewees will be free to withdraw from the research at any point). Interviewees will be briefed at the beginning of the interview on this matter;
- No harm to interviewees (the researcher will ensure that no physical or psychological harm will be inflicted on the interviewees as a result of the study). The interviews conducted will be of a high ethical standard as prescribed by the North-West University; and
- Not deceiving the subjects (interviewees will be informed about the aim, the purpose and the procedures of the study and will not be deceived in any way).

A letter of consent will be used as a means of introduction and as a way to obtain written consent from the interviewees to participate in the study (*See Annexure 3*).

1.7 SIGNIFICANCE OF THE STUDY

Service delivery is a relevant and contentious issue in South African municipalities, which places a renewed focus on the ability of management to implement a proper

PMS that aligns institutional and individual performance indicators. While the IDP sets out the goals of a municipality, the PMS provides the framework for managing, measuring and evaluating the extent to which these goals are achieved. Performance management is used as a tool to manage the performance of employees, as well as to ensure the proper alignment between individual and institutional performance indicators. The study will contribute to an increased understanding of how the current municipal scorecard model could be used to enhance alignment and service delivery in the Overstrand Local Municipality.

Because of the relevance of performance management and service delivery in the South African government, enough information is available for addressing these topics. The municipal scorecard model used by the Overstrand Local Municipality is a very popular model and there is therefore ample literature available on the topic. However, this study will probe more deeply into this broad research field. Although these are popular research topics, this study will combine these subjects, with a focus on the responsibility of managers in aligning performance indicators within the Overstrand Local Municipality, as well as the role of senior management therein. The study will recommend a best practice framework for the successful implementation of the municipal scorecard model by the Overstrand Local Municipality and how to overcome the challenges that will be observed through this study.

1.8 CHAPTER LAY-OUT

Chapter one comprises a general orientation as to the locus and focus of the study, and highlights the problem statement, which is to determine the role of management in ensuring alignment between individual and institutional performance indicators through the use of the Overstrand Local Municipality's municipal current scorecard model. The associated research questions and objectives are listed. The research methodology, design, instruments and population are described and the chapter concludes by highlighting the significance of the study.

Chapter two consists of a literature review of institutional performance management, the theory regarding a PMS and the role of management in ensuring appropriate alignment between individual and institutional performance management. An analysis

of the various PMS models is provided, wherein the role of management receives specific attention.

In **chapter three**, the focus will be on environmental factors influencing performance management. The chapter further contains a description of the external and internal environment supporting the implementation of a PMS in the Overstrand Local Municipality, as well as the implementation of the municipal scorecard model, with specific emphasis on municipality's and management's role in ensuring alignment between institutional and individual performance management.

Chapter four comprises the findings of the investigation into the management challenges regarding the alignment of institutional and individual performance indicators within the Overstrand Local Municipality. The PMS used by the Overstrand Local Municipality, the system that is in use and the appropriateness thereof will also be described. The current situation is compared with legislation and theory, with an emphasis on identifying managerial challenges in ensuring alignment between institutional performance indicators and individual performance output. Through data obtained during interviews, the position of the Overstrand Local Municipality is noted, as well as the challenges observed in the course of this research.

In **chapter five**, recommendations will be made regarding a best practice framework for the successful implementation of the municipal scorecard model by the Overstrand Local Municipality and how to overcome the challenges that are observed in this study.

Chapter six provides recommendations emanating from the research and draws conclusions from the study.

1.9 CONCLUSION

In chapter one an introduction and orientation is given and the problem statement is determined. Furthermore, the research questions and research objectives are stated. Incorporated in this chapter is a description of the research methodology, as well as

the significance of the study. The chapter concludes by giving an outline of the chapters to follow.

The next chapter will provide a literature review of institutional performance management. Chapter two will also address the theoretical framework of the PMS and the various performance management models, with specific focus on the municipal scorecard. The chapter concludes by reviewing the role players involved in the development and implementation of the PMS.

CHAPTER TWO: A LITERATURE REVIEW OF INSTITUTIONAL PERFORMANCE MANAGEMENT

2.1 INTRODUCTION

Chapter two consists of a theoretical analysis of the PMS and an analysis of the various PMS models. These models include the key performance area model, municipal scorecard and the balanced scorecard. An outline of the theory and principles, processes, role players and general challenges of a PMS are described.

A PMS is a critical process designed to monitor the implementation of plans, and to ensure that scarce resources are utilised efficiently and that citizens receive the agreed quantity and quality of services. Therefore it is important to explore and understand the published literature on PMS and how it specifically relates to the role of management in ensuring the alignment of performance indicators within municipalities. In the next section a theoretical discussion of the PMS will be provided. Additional insights are provided by the following interviewees, namely Arrison (2013); Bartman (2013); Groenewald (2013); Madikane (2013); Michaels (2013); Müller (2013); and Reyneke-Naude (2013).

2.2 THEORETICAL FRAMEWORK OF THE PERFORMANCE MANAGEMENT SYSTEM

In chapter one, various definitions of performance management were given. In summary, performance management is defined as a system that incorporates the formal documentation outlining institutional and individual goals and objectives, and which promotes working effective and efficiently in an environment so that people can perform to the best of their ability. Madikane (2013) defines performance management as the delivery of your specific mandate, and the efficiency and accountability of employees. He believes that managers exercise their management function by ensuring that all employees are aware of the set goals and the plan that maps out how these goals are to be achieved. Groenewald (2013) agrees with this, and also emphasises the importance of measuring outputs – not necessarily the volume of outputs, but rather the fulfilment of the set goals. Arrison (2013), on the

other hand, defines performance management as the measurement and monitoring of inputs and results, while Müller (2013), states that the emphasis should rather be on the innovation of employees, which cannot be measured. Bartman (2013) sees performance management as the measurement of the predetermined outputs that are expected from an employee. For Reyneke-Naude (2013), performance management is a system put in place to ensure that the outputs of employees are measured in a uniform and systematic way. Thus, in this way, individual and institutional success can be achieved. The total performance of the institution is achieved by the contributions of employees (Harrison, 1993:248; Armstrong & Murtis, 1998:240; Schultz *et al.*, 2003:76; Hale, 2004:3).

Regarding the importance of individual and institutional performance management, Groenewald (2013) is of the opinion that both are equally important, as institutional performance cannot be measured without measuring individual performance. The performance of individual employees ensures that the institution will perform well. While Müller (2013) and Madikane (2013) state that the performance management of individual and institutional performance are integrated and complementary, Michaels (2013) and Arrison (2013) see individual performance management as the central aspect of institutional performance management. The inputs of individual employees determine the output of the institution but, at the same time, individual and institutional performance management should be merged to reach the goals of local government. For Bartman (2013) institutional performance management is more significant; as the institution is made up of individual employees who must all work in the same direction toward achieving the institutional goals, the institution plays the leading role. In this regard, Reyneke-Naude (2013) states that individual and institutional performance management is equal in that long-term goals cannot be achieved if one is set above the other. There should be a clearly defined bigger focus for all employees, as outstanding individual performance has no purpose if it is not part of institutional performance.

The meaning of performance management is theoretically defined above and supported by the views of senior managers of the Overstrand Local Municipality. In order to comprehend the theoretical framework of a PMS, it is important to understand the definition of a theory. A theory assists researchers to make sense of

observations and to provide a logical account of how observations relate to one another. Theory informs the researcher of observations that might otherwise be ignored. Theories help researchers to pose challenging questions and find explanations for certain evidence (Du Toit, *et al.*, 2002:410). In order to understand the theoretical framework of a PMS, as well as the development and implementation thereof, it is vital to recognise the meaning of a theory in general.

Developing a PMS for a municipality implies that the relevant legislation must be analysed to determine what the government's policy on performance management is. In a municipal context, a PMS defines and represents how a municipality's processes of performance planning, measurement, review, reporting and improvement will be directed, organised and managed, including the roles and duties of the different role players, such as management (Fourie & Opperman, 2007:256).

There are various definitions for PMS, but for Kanyane and Mabelane (2009:60) it is an integrated system to measure the performance of an institution and that of its employees. The PMS should communicate the link between an institution's mission and strategic direction, and the employees' required performance. A PMS is defined by the Performance Management Framework of the George Local Municipality (2008:3) as a framework that describes how performance management will be addressed and implemented in the institution. Section 26(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006, specifies that the purpose of a PMS is to provide a complete and inclusive system with specific performance standards to support the employer, management and municipal employees to perform according to the prerequisite standards (South Africa, 2006).

In order to determine the role of management in the alignment of performance indicators, it is important to understand the meaning of performance targets and indicators, as well as their importance in the municipal setting. According to the MSA, 2000, part of performance planning, measurement and review is the setting of performance targets and indicators (South Africa, 2000:17). The Performance Management Guidelines for Municipalities, (South Africa, 2001b:18) states that indicators are measurements that indicate whether progress is being made in

reaching goals. Kearney and Bergman (1999:177) argue that a performance target is an instrument for measuring the achievements of an institution in terms of achieving its institutional goals. Van der Waldt (2004:53) defines a performance indicator as a measure that describes how well an institution is reaching its objectives.

According to Midwinter (1994:37) performance indicators are important to municipalities in determining performance and the alertness of a municipality to meet local needs. Minnaar (2010:68) emphasises that KPIs are quantifiable measurements, agreed to in advance, that reflect the critical success factors of an institution.

There are various types of indicators such as (South Africa, 2001b:19-22):

- input indicators that measure resources;
- output indicators that measure activities or processes;
- outcome indicators that measure impact;
- cost, input, output and outcome indicators, which are sets of different indicators relating to the ingredients, products and effects of institutional processes; the measurement of costs, inputs, process, outputs and outcomes are valuable in developmental local government;
- composite indicators that measure several indicators together to indicate overall performance, simplifying a long list of indicators and identifying the complex relationship between them into one index; and
- baseline indicators, which show the *status quo* or the current situation.

Numerous types of indicators exist to assist institutions in measuring their individual and institutional performance in order to determine whether goals were reached successfully. This implies that managers need to understand the nature of institutional performance indicators if they are to properly align them to individual employee performance. In the next section the theoretical models and principles contained in a PMS will be explored.

2.3 PERFORMANCE MANAGEMENT MODELS

According to Burke (2002:176), a model can be defined as a “standard to emulate, to imitate, or with which to compare”. A model is also defined as “a schematic description of a system, theory, or phenomenon that accounts for its known or inferred properties and may be used for further study of its characteristics” (The Free Dictionary by Farlex, 2013). Thus prescriptive standards against which, for instance, performance is measured, are inherent to a model.

Furthermore, a performance management model is defined by the Research Triangle Institute (2006:22) as a collection of indicators in which the types of indicators are grouped into logical categories. This enhances the ability of an institution to manage and analyse its own performance. Performance models are used for their simplicity, and a good model will align employee and institutional performance management to the strategic planning processes of the municipality.

Municipalities can choose from three performance management models, which will now be introduced. These models are used mainly by local and district municipalities. A broad overview will be given of these models, with specific emphasis on the municipal scorecard model, as it is used by the Overstrand Local Municipality.

2.3.1 The key performance area model

This model links national performance indicators with municipal performance indicators. This model is easy to apply since all the indicators are grouped together under the national key performance areas (KPA's), as set out in Chapter 6 of the MSA, 2000. The national KPA's are compiled for local government by the Presidency, in consultation with the members of the provincial executive councils (MECs), and can be applied to local government generally. The five national KPA's include basic service delivery; LED; good governance and public participation; municipal institutional development and transformation; and municipal financial viability and management (eThekweni Metropolitan Municipality, 2013:14). This enables the municipality to assess its performance in the national sphere as well as in its own, local sphere (Research Triangle Institute, 2006:22).

2.3.2 The balanced scorecard

The balanced scorecard is a set of measures that gives public managers a quick and comprehensive view of the institution's performance, and includes process and results measures (Van der Waldt, 2004:187). The balanced scorecard includes five principles to ensure a strategy-focused institution. The institution should (Kaplan & Norton, 2001:147-156):

- Translate strategy into operational terms in order for all employees to understand the strategy of the institution;
- Align the institution to its strategy, meaning that departments cannot function in isolation and individual strategies must be linked to create synergy;
- Make strategy every employee's everyday job by ensuring that all employees know the planned strategy and work towards its success every day;
- Make strategy a continual process, by continually discussing and managing strategy; and
- Mobilise leadership for change by management taking ownership of the strategy and being actively involved.

The focus of the balanced scorecard is based on four indicators, namely the customer perspective, internal business processes, learning and growth, and financials to monitor progress towards the institution's strategic goals. The balanced scorecard can also be effectively used in combination with the municipal scorecard (Van der Waldt, 2004:187).

2.3.3 The municipal scorecard

The municipal scorecard is based on a systems approach whereby the cause-and-effect relationship assumes that a municipality's inputs will be used to achieve certain outputs, which would then lead to certain outcomes being met (Buffalo City Metropolitan, 2011).

For the purposes of this study, only the municipal scorecard will be discussed in detail in the next section, as the Overstrand Local Municipality makes use of this model.

2.4 THE MUNICIPAL SCORECARD

The municipal scorecard is based on a systems approach, whereby the inputs of the municipality are used to achieve certain outputs, which leads to the planned outcomes and goals being met. By using the systems approach, the former DPLG developed the municipal scorecard (Research Triangle Institute, 2006:23).

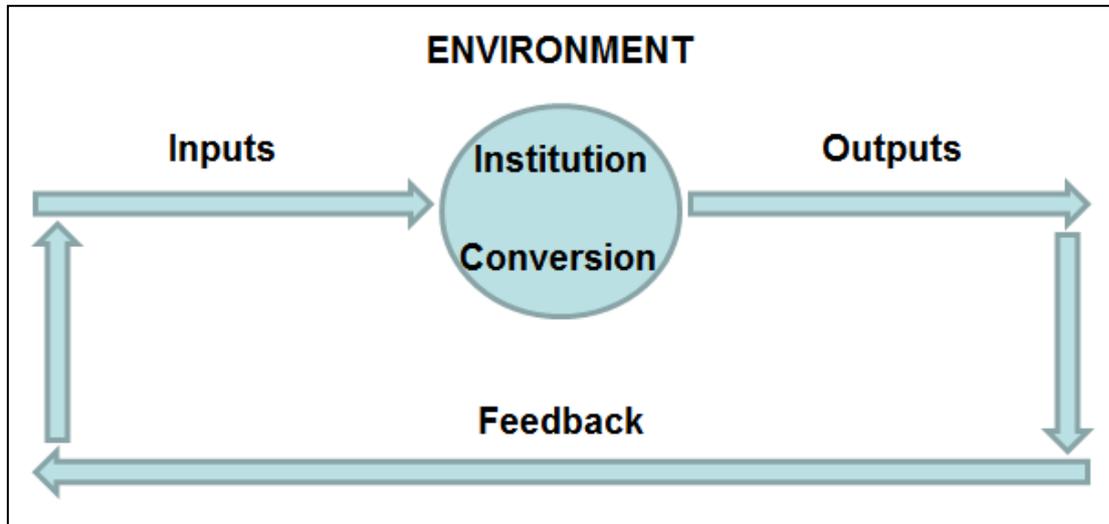
The systems approach was developed in the 1950s and views the institution as a group of different parts that should remain in balance at all times. The actions of each part influence the others (Smit *et al.*, 2007:38). The systems approach gives a holistic and comprehensive view of the system in an environment. In the systems approach different ideas and concepts can be integrated (Van der Waldt & Du Toit, 1999:95).

In the systems approach, Van der Waldt and Du Toit (1999:64) see the institution as an open system, consisting of interdependent subsystems that function as a unit. The institution consists of its own subsystems, such as departments, but also functions as a subsystem of the environment in which it is located. The institution is an open system that works together with its environment, receiving inputs from the environment. These inputs are converted into outputs and returned into the environment, as seen in *Figure 2.1*.

When the systems approach is applied to local government, the municipality is identified as an open system, consisting of different departments, such as the department of finance and the department of human resources, as its subsystems. In this scenario the community forms the environment and its needs, which are communicated to local government, form the inputs in the systems approach. In a case in which the community's needs require a new policy in order for its needs to be met, these needs are then debated by government. These needs are converted into outputs by the establishment of a new policy. The new policy serves as the output. The institution receives feedback from the environment (community) in the form of

the results and consequences of the policy. The open system (institution) is dependent on its environment for survival and at the same time the environment is equally dependent on the open system (Van der Waldt & Du Toit, 1999:65).

Figure 2.1: Basic elements of the systems approach



Source: Adapted from Van der Waldt and Du Toit (1999:64)

The municipal scorecard model is used as a logical and visual method to present performance management information at institutional and individual levels. A municipal scorecard must be aligned to the strategic plan and the IDP of the municipality, and directly relevant to objectives of developmental local government. The municipal scorecard should provide a balanced view of performance, such as inputs, outputs, outcomes and process, and thus represents municipal performance (Buffalo City Metropolitan, 2011:23).

By adapting a balanced scorecard, a municipal scorecard is developed for measuring the relevant KPAs regarding municipal service delivery and the public sector. The municipal scorecard model groups together indicators (costs, inputs, outputs, outcomes and process) into categories, namely "perspectives", which constitute the five-year local government strategic agenda KPAs to manage performance. The five-year local government strategic agenda is a government programme that was approved by the Cabinet in 2006. This strategic agenda is aimed at consolidating government resources between the three spheres of government, as well as focusing on improving service delivery by local government (South Africa, s.a.).

A municipality is required to align its strategic planning with these five KPAs (infrastructure and services, social and economic development, institutional transformation, democracy and governance, and financial management), which are relevant to every functional area of the municipality. In the municipal scorecard model, all indicators are grouped together, and it measures performance against five “perspectives”, which will now be introduced (Dr JS Moroka Local Municipality, 2008:9-11):

2.4.1 The Institutional Development Perspective

In this perspective all the input indicators are grouped together and should tell the municipality how well it is performing with respect to the management of its financial resources, human resources, information resources and institutional infrastructure. The input indicators measure the cost, resources and time used to produce an output (Craythorne, 2006:122). Craythorne (2006:122) also describes this perspective as important with regard to the use of various resources within the municipality, which links to the various aspects of accountability, effectiveness and efficiency in the municipality. Therefore, these aspects have a huge impact on the performance, as well as predetermined outputs and outcomes, of the municipality.

2.4.2 The Service Delivery Perspective

This perspective should provide an indication to a municipality of how it is performing in respect of the delivery of services and products. In this perspective all the output indicators are grouped together and this relates to the service delivery outputs of the municipality as a whole. The output indicators measure the results of a programme implemented by the municipality, which include the results of activities, processes and strategies (Craythorne, 2006:122). From the above it could be argued that the performance of municipalities in service delivery and in reaching their objectives are important aspects, as the municipality is providing a service to its clients, the public. Therefore managers should make use of performance indicators to ensure that the set institutional objectives are reached by employees achieving their individual objectives.

2.4.3 The Municipal Development Perspective

According to Craythorne (2006:122), the Municipal Development Perspective establishes the development priorities for the municipal area and the indicators should show whether the desired development outcomes were achieved. The municipality will assess whether the development indicators of social and economic development were achieved. In this perspective all the outcome indicators are grouped together. Outcome indicators are defined as the measurement of the quality or impact of achieving a specific objective (Craythorne, 2006:122). If managers align the individual and institutional indicators, the development indicators of this Perspective will be realised.

2.4.4 Governance Process Perspective

The Governance Process Perspective indicates to a municipality how it is performing with respect to its engagement and relationship with its stakeholders in the process of governance. Du Toit, *et al.* (2002:64) define governance as the actions undertaken to better the welfare of a society through the delivery of services. Governance can further mean the linking between local, provincial and national government and the public (Du Toit, *et al.*, 2002:64). In this perspective, indicators dealing with public participation, citizen satisfaction and access to information are included. In order to be accountable and transparent, the public needs to have access to the relevant information of the municipality and be included in the decision-making process through public participation (Craythorne, 2006:122). When the institutional and individual objectives are aligned and met by the municipality, this will have a positive impact on service delivery, performance, and therefore the satisfaction of the community.

2.4.5 The Financial Management Perspective

This perspective focuses on the cost indicator and should measure the performance of the municipality in terms of its financial management (Craythorne, 2006:122). The clear guidelines on financial management in the MFMA, 2003 enable municipalities to perform satisfactorily in this regard. The alignment of the individual and institutional

performance indicators of the municipality will assist in this regard by ensuring that financial resources are used responsibly at all levels in working towards the common goals of the municipality.

From the above five perspectives it is clear that the municipal scorecard provides a balanced overview of all aspects of the performance of South African municipalities. The municipal scorecard has the following advantages for the municipality (Research Triangle Institute, 2006:27):

- The municipal scorecard model is based on the principles of the balanced scorecard model, which is highly acclaimed and widely used across the world;
- The municipal scorecard was specifically developed for South African local governments;
- Municipalities in South Africa have to work with local communities and citizens to find sustainable ways to meet the needs of communities. As the municipal scorecard was designed specifically for South African local governments, it is ideal for use in local communities;
- The municipal scorecard complies with the requirements of a PMS as prescribed in Chapter 6 of the MSA, 2000;
- The five key perspectives of the municipal scorecard are based on inputs, outputs and outcomes and are directly in line with Chapter 6 of the MSA, 2000; and
- The municipal scorecard model enables indicators to flow from institutional to individual level.

The above advantages indicate that the municipal scorecard model has many positive attributes, as it was designed specifically for South African municipalities and complies with the requirements of South African legislation. In this regard, the municipal scorecard can be of assistance in the alignment of individual and institutional performance indicators in order to achieve municipal goals.

The possible disadvantages of the municipal scorecard model include the following (Research Triangle Institute, 2006:27):

- The municipal scorecard model is based primarily on the type of indicator, rather than institutional processes. Some indicators might differ from the institutional processes and might therefore be difficult to measure.

Although the municipal scorecard model has some possible disadvantages, it is outweighed by the overwhelming positive aspects. Still, these possible disadvantages should be kept in mind during the process of both individual and institutional performance measurement. As managers play an important role in the management and evaluation of performance, as well as the alignment of performance indicators, all the possible disadvantages of this particular model should be anticipated. In the next section, municipal planning and performance will be described, including the PMS and its place within the IDP and Service Delivery and Budget Implementation Plan (SDBIP) of municipalities.

2.5 MUNICIPAL PLANNING AND PERFORMANCE

Although the development of the PMS is a separate process, it is strongly linked to the preparation and development phases of the IDP. Integrated development planning is important as it involves the municipality and the community in the planning and achievement of development in the long term (Education and Training Unit, 2014). The continuous development of the PMS involves identifying similarities to and is used as a link between the IDP, performance measurement and performance management. The IDP process and the performance management process are integrated processes. The IDP fulfils the planning stage of performance management, while performance management fulfils the implementation management, monitoring and evaluation stages of the IDP process (Cape Winelands District Municipality, 2009:5).

According to Pauw *et al.* (2009:286), once the process of development and approval of the IDP has been completed, an SDBIP must be developed based on the strategic direction provided by the IDP. In this regard, Van der Waldt (2004:322) emphasises

that the indicators and targets in the SDBIP should be similar to those of the IDP of the municipality. The SDBIP can be defined as the operational plan of the municipality and gives effect to the municipal IDP and budget (National Treasury, 2005:1). The SDBIP assists municipalities to divide the broad objectives of the IDP into service delivery targets for the departmental senior managers. In order to fully align individual and institutional performance indicators, it is important to integrate the development of the PMS with the IDP and SDBIP. This will direct employees to perform tasks that fit into the bigger picture and goals of the institution.

Pauw *et al.* (2009:287) further argue that the basis for measuring the actual performance in service delivery against predetermined performance indicators, indicate the responsibilities and outputs of each senior manager, inputs required, and time deadlines for each output. The PMS evolves from the SDBIP of the municipality. The SDBIP is a management, implementation and monitoring tool that enables the monitoring of performance (National Treasury, 2005).

From the above it is clear that senior managers at South African municipalities are measured against predetermined performance indicators. The senior managers are made aware of service delivery targets through the IDP and SDBIP. The only way to achieve these targets is to align the individual and institutional performance indicators within the municipality. The discussion that follows will focus on the principles of a PMS in the municipal environment.

2.6 PRINCIPLES OF A PMS

Levin (2005:3) argues that principles are the unchanging, non-negotiable values that underlie a system. Fox and Meyer (1995:101) explain that principles refer to the existence of formal, written procedures, generally not open to public scrutiny, which prescribe specific courses of action to be taken in specific situations and which public managers must follow without regard to personal preferences or special interests. This means that the success of a system is reinforced by certain values and procedures.

Fourie and Opperman (2007:256) advise that in developing a PMS, a municipality should:

- comply with all the requirements set out in applicable legislation;
- demonstrate how the system is going to operate and how it will be managed, from the planning stage up to performance review and reporting;
- outline the roles and responsibilities of each role player in the functioning of the system, including the local community (in the form of ward committees);
- clarify the implementation process of the system within the framework of the IDP process;
- provide the procedure by which the system is linked to the municipality's IDP processes;
- determine the frequency of reporting and the persons accountable for performance; and
- indicate how the system relates to the municipality's employee performance management processes.

From the above it can be deduced that the municipality should adhere to legislation regarding the development and implementation of its PMS, and link it to the IDP of the municipality. This means that clear plans regarding the operation, responsibilities, implementation process and reporting of the system should be done in the development stage. Moreover, in order to set individual and institutional performance indicators, a properly developed PMS should be implemented by the municipality.

Generally speaking, a culture of performance management should be adopted by the municipality's politicians and within its administration. The municipality's management has a vital role to play in ensuring that human resource strategies support the goals of the institution by providing a basis for evaluating and improving individual and institutional performance against predetermined strategies and objectives (Van der Waldt & Knipe, 2001:89). According to the Performance Management Policy of the Theewaterskloof Local Municipality (2011:12), the PMS is developed to be acceptable to political role players on all levels and flexible enough to be accepted by the municipal council. The process will involve councillors and officials, but the

everyday management of the process will be done administratively, with regular progress reports to the political level. Fourie and Opperman (2007:256) suggest that the above could be facilitated by establishing a process of regular reporting to the council, other political structures, political office bearers, municipal employees, the community and the appropriate organs of the state.

The PMS of a municipality ought to link the performance of the municipality to community needs. The justification for developing and implementing a PMS within a municipality is driven largely by the legislative requirements. However, performance management should not only be driven by compliance, but also by broader social and political developments, for example an increasing demand from citizens for greater transparency and accountability regarding resource utilisation and service delivery (South Africa, 2000:39). The development and implementation of a PMS should be inclusive, transparent and open. The general public should be aware of how the municipality is administered, how public resources are spent and which people are responsible for certain tasks. In terms of the Constitution of the Republic of South Africa, 1996 and the MSA, 2000, public participation should be encouraged by the municipality during the development and implementation of the PMS. The implementation framework specifies the time, type of involvement and responsibilities in terms of public participation (Theewaterskloof Local Municipality, 2011:12). The condition for adopting any new system is whether the benefits of using such a system outweigh the implementation costs (Smith, 1990:70).

The Performance Management Policy of the Theewaterskloof Local Municipality (2011:12) and Fourie and Opperman (2007:256), argue that a municipality should set suitable KPIs as a measure for performance, including outcomes and impact with regard to the municipality's development priorities and objectives, as set out in its IDP. The PMS of the municipality should be developed to serve as an early warning system for underperformance. Performance management is a constant communication process that involves the performance manager and the employee. Essential job functions should be identified, describing and relating them to the mission and goals of the institution, developing realistic and suitable performance standards, giving and receiving feedback on performance, writing and communicating constructive performance appraisals, and planning education and

development opportunities to sustain, improve or build on employee performance. Harrison (1993:248) argues that performance management provides an opportunity for the employee and the manager to discuss development goals and together create a plan for achieving those goals.

In turn, the municipality should set measurable institutional performance targets with regard to each of the development priorities and objectives and monitor, measure and review its performance against the set KPIs and targets identified for each of its development priorities. Thereafter, the municipality should improve performance where targets are not met (Fourie & Opperman, 2007:256). When senior managers ensure that the individual and institutional performance indicators of the municipality are aligned, these managers are continuously aware of the performance of employees, as well as the overall performance of the institution. Continuous monitoring of the individual and institutional performance targets is important in this regard.

Masango (2000:66) argues that the key aspects of an effective PMS should include performance targeting, the setting of performance standards and a performance evaluation system. Seemela (2005:23) indicates that a PMS should be suitable to the circumstances of the municipality. In agreement with this statement, Monare (2002:33) maintains that a PMS must correspond with its resources, should be best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its IDP. Municipal resources include finances, human resources and infrastructure such as machinery and equipment (Venter & Landsberg, 2006:147).

The Performance Management Policy of the Theewaterskloof Local Municipality (2011:12) explains that the PMS provides for the use of source documents to verify the information put into the system. The PMS of the municipality should also be developed and implemented so that it will be integrated within the IDP of the municipality and its individual employee performance management. Considering the resource framework of the municipality, the PMS should be implementable within the resources of the municipality, which include employees, time, and institutional, financial and technical resources.

Municipal affairs must be administered in an economical, effective and accountable manner. Mismanagement in municipalities is linked to the lack of accountability of employees (Sheldon, 1996:5). Enhancing accountability within a municipality can be formal, in the form of public reports that include financial statements and performance reports. The Performance Management Policy of the Theewaterskloof Local Municipality (2011:12) states that the PMS must be developed on a sound value system in which the management of the system and the information are based on objectivity and credibility.

Municipal employees should be aware of the content of their IDP in order to ensure equitable and effective service delivery. This can assist a municipality to develop a strategic policy and capacity, mobilise resources and target the municipality's own activities. The IDP is a process through which a municipality can establish a rational budget and development programme (South Africa, 1999:58). The PMS should be cost effective and professionally developed, managed and operated in a sustainable manner (Theewaterskloof Local Municipality, 2011:12).

When developing and implementing a PMS, the managers of the municipality can be guided by the principles identified in Section 38 and 39 of the MSA, 2000, as well as in No. R.796 of the Municipal Planning and Performance Management Regulations of 2006, which stipulate that the PMS should be embedded in the circumstances of the municipality (South Africa, 2000; South Africa, 2006). Moreover, performance management must be proportionate with the municipality's resources and suited to its circumstances. The PMS is developed to operate accurately and effectively, but should be simple and user-friendly, which will allow the municipality to develop, implement, manage and review the system without placing an unnecessary burden on the existing capacity of the municipality (Theewaterskloof Local Municipality, 2011:12). Most importantly, a PMS must be in line with priorities, objectives, indicators and targets contained in the IDP. The IDP enables municipalities to eliminate the fragmented planning and implementation processes of the past and consider important sectors, such as transport, health, environment and safety (South Africa, 2000:7). When the PMS is aligned with the priorities, objectives, indicators and targets in the IDP, the institutional targets of the municipality can be reached.

Through proper alignment employees will be made aware of their individual goals, as well as the overarching goals of the institution.

The above-mentioned guiding principles are important to this study, as the secondary objectives of the study include the identification of the principles and requirements of a comprehensive PMS, as prescribed for municipalities in South Africa. These principles indicate that a proper PMS, guided by legislation, should be developed and implemented. The alignment of performance indicators form part of the PMS, as it addresses both individual and institutional performance targets, which are interrelated. The goals of the institution cannot be achieved without the inputs of the individual employees.

In the next section, the various role players involved in the development, implementation and use of the PMS will be identified, as well as their roles and responsibilities within the processes.

2.7 ROLE PLAYERS

Once the roles of all role player groupings are clarified and planned for, structures need to be created to facilitate the meaningful participation of role players in the development of the system.

Each municipality should identify the role players responsible for its PMS. The following are the categories of role players: citizens and communities (civics, community-based institutions, ward committees, non-governmental organisations (NGOs), businesses and organised business); councillors (the mayor, executive committee, standing and/or portfolio committees and council); officials (the municipal manager, management team, line management, employees and organised labour); and partners (public partners, private partners and service providers) (South Africa, 2001c:28).

Each of these categories of role players has a specific role in developing, implementing and using the PMS. The roles of all role players should be recognised and planned for (South Africa, 2001b:10). Role players will need a certain level of

training in order to fulfil their commitments in planning, monitoring, reviewing and improving the performance of the municipality (South Africa, 2001b:41). In order to successfully align individual and institutional performance indicators within the municipality, each of the role players should contribute to achieving their individual goals and performance targets. The important role players with regard to the alignment of performance indicators will be dealt with below.

2.7.1 The municipal council

The municipal council is tasked with the responsibility of ensuring that the prescribed performance management legislation is implemented by the municipality, as well as focusing on the development of human resources within the municipality. The responsibility of the development and implementation of the PMS is officially assigned to the municipal manager by the council. Acting on behalf of the council, the executive mayor will annually enter into a performance agreement with the municipal manager. The municipal scorecard, which is inclusive of the IDP-based KPIs and goals of the municipal manager, senior directors and all the employees, is annually approved by the municipal council. The municipal council will evaluate the performance of the municipality, on the basis of reports from the municipal manager. The final annual report will then be adopted by the municipal council and it will ensure that the report is made available to the public and reported to the MEC for local government in the province, as prescribed by the MSA, 2000 (Overstrand Local Municipality, 2008:19; South Africa, 2001b:34).

In order to facilitate successful alignment within the municipality, clear goals and performance indicators should be set by the top structures such as the municipal council. The municipal council should delegate important tasks, such as the development and implementation of the PMS, to the municipal manager to ensure alignment further down the municipal administrative structure.

2.7.2 The municipal manager

In section 55 of the MSA, 2000 it is stated that the municipal manager, as the head of administration of the municipality, is subject to the policy directions of the municipal

council. This makes the municipal manager responsible for the development of an economical, effective, efficient and accountable administration. This administration should be able to implement the IDP of the municipality in accordance with chapter 5 of the MSA, 2000, as well as operate in accordance with the PMS of the municipality as stipulated in chapter 6 of the MSA, 2000 (South Africa, 2000).

As mentioned above, the municipal manager is given the mandate by the council to be accountable for the implementation of the PMS, which includes the regular measurement and evaluation of employee performance. The measurement and evaluation of employee performance includes the creation of performance standards, measuring performance against the set standards, correcting poor performance and rewarding outstanding performance. The municipal manager should constitute a performance management steering committee, existing of the key employees involved with the IDP, as support to achieve this mandate. Performance agreements are then contracted with the senior directors by the municipal manager and renewed and reviewed annually (Overstrand Local Municipality, 2008:20).

To make it possible for the municipal manager to fulfil this mandate, as prescribed by municipal council, it is important to align the individual and institutional performance indicators within the municipality. In order to achieve the institutional performance indicators, it is important to constantly measure the performance of the employees and to take urgent steps when poor performance is evident.

2.7.3 Senior management (directors)

In terms of their performance agreements, the directors are bound to identify KPIs and targets for themselves and for their respective directorates annually, as derived from the IDP and SDBIP of the municipality. The directors have the responsibility to ensure that these KPIs and targets filter down to all employees within their directorate, including the managers. The directors are responsible for ensuring that formal and informal performance appraisal meetings are conducted within their own directorate, as well as reporting on the progress of the implementation of the PMS, achievements, drawbacks and problems experienced in the process. An important aspect of the directors' responsibility is making sure that performance indicators are

formulated and regularly updated in line with each position, as well as in line with the objectives of the council, which are in turn based on the IDP and the municipal scorecard. Through the results of the performance interviews with employees, the directors will identify individual training needs, which will be included in the workplace skills plan. Quarterly performance progress reports will be submitted to the municipal manager by the directors (Overstrand Local Municipality, 2008:22-23).

In short, the directors of the municipality play an integral part in the alignment of individual and institutional performance indicators. When the institutional performance indicators are broken down into individual performance indicators, the overall goals of the municipality filter down to the lower level employees. Measurement of performance at all levels is vital to this process.

2.7.4 Employees

In accordance with legislation such as the MSA, 2000, all employees of the municipality are required to participate in the PMS and performance appraisals. Performance needs to be measured in order to be recognised (Overstrand Local Municipality, 2008:24). Employees at all levels of the municipality are important to the overall performance of the municipality and the achievement of their institutional goals and targets. Therefore the alignment of individual and institutional performance indicators is of the utmost importance. The role of managers and directors in this regard is to ensure that their subordinates perform satisfactorily and know what is expected of them.

2.7.5 The community

The community should be given the opportunity to review municipal performance in between elections. Legislation requires that the public reviews the performance of the municipality at least annually (South Africa, 2001b:34).

Community consultation can take place only through ward committees and other forums founded by the municipality for this purpose, as prescribed by legislation. The community should be given the chance to comment on the municipal scorecard

annually, before it is approved by the council. The community will then receive feedback on the expectations for the next financial year. The community can also contribute its inputs to the IDP review process (Overstrand Local Municipality, 2008:25).

The community acts as an important performance barometer for the municipality, as it can be seen as the client of the municipality, which pays for certain services. Happy clients will indicate that individual and institutional performance indicators in the municipality are aligned, and that the municipality delivers effective and efficient service.

2.8 CONCLUSION

In this chapter, the PMS is defined as a framework and integrated system, which is used to measure the performance of the institution and that of individual employees. The PMS has important elements for converting inputs to outputs efficiently at the lowest cost. A PMS should ensure efficiency in achieving objectives and rendering services.

The various role players involved in developing and implementing a PMS are detailed in this chapter, as each role player performs a different task in developing, implementing and using the PMS. While some role players will play minor roles when compared to others, their roles should be acknowledged and planned for. A range of challenges are met when implementing a PMS. These challenges are complex and all the role players should aim to find feasible and sustainable solutions.

The following chapter will focus on environmental factors that enable or hinder performance management, and support managers in ensuring alignment, with specific emphasis on municipalities. The chapter will contain a description of the external and internal environment supporting the implementation of a PMS in the Overstrand Local Municipality.

CHAPTER THREE: A REVIEW OF ENVIRONMENTAL FACTORS INFLUENCING PERFORMANCE MANAGEMENT

3.1 INTRODUCTION

While the previous chapter dealt with the theoretical analysis of the PMS and an analysis of the various PMS models, this chapter is focused on the ever changing environment influencing the alignment between individual and institutional performance management. The external and internal environmental factors influencing performance management within the Overstrand Local Municipality will be described. An argument will be presented that an enabling external and internal environment facilitates the implementation of a municipal scorecard model, with specific emphasis on the role of management in ensuring alignment between institutional and employee performance management systems. The environment is an important variable in the management of complex institutions such as municipalities.

The institution and its environment are interdependent, as they are dependent on each other for survival. The institution receives inputs from the environment in the form of labour, resources and information, and the converted inputs are directed back into the environment as outputs, such as products, services and employment opportunities (Smit *et al.*, 2007:57). Fox *et al.* (1991:10) explain that the open systems approach, as was explained in the previous chapter, uses inputs from the environment in order to achieve the specific goals of the institution. According to Kast and Rosenzweig (1974:131), the relevant environment has a definite impact on the management of an institution. The environment is at the starting point of understanding any internal subsystem. Institutions should try to deal with and adapt to their environment, as they are dependent on the environment for resources (Fox *et al.*, 1991:13).

A variety of internal and external forces exist within the environment of every institution, which can comprise possible opportunities or limitations with regards to its performance and achievement of goals. To try to understand the influence of the environment on an institution, Houben *et al.* (1999:125) suggest conducting a

situation analysis. The situation analysis involves an analysis of both the external and internal environments. It is a focused analysis of the complex reality faced by a municipality and its communities. Van der Waldt *et al.* (2007:104) argue that a situation analysis can generate large volumes of information. To make the information controllable, the internal factors should be categorised as Strengths and Weaknesses and the external factors as Opportunities and Threats (SWOT). Rossouw *et al.* (2003:98) note that such an analysis is called a SWOT analysis (Rue & Byars, 2007:151). Thompson *et al.* (2007:107) explain that a SWOT analysis is more than just list making. After setting up a SWOT analysis, conclusions should be drawn regarding the outcomes of the SWOT and these conclusions should be interpreted and translated into strategic action plans. Van der Waldt and Knipe (2009:18) argue that during the analysis phase, all aspects of the public management function, such as policy-making, planning, organising, leading, control and evaluation, should be taken into account.

From the above it is clear that the environment has an important influence on the ability of the institution to reach its performance objectives. A situation analysis can be helpful in this regard, by identifying the strengths, weaknesses, opportunities and threats in the institutions' internal and external environments. The environment can have a detrimental influence on the performance of the institution if not managed carefully. In the next section, the external environment will be explored in light of the political and legislative, economic and social or cultural factors.

3.2 EXTERNAL ENVIRONMENT

Smit *et al.* (2007:61) and Van der Waldt and Knipe (2009:17) state that the external environment exists outside the institution and comprises the economic, social or cultural and political environment. The external environment is everything on the periphery of the institution, or the macro-environment. The Business Dictionary (2013a) defines the external environment as the conditions, events and factors that influence an institutions' activities and choices. Weihrich *et al.* (2013:43) state that all managers should be aware of the forces of their external environment and respond to them.

The institution has no control over the variables in its external environment. All the variables in the external environment are interrelated and can affect each other, as well as the internal environment. The external environment is complex and can be unstable, uncertain and unpredictable (Smit *et al.*, 2007:62). According to Groenewald (2013), the external environment has a fundamental impact on the performance of the Overstrand Municipality. Michaels (2013) and Madikane (2013) agree that the external environment is challenging, while Bartman (2013) notes that it is ever changing and dynamic. Müller (2013) adds that the municipality has to adapt to its changing external environment. Thus, in light of the importance of the impact of the external environment on internal institutional performance, an added dimension in the alignment between individual and institutional performance management indicators needs to be considered. The argument is that it is only through appropriate alignment that the municipality will be able to respond effectively and efficiently to external environmental demands and changes.

For Houben *et al.* (1999:126), the external environment can be divided into a direct and indirect environment. The direct environment comprises groups that are directly influenced by the actions of the institution and include, for instance, other government institutions, suppliers, other municipalities, clients, creditors and employee organisations. The indirect environment includes the general forces that have an influence on the long-term decisions of the institution, which include economic, socio-cultural and political influences. For the purposes of this study, the indirect environment in particular will be explored further.

When conducting a SWOT analysis, the external environment will indicate the possible opportunities and threats to the institution. The success of the institution is greatly dependent on its familiarity with the opportunities and threats in its external environment (Houben *et al.*, 1999:126,134). Within the external environment of the Overstrand Local Municipality, the following forces will be explored: the political and legislative environment, the economic environment and the social/cultural environment.

3.2.1 Political and Legislative Environment

The political and legislative environment includes the government and its political involvement, as well as legislation (Smit *et al.*, 2007:62). The political and legislative environment should be considered by managers, as it has a great impact on the institution. The institution is enormously effected by policy, political parties, governmental laws, regulations and acts (Fox *et al.*, 1991:19).

According to Smit *et al.* (2007:72) the ruling government seriously affects the institution through political pressures, while acting as a regulating force. While enforcing laws, the state influences the environment by steering development and economic policy in a certain direction. The government influences the institution through its annual budget, taxation and the price control of certain products. Management should study the intricate activities, legislation and political trends of government in order to manage this environment. Groenewald (2013) states that politicians have a review function regarding the activities performed by the municipality and, in his view, they perform this function well. The municipality in turn reports back on a quarterly basis to the municipal council. When there are changes in the political environment, the Overstrand Local Municipality briefs politicians on the PMS and orientates them on its linkage with the IDP and budget (Arrison, 2013). Overall the political status is relatively stable in this area, according to Müller (2013).

All three spheres of government are required to function in accordance with applicable prescribed legislation and the relevant guidelines from the South African Local Government Association (SALGA). There are several legislation and policy guidelines that contribute to the development and implementation of a PMS. In the planning and implementation process of the PMS, the Overstrand Local Municipality follows specific legislation, as described hereunder (Overstrand Local Municipality, 2008:6).

The Constitution of the Republic of South Arica, 1996, stipulates in Section 195 the basic values and principles for public administration, including the fact that local government is held accountable for the performance of their duties. This section also includes that efficient, economic and effective use of resources must be promoted

and that good human resource management and career development practices should be cultivated to maximise human potential. Section 152 deals with the objectives of local government and performance management, with the prerequisite of government accountability towards their communities (South Africa, 1996). Reyneke-Naude (2013) observes that the Constitution of the Republic of South Africa, 1996, gives very broad guidelines with regard to the prescribed role of local government in terms of responsibilities and what is expected of them. Performance and performance measurement is of cardinal importance in local government, in order to provide adequate services. When individual and institutional performance indicators are aligned sufficiently, the set goals of all three spheres of government can be achieved.

In Section B of the White Paper on Local Government, 1998, three interconnected approaches are introduced to support municipalities to focus on priorities within their communities. These approaches include integrated development planning and budgeting, performance management and working together with local residents. The White Paper on Local Government, 1998, indicates that performance management is a key factor that can assist municipalities to fulfil their prescribed duties and reach their goals. The lack of a PMS and poor internal communication contributes to poor service delivery in municipalities (South Africa, 1998: Section B).

Chapter 6 of the MSA, 2000 stipulates detailed requirements with regard to a PMS and places specific emphasis on performance management. Section 38(9)(iii) of the MSA, 2000, obliges employers to implement a PMS that is in line with the priorities, objectives, indicators and targets contained in the IDP. The MSA, 2000, section 41(1c) regards the monitoring, measuring and evaluating of the performance of employees as critical when holding municipal employees accountable to serve the public efficiently and effectively. The MSA, 2000, in section 49(1) focuses on increased productivity and results (South Africa, 2000). Regarding the policy framework for a PMS, Groenewald (2013) states that the legislation in the MSA, 2000 is quite rigid and prescribed specifically for local government. Arrison (2013) agrees that the MSA, 2000 gives very specific guidelines for municipalities in this regard, but argues that it also leaves room for each municipality to apply it to its own circumstances. Müller (2013) and Michaels (2013) reiterate that the MSA, 2000

provides clear guidelines for municipalities regarding performance management. In order to achieve the targets set out in the IDP, it is important to ensure alignment between the individual and institutional performance indicators. The implementation of a suitable PMS will assist in the alignment process.

While national legislation provides for the specifics related to performance management, the National Development Plan (NDP) (National Planning Commission, 2012) comprises a strategic framework to confront poverty and inequality through active state and civil interaction. The vision of the NDP for South Africa is mainly to eradicate poverty and diminish inequality in the country by 2030 (South Africa, 2012:24-25). In chapter 13 of the NDP, an argument is set out for the creation of a capable developmental state with specific emphasis on ensuring effective, efficient and economic service delivery through competent public officials. While the measurement of performance is not specifically mentioned, the role of management, and specifically senior management, in ensuring that professionalism, career pathing and reporting is emphasised (National, Planning Commission, 2012:364) and in particular the ability of managers to ensure the proper alignment between state and organisational goals and individual employee performance.

With respect to the local government sphere, a Performance Management Guide for Municipalities was released in 2001 by the former Department of Provincial and Local Government (DPLG) (now Department of Cooperative Governance and Traditional Affairs (COGTA)). This guide assists councillors, managers, officials and local government role players in developing and implementing a PMS, in terms of the requirements of the MSA, 2000. The Performance Management Guide for Municipalities (2001b:5) stipulates that it strives to establish a common lexicon and thereby ensure some level of consistency and uniformity in the functioning of municipalities. The Performance Management Guide prescribes the process to be followed when developing and implementing an institutional PMS that complies with the requirements of the legislative mandate (South Africa, 2001b).

The Local Government: Municipal Planning and Performance Management Regulations No. R.796 published in Government Gazette No. 22605, dated 24 August 2006, stipulates in detail what is expected of municipalities in

implementing their PMS, which must clarify all processes and the roles and responsibilities of each role player, including the community. A Performance Audit Committee (PAC) should also be established (South Africa, 2006). When all the role players involved with the PMS, as discussed in chapter 2, are aware of their responsibilities and their individual performance indicators are aligned with the institutional performance indicators, both institutional and individual performance targets can be achieved, as they are integrated.

The objective of the MFMA, 2003 is to secure the sustainable management of the financial and fiscal aspects of the municipality. The MFMA, 2003, in Section 2, establishes the standards and requirements for:

- ensuring the transparency and accountability of the municipality's finances;
- managing revenues, expenditures, assets and liabilities;
- financial planning and budget co-ordination;
- borrowing money;
- handling financial problems in the municipality; and
- supply chain management.

The MFMA, 2003 sets the requirements and standards for municipalities with regard to their financial management and wellbeing. These requirements and standards should be incorporated into the PMS of the municipality to comply with legislation (South Africa, 2003). The MFMA, 2003 requires an SDBIP based on specific targets and performance indicators. This should link the PMS, IDP and budget. Furthermore, the municipality is required to submit a mid-year budget and performance assessment (South Africa, 2003). Reyneke-Naude (2013) and Arrison (2013) agree that the MFMA, 2003 has an impact on performance management within the municipality. This type of legislation steers municipalities in the direction of performance management. The linkage of the PMS, IDP and SDBIP ensures the alignment of individual and institutional performance indicators.

Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006, published in Government Gazette

No. 29089, dated 1 August 2006, contains performance regulations for municipal managers and managers directly accountable to the municipal manager. The regulations include the terms and conditions of employment to ensure future monitoring of performance (South Africa, 2006). The Overstrand Local Municipality makes use of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006, as it prescribes performance management for all employees reporting to the municipal manager (Arrison, 2013). These performance regulations are important when ensuring that management aligns individual and institutional performance within the municipality.

From the above guidelines, it could be concluded that various acts and regulatory frameworks in South Africa reinforce each other to establish a PMS framework for the local sphere of government. Managers should be held responsible for following the guidelines set out in the aforementioned legislation, as the PMS is valuable in assisting in the alignment of institutional and individual performance indicators.

According to the Performance Management Policy of the Theewaterskloof Local Municipality (2011:10), employees should be given performance objectives and targets that are linked to their team, department and the municipality. When projects are implemented, the municipal manager should set up a framework to track the performance of all managers, who should then do the same for lower level employees (South Africa, 2001b:39). This implies that the individual performance of employees do influence the deliverables of the municipality. Therefore, the goals of an institution might also be achieved through the management of the performance of individual employees. Van der Waldt *et al.* (2007:112) articulate the argument that a PMS should aim at improving the results of employees' efforts by linking them to municipal objectives. Consequently, the importance of the alignment of performance indicators is clear from the above. Management should realise that they play a big role and have great responsibility to ensure that individual performance indicators are clear, and that they are aligned with the objectives of the municipality.

In addition, Van der Waldt (2004:170) rightly claims that public managers in all spheres of government are under constant pressure to improve the performance and quality of service delivery in their municipalities. Public institutions are accountable

for ensuring that plans are implemented, that the desired development impact is achieved and that the scarce resources are utilised efficiently. This means that managers are held accountable for their actions, as well as the actions of their subordinates. Employee performance can be monitored through a PMS and individual performance indicators, and therefore each employee can be held accountable for his or her actions.

Van der Waldt (2004:71) views efficiency as the measure of speed and precision with which tasks are completed. Efficiency is seen as the ratio of output to input and effectiveness is the ratio of outcome to output. Minnaar and Bekker (2005:128) further state that efficiency refers to the relationship between the cost and the expedience of transforming inputs into outputs. Closely linked to that, the word efficiency can be defined in the public sector as those changes (to the utilisation of resources and to the processes of delivery) effected in order to achieve a reduced number of units, while keeping up the same or a higher level of service delivery (Gershon, 2004:6).

Consequently, in terms of the above stated definitions, efficiency can be referred to as all measures taken to guarantee that greater output is achieved with reduced input. In addition to promoting efficiency, Verweire and Van den Berghe (2005:7) stress that the purpose of a PMS is to achieve institutional effectiveness. Blackburn *et al.* (1998:38) state that effectiveness refers to the degree to which a tool enables an institution to achieve its goals. According to Pauw *et al.* (2009:124) effectiveness also means the extent to which the specific objectives have been met and achieved. In order to achieve individual goals, as well as the objectives of the municipality, the effectiveness and efficiency of employees are important. This again dovetails into the issue of the accountability of employees and the monitoring of employee performance against predetermined outputs and outcomes.

From the above legislative provisions, it is clear that performance management is a key function in public sector administration and management. Therefore, several requirements are prescribed for the design and implementation of a PMS. The above-mentioned acts and regulations enable the Overstrand Municipal Council to establish and implement a PMS with the dual purpose of improving the performance of its employees so that they can deliver effective and efficient services based on the

IDP, and developing its human resources. Legislation places specific emphasis on the alignment of individual and institutional performance indicators through performance regulations set for managers and the monitoring of performance at all levels, with an individual performance agreement with every employee working towards the bigger goals of the institution, as indicated by the municipal council. The common goal of these legislative requirements is the measurement of performance, which should be effective, efficient and accountable to local government. The successful implementation of the PMS, in line with the IDP, SDBIP and National Development Plan will assist in the alignment of performance indicators at all levels. The PMS must therefore be based on legislative requirements and must be implemented to ensure compliance with these policies. The policy framework for a PMS can be seen as a facet of the external environment, as the Overstrand Local Municipality has limited control over external policy decisions. According to Groenewald (2013), the Overstrand Local Municipality submits an audit to the Auditor-General on performance issues. There is also a section in the annual report of the municipality on their performance throughout the year. Groenewald (2013) believes that performance management is not something one can get away from, specifically because of the legislation. In the next section, the influence of the economic environment will be discussed.

3.2.2 Economic Environment

Smit *et al.* (2007:55) consider variables such as the fluctuation of the rand, high economic growth and low productivity to be challenges in the economic environment. The economic environment relates to the economic conditions such as living standards, the fluctuation in demand, the unemployment rate and the fluctuation of interest rates (The Times 100 Business Case Studies, 2013). Hodge and Anthony (1984:65) define an economic system as the way in which wealth is created and distributed by society, and state that this system distributes scarce resources between competing individuals and groups. The economic factors that should be considered include economic structure, economic growth, trends and inflation. The climate and geography are also important factors, as this influences the availability of land, mineral and energy resources and water (Fox *et al.*, 1991:19). From the above

it is clear that various factors within the economic environment require consideration when managing the institution.

Other external factors such as social trends, the fiscal and monetary policy of government and crime also influence the economic environment. This causes changes in the economic environment such as the economic growth rate, employment levels, the inflation rate and exchange rate. The economic environment has definite consequences for the institution and its managers. These economic trends require that the institution regularly revisits its goals and strategies (Smit *et al.*, 2007:69). The economy is a difficult variable when trying to better services in the area, because of price increases of fuel, electricity and chemicals. This has a significant impact on service delivery. Sound budgeting and available funds are important in this regard (Groenewald, 2013). Müller (2013) reiterates that inflation and interest rates have a great impact on this community. In this regard the flexibility of performance indicators are important, because they have to be revised as environmental changes occur.

Over the past years the Overstrand economy grew significantly in certain sectors, which had a positive effect on job creation. Regarding this growth, it is of importance to build on these developments in order to curb unemployment and create a positive environment for new and existing businesses. LED is one of the key strategic objectives of the Overstrand Local Municipality, as they realise the importance of building the economic strength and economic future of Overstrand. The Overstrand Local Municipality continuously deals with the impacts of the changing economic climate. The local community is dependent on a vibrant economy. Regarding LED, the Overstrand Local Municipality will focus on poverty and unemployment, give opportunities to small, micro- and medium-sized enterprises (SMMEs), marginalised communities and developing service providers, develop a method that is best for each environment, use local resources and skills to increase opportunities for development, as well as implement flexible approaches to react to changing circumstances in all areas (Overstrand Local Municipality, 2013b:78, 80).

Overstrand is affected by poverty caused by the increase in low income households. The Overstrand Local Municipality, through its Department of Finance, has an

indigent policy to assist the majority of residents who cannot afford to pay for basic needs such as housing, water, food, health, education and municipal services, and residents are encouraged to register for this benefit (Overstrand Local Municipality, 2013b:81). The community is dependent on social assistance, because of poverty and the large number of pensioners in the community. More than 50% of the community earns less than R3 500 per household monthly and Hermanus consists of about 16% pensioners (Müller, 2013).

Formal sector employment in the Overstrand comprises 88.2% of all employment, while the informal sector comprises 11.8% of the total employment in the local area. The most significant contributors to employment are construction, wholesale and retail, and community social and personal services. Residents have turned to self-employment and significant growth is visible. Self-employment plays a vital role in the growth of economic performance in the area (Overstrand Local Municipality, 2013b:82, 84).

The gross domestic product per region (GDPR) of the Overstrand local economy forms 34.3% of the broader Overberg District's economy. Over a 12-year period (1995 to 2007), the Overstrand local economy grew at 4.1% annually, while an 8.6% annual growth was registered over the five-year period 2003 to 2008. The leading sectors in the Overstrand region include business services (26%), catering and accommodation (18.6%), manufacturing (17%), wholesale and retail (14.7%), construction (9.8%) and general government services (9.2%) (Overstrand Local Municipality, 2013b:82).

The main contributors to the bigger Overberg Districts' economy include the following: commercial farming of abalone, harvesting of aquaculture, the hospitality industry, wholesale and retail industry, finance and business sectors, manufacturing, agriculture, real estate development and the building industry. The wine industry in this region is growing substantially, as is tourism (Overstrand Local Municipality, 2013c). Tourism was identified as one of the most important and rapidly growing industries in the Overstrand economy. In this regard the Overstrand area offers whale watching, the whale festival, a national conservation area in the central part of Stanford, shark cage diving in Gansbaai, the only fresh water cave along the African

coast in De Kelders, as well as the penguin reserve at Betty's Bay. The Overstrand area also boasts quality restaurants and world class wine estates. These attractions enhance eco-tourism in this area (Overstrand Local Municipality, 2013b:89-90). Overstrand Local Municipality's operating expenditure budget for the 2011/12 financial year amounted to R728 million, the operating revenue budget to R640 million and the capital budget to R214 million (Overstrand Local Municipality, 2013c).

The above-mentioned economic contributors are all unpredictable variables and certainly have an impact on the Overstrand Local Municipality's budget, goals and management. Arrison (2013) explains that certain targets and projects to be completed are dependent on the economy and should thus be flexible. Thus, for example, in the event of a shortage, a piece of property belonging to the municipality might need to be sold in order to achieve certain targets. Therefore indicators are set allowing for changes in the economy. Indicators can be revised on these grounds and this keeps the PMS active. The external environment cannot be controlled by the municipality. The community and economic situation changes every day, and this impacts the achievement of certain goals hugely (Madikane, 2013).

Since economic development remains a key objective of the municipality through its IDP, it is only through the alignment of individual and institutional performance indicators that all municipal officials will be able to positively respond to the economic challenges described above. The economic environment is an ever changing one and influences set targets, goals and indicators. Management needs to recognise these economic changes and reflect the economic direction of the municipality through the alignment of individual and institutional performance indicators. In the next section the social or cultural environment will be discussed.

3.2.3 Social / Cultural Environment

Fox *et al.* (1991:20) describe the social environment as patterns of interaction within a society. Factors that should be considered in the social environment are, for example, the demographic characteristics, housing and education. According to Smit *et al.* (2007:70), the social/cultural environment is extremely sensitive to influences from the other environmental variables. This environment affects management

through clients as well as employees and may ultimately influence the indicators, goals and objectives of the institution.

People assume the culture of the particular society they live in, they reconcile and familiarise themselves with the language, values, faith, expectations, laws and customs. The lifestyle of individuals is influenced by this culture, and this in turn influences their consumption. This culture, values, expectations and habits are bound to change over time. A culture consists of various subcultures related to, for example, nationality, religion, population group or demographic area. Each of these subcultures has an effect on and implications for the management of an institution (Smit *et al.*, 2007:70). Institutions contribute to social change, but are also influenced by social trends. South Africa is plagued by social problems such as HIV/AIDS and poverty and the managers of institutions are expected to develop programmes to deal with this in the workplace and within communities (Smit *et al.*, 2007:70).

Culture can affect the institution in various ways through the shape of the market, political influence and the attitude of the workforce. Social influences should be taken seriously by management (Smit *et al.*, 2007:70). Hodge and Anthony (1984:64) define the cultural environment as the society's beliefs, interactions and attitudes. The cultural system includes family, education and religion. Cultural values and norms are important when preferences and needs are assessed. The community, as the client, is regarded as one of the key role players in the implementations of the PMS, as noted in chapter 2.

According to the Overstrand Local Municipality's vision statement, it aims to be the centre of excellence in the community. In their strategic objectives they also encourage community participation in municipal matters (Overstrand Local Municipality, 2013b:4). The municipality is immensely in the public eye and the expectations from the community are high. This makes employees constantly aware of their performance, the expected standards, the environment and the client. This awareness creates a positive spin-off effect by keeping the service providers on their toes. The community indicates the shortcomings and their expectations so that the municipality continuously has to attend to this input (Reyneke-Naude, 2013).

The Overstrand Local Municipality has established 16 community halls, as well as a multipurpose service centre. The municipality is also involved in upgrading existing community halls, as the community indicated a need for this (Overstrand Local Municipality, 2013b:35). Social development programmes are also important to the municipality, and should include the poor and other vulnerable community members such as women, children, the disabled, youth, the elderly and people with HIV/AIDS. In their social development plan the municipality makes use of community based development strategies and support for vulnerable groups, community information, education and communication strategies, advocacy strategies, and social policy and planning strategies (Overstrand Local Municipality, 2013b:54).

A monthly newsletter is published by the Overstrand Local Municipality to inform the community of its LED and other municipal matters. Residents receive this newsletter through the mail with their monthly municipal account, in the language of their choice. News, general information, calls for tenders and quotes, as well as other information is available to the community on the municipality's website. When communicating with the community, the municipality takes into account the diversity of languages, as well as the literacy level (Overstrand Local Municipality, 2013b:68).

While the municipality's IDP sets out what the community can expect from it, the PMS measures and evaluates the achievements in order for the community to see whether their expectations have been met. The municipality also sets its KPIs and other targets in consultation with the community (Overstrand Local Municipality, 2008:1). However, the external environment is not always aware of the performance model used by the municipality and outputs are not always recognised. The municipality reports quarterly on performance issues and these reports are available to the public for monitoring and inputs (Arrison, 2013).

The Overstrand Local Municipality uses its PMS implementation policy as a link between the legislative framework and operational institutionalisation. In this way the municipality ensures that it stays accountable to the community (Overstrand Local Municipality, 2008:2). The municipality states that performance management can benefit the community by providing measurable objectives and targets, ensuring

effective and efficient service delivery, provision for community consultation, and by making it accountable to the community (Overstrand Local Municipality, 2008:10).

From the above it is clear that the Overstrand Local Municipality regards the community and the social and cultural environment as an extremely influential factor with regard to its management. The municipality has to ensure that its individual and institutional performance indicators are aligned, because of its accountability to its community as its clients. In order to achieve the vision of being the centre of excellence in the community, its officials have to be constantly aware of the changing needs of the community. Through the alignment of individual and institutional performance indicators, managers will ensure that not only does the municipality recognise the influence of the socio-cultural environment, but officials are also responsive to the socio-cultural demands of their community.

Next the internal environment will be explored by focusing on knowledge, attitudes and perception, as well as behaviour in relation to individual and institutional performance management.

3.3 INTERNAL ENVIRONMENT

Smit *et al.* (2007:61) state that the internal or micro-environment comprises the institution itself and management has complete control of this environment. Van der Waldt and Knipe (2009:17) state that the internal environment includes factors such as the municipality's internal processes and practices, its structures, management style and resources. Business Dictionary (2013b) defines the internal environment as the conditions, entities, events and factors within an institution that influence its activities and choices, particularly the behaviour of the employees. The institutional culture, knowledge, behaviour and attitudes of employees are all considered to be part of the internal environment. The internal environment is where managers plan, organise, lead and control activities for the achievement of institutional performance indicators. In the internal environment, alignment is accomplished between institutional and individual goals, the resources to achieve these goals, market requirements and the external environment (Smit *et al.*, 2007:63). The goals of the municipality are filtered down from the municipal council, and managers need to align

themselves and their employees to these prescribed goals. There are no grey areas, as deadlines are set and effective systems exist. This can eliminate the negative factors that might exist within the internal environment (Bartman, 2013).

In order for institutions to achieve their goals, managers have to provide the necessary resources, while guiding the institution. (Smit *et al.*, 2007:7). Smit *et al.* (2007:7-8) explain that the institution can reach its goals only by the combined efforts of individual employees and the institution in turn enables employees to achieve their goals, which they would not be able to do alone. Thus managers fulfil a vital role in the achievement of both individual and institutional goals by performing their management functions of planning, organising, leading and control. In order to align the individual and institutional performance indicators, it is clear from the above that managers need to manage the internal environment of the institution carefully. As the employees are some of the role players involved in the development and implementation of the PMS and form the internal environment, the managing of the internal environment can contribute positively towards the alignment of indicators. Within the internal environment of the Overstrand Local Municipality, the following concepts will be explored: knowledge, attitudes, perceptions and behaviour.

3.3.1 Knowledge

Robbins *et al.* (2009:58) define knowledge as an understanding of facts, actions and ideas about what is known. Knowledge such as knowing the management functions and how to compile a business plan can be obtained through a qualification, but other skills such as decision making and problem solving are also of great importance (Smit *et al.*, 2007:304). Knowledge management can improve institutional performance by making employees smarter. This is the process of organising and distributing the institution's knowledge so that the correct information reaches the right people at the exact time (Robbins *et al.*, 2009:276). Smit *et al.* (2007:438) explain knowledge management as a systematic approach to identifying, managing and sharing the institution's information resources. Van der Waldt *et al.* (2007:88) argue that it is important that municipal employees have knowledge of the resources available to them. This is important when drafting the IDP of the municipality, for the SDBIP, as well as for the setting of targets and goals requiring resources such as

money and manpower. Such knowledge will enable the successful alignment of individual and institutional performance indicators by managers.

According to Groenewald (2013), regarding the effect of the internal environment on the alignment and implementation of performance indicators, the six directors of the Overstrand Local Municipality possess the relevant knowledge and are familiar with the systems and policies in place. In the technical departments, such as community services, it has proven to be more difficult to get buy-in from the lower level employees and to align the performance indicators (Groenewald, 2013). Project leaders should be knowledgeable in their field in order to assist other employees with problems (Michaels, 2013). When employees are motivated and have knowledge about the systems, expectations and consequences, better performance can be expected (Madikane, 2013).

Institutional culture is important to the internal environment, as it is linked to knowledge. Schermerhorn *et al.* (1997:267) describe institutional culture as a system of shared actions, values and beliefs that develop within an institution and guide the behaviour of its members. Armstrong (2006:303) also notes that institutional or corporate culture is the pattern of values, norms, beliefs, attitudes and assumptions that might not have been articulated but shape the ways in which people behave and things get done.

Regarding the PMS, Arrison (2013) indicates that the Overstrand Local Municipality also has an internal policy on performance management in the form of a performance management framework, as well as a rewards and incentives policy. Hofstede (1994:179) confirms the link between culture and institutional effectiveness and that there is an assumption that the culture of the institution will unite all the employees behind the stated goals of the institution. However, Hofstede (1994:179) cautions that culture is not necessarily static and that management do have control over some things that will affect the culture, such as the logos and the mission statement. The function of institutional culture is that identifying with the institution creates greater commitment to institutional goals and objectives.

According to Pearce and Robinson (2004:420) the following methods should be followed when creating and managing a specific institutional culture:

- accentuate key themes and vital values;
- encourage propagation of stories about core values;
- institutionalise practices that steadily reinforce desired beliefs and values;
and
- adapt common themes in a unique way.

The above methods are important for managing the institutional culture, as this can contribute to a cohesive team and working environment within the institution. According to Rossouw *et al.* (2007:167), although culture is not the sole determinant of what happens in institutions, it has an important influence on what an institution's members accomplish and how they accomplish it. The best institutions have strong cultures that are clear, well-defined and widely shared as these cultures discourage dysfunctional work behaviour and encourage positive ones. Rossouw *et al.* (2007:169) further argue that when managing a process such as a PMS, culture relationship requires sensitivity to the interaction between the institution's culture and the changes necessary to implement the process. Knowledge of the municipal PMS is necessary at all employee levels. In order to understand how their performance indicators are determined and how their performance is measured, employees should have knowledge of the PMS.

Michaels (2013) feels that it is of great importance for the municipality to have performance structures in place in order to determine the aims and objectives of the municipality. In order to achieve the goals of the municipality, employees need to see the bigger picture. The knowledge and institutional culture of an institution is a vital factor to be considered by management, as this can also determine the compilation of performance indicators. Managers at the Overstrand Local Municipality are given the tools to enable the implementation of the policy framework in the form of computer systems, formal systems and computer programmes that send out deadline reminders. The PMS has very clear guidelines and managers are adequately trained in the use of the system (Müller, 2013). Employees are orientated about the procedures and policy frameworks at regular staff meetings, to let them know what is

expected of them and where they fit in (Madikane, 2013). However, it is argued that for alignment to be possible, all employee levels should be involved in PMS training so that buy-in is evident at all levels.

In short, demonstrating knowledge regarding both individual and institutional performance indicators will be influenced by the performance culture of the municipality. The ability of managers to relate the importance of alignment is affected by their ability to increase officials' knowledge regarding performance management. A strong performance culture will support them in fulfilling this obligation. Further factors that influence the internal environment are attitudes and perceptions. These will be addressed next.

3.3.2 Attitudes and Perception

Attitudes are orientations towards objects, people or events that might be reflected in positive or negative comments (Robbins *et al.*, 2009:72). Robbins *et al.* (2009:73) state that early theories on attitude research were premised on the assumption that people's behaviour followed their attitudes, but in the late 1950s Leon Festinger challenged this. Festinger (1957) argued that attitudes followed behaviour. In other words, people change what they say so as to not contradict what they do. According to Smit *et al.* (2007:298) the attitudes of employees can influence their performance. Madikane (2013) is of the opinion that productivity and accountability are extremely important performance elements in the Overstrand Local Municipality. Therefore incentives and performance management are important tools for motivation that in turn affect the attitude of officials. Performance management is not a one-sided process because there is room for interaction with the managers. Performance indicators are compiled by the employee and manager, who decide together on individual goals and objectives. Every manager is then responsible for the alignment of individual performance goals and objectives with institutional goals and objectives, thereby effectively and efficiently managing the employees under their supervision. Arrison (2013) notes that the employees' performance indicators can be revisited if necessary. Managers should be aware of the attitudes of employees, because negative attitudes can be indicative of potential problems. Elements such as an excessive workload, unease regarding the effectiveness of leadership, financial

security and unsatisfactory recognition can create negative attitudes among employees. Yet elements such as career opportunities, clear communication, promotion and training can contribute to more positive attitudes (Smit *et al.*, 2007:300-301). Differing perceptions can also cause communication barriers within the institution and recognition should be given to attitudes and perceptions as key variables that influence employee behaviour (Smit *et al.*, 2007:368, 297).

Perception is defined by Robbins *et al.* (2009:119) as a process whereby a person organises and interprets their physical impressions to give meaning to their surroundings. However, a perception can differ significantly from reality. Therefore, behaviour is based on a perception of reality, and not true reality. According to Groenewald (2013) the Overstrand Local Municipality is seen by specific people and institutions as the best municipality in the country. The municipality upholds a high standard of service delivery. The community becomes used to these standards and will not accept anything less. This keeps the municipality aware of performance and service delivery. The community wants everything to run smoothly, but is uninvolved. Certain targets cannot be reached without the consent of the public (Michaels, 2013).

The institution might have clearly set goals, but each employee might perceive these goals differently. The previous experiences of employees, as well as their expectations, can influence their perception (Smit *et al.*, 2007:304). These attitudes and perceptions of employees are also evident in relation to the development and implementation of the PMS, as well as performance management in general. With the implementation of the PMS in the Overstrand Local Municipality, employees with previous experience in the private sector found the adjustment easier. What enabled especially senior managers to implement the PMS were the clear guidelines given, training and the fact that information and support were readily available. Employees had to be informed about the process and the system was put into use immediately (Reyneke-Naude, 2013). The attitudes and perceptions of employees also have an impact on the setting of performance targets, and therefore the alignment of individual and institutional performance indicators. In this regard, negative attitudes and perceptions, for example that employee performance management is used as punishment or is not objective, have a definite influence on the performance of employees and therefore the institution. These attitudes and perceptions are more

related to individual performance management than institutional performance management. The alignment of individual and institutional performance indicators plays an integral role in addressing these negative attitudes and perceptions. When employees understand how their contribution affects the achievement of the goals of the institution as a whole and how the institutional goals cascade down from the KPIs and KPAs of employees, a change in negative attitudes and perceptions might be evident. In the next section behaviour in the internal environment will be addressed.

3.3.3 Behaviour

Schein (1988:40) explains that behaviour is only partially determined by a biological species. A far greater part of what human beings do is determined by learned motives and responses which reflect culture, family situations, socio-economic background and the current real life situation. Therefore, the perception of the situation determines the behaviour that follows. According to Smit *et al.* (2007:412) an employee's behaviour is directed by his or her moral principles and values. The behaviour of employees can be directed by prescribed, enforceable law, such as the legislative requirements for performance management and the development and implementation of a PMS in municipalities. According to Groenewald (2013), senior managers in the Overstrand Local Municipality are enabled to implement the PMS policy framework by the mandate given to them by the municipal council and legislation. Performance management in local government only came to the fore after the new legislation in 2000 and new policies were implemented to lead municipalities in performance management. While grappling to understand the PMS as an institutional requirement, it is only recently that the question of aligning institutional and individual performance indicators has come to be regarded as being of the utmost importance.

Behaviour can also be directed by free choice, in terms of which employees are accountable only to themselves. When employees are directed by ethics, certain standards of conduct, principles and values, this will lead to moral behaviour (Smit *et al.*, 2007:413). Often the value derived from the effective use of performance systems is neglected because of the high work expectations and associated outputs. More attention should be paid to this in order to realise the benefit of the PMS in

identifying shortcomings (Reyneke-Naude, 2013). With regard to performance management, Groenewald (2013) states that many people still need to make a mind shift so as not to see performance management as a compliance issue. This is not so much the case with senior managers, but rather with supervisors. This can be extremely detrimental to the performance management process. When implementing performance management correctly, valuable information can be extracted. The performance management policy not only gives guidelines, but in its implementation can also be used to identify needs, such as the training needs of employees. Employees still need to make the mind shift to see the bigger picture of what performance management can achieve (Groenewald, 2013). Because of this significant shortcoming, the role of all managers in ensuring performance alignment becomes critical. The argument here is that when employees are asked to review their own performance they should view this as the opportune time to evaluate their own contribution to institutional performance. Through this meaning is created and employees feel they positively contribute to institutional performance.

From the above it is clear that the behaviour of employees towards performance management and the PMS can greatly influence individual and institutional performance. When individual and institutional performance indicators are aligned, the behaviour of employees is of great importance.

3.4 CONCLUSION

In this chapter environmental factors influencing performance management in the Overstrand Local Municipality were outlined. Within the external and internal environments, several important factors came to the fore. In the external environment legislation, the economy and the social and cultural environment were reviewed. Regarding the internal environment of the Overstrand Local Municipality, knowledge, attitudes and perception, as well as behaviour were identified as important factors.

Through legislation and policy, the municipality has clear guidelines on the implementation and usage of the PMS. The study further established that although the ever-changing external environment is a challenge, it also keeps the municipality alert, and motivated to adapt and improve service delivery. Regarding the internal

environment, internal systems contribute to successful performance management in the Overstrand Local Municipality. This enables managers to align individual and institutional performance indicators through the adequate management of the internal and external environments. However, the study reveals that although senior management's performance is aligned to institutional indicators, employee alignment is negatively influenced by the attitudes, perceptions and behaviour employees have towards performance management in general.

The next chapter focuses on the challenges that management experiences in the alignment of institutional and individual performance indicators within the Overstrand Local Municipality.

CHAPTER 4: MANAGEMENT CHALLENGES REGARDING THE ALIGNMENT OF INSTITUTIONAL AND INDIVIDUAL PERFORMANCE INDICATORS WITHIN THE OVERSTRAND LOCAL MUNICIPALITY

4.1 INTRODUCTION

In chapter four the management challenges regarding the alignment of institutional and individual performance indicators within the Overstrand Local Municipality will be outlined. In order to identify these challenges, it is important to understand the term management. A conceptualisation of management, including a brief history of management theory, is included in this chapter. Furthermore, a detailed exposition of the four management functions, namely planning, organising, leading and control, will follow. This chapter ends with some general observations regarding management challenges in the Overstrand Local Municipality.

4.2 CONCEPTUALISING MANAGEMENT

According to Smit *et al.* (2007:9), management is defined as the process of planning, organising, leading and control of the institution's resources, in order to achieve the goals of the institution in a productive manner. Kroon (1995:7) agrees with this definition and further defines management as a process whereby all the resources are utilised efficiently in order to provide products or services, with the aim of achieving the predetermined goals of the institution. Robbins (1984:15) states that an effective manager performs his or her tasks objectively, with vision, knowledge and by exhibiting good communication skills.

Pindur *et al.* (1995:59) explain that basic management techniques can be traced back to 3000BC, when Sumerian priests kept written notes to record business transactions. The oldest management school of thought, also described as a paradigm for the study of public administration, is the classical management movement, which arose between 1885 and 1940. The classical management school of thought comprises scientific management (to increase productivity, as proposed by Henry Fayol and Frederick Taylor) and general administrative management (which focuses on making the entire organisation more effective and efficient) (Pindur *et al.*,

1995:60; Smit *et al.*, 2011:32). During this period, writers such as Gulick and Urwick argued for a science of public administration by identifying specific administrative processes deemed to be universal in all organisations. These processes included planning, organising, staffing, directing, coordinating, reporting and budgeting (POSDCORB). The administrative process school of thought influenced the discipline significantly and administrative processes became the focus of what was studied in the discipline (Thornhill & Van Dijk, 2010:99-100).

Pindur *et al.* (1995:64) further state that during the period of 1920 to 1930, researchers became concerned with the human aspects of the organisation and the behavioural management movement was formed. This approach includes the aspects of psychology, behaviour, motivation and leadership. The behavioural management movement dealt with human relations and organisational behaviour. From 1930 to 1940, the human relations movement replaced scientific management as a management method, with organisational behaviour originating in the late 1950s (Smit *et al.*, 2011:36).

From 1960 onwards, the quantitative management movement developed. In this movement mathematical models and processes were used in management situations. During this period, the modern management movement also developed and members of this movement integrated different theories. The modern management movement included the following approaches (Pindur *et al.*, 1995:69-74; Smit *et al.*, 2011:30-45):

- The process approach, in which management is seen as a continuous process and managers plan, organise, lead and control. Employees function in organised groups to achieve goals;
- The systems approach, which consists of an open or closed system and considers production and efficiency. This approach consists of the organisation, environment, inputs and outputs;
- The contingency approach was a problem-solving approach in which all the main factors were contemplated before a decision was made. Appraisal and analysis of the managerial environment in the organisation was of importance;

- The strategic management approach used strategy, eliminated threats and maximised opportunities. Monitoring and evaluating of internal and external opportunities were seen as important in order to control strengths and weaknesses in the organisation;
- The Japanese style management approach, or total quality management, used statistics to analyse variability in the production process in order to improve the quality of products; and
- The excellence approach focused mainly on improving management in order to gain or maintain excellence in the organisation. In terms of this approach, effective organisations should continuously try to improve.

Each approach was relevant to a certain time and environment and changes in the management environment led to the implementation of new management approaches. The New Public Management paradigm was initiated by the financial crises of the 1970s, when public productivity, performance and effectivity in public institutions became important (Denhardt, 2008:137). In the New Public Management paradigm the economy is used for political and administrative relationships, and the demands of the public should be satisfied. Various criticisms, however, emerged against New Public Management approach, mainly because it offered no differentiation between a value-driven and effectiveness-driven approach, as well as because it promoted management principles that were foreign to public service institutions, including performance management (Thornhill & Van Dijk, 2010:105). However, despite criticism, the influence of New Public Management on the manner in which public institutions are managed cannot be denied. Several principles characterise New Public Management (Hood, 1991:4-5) including:

- hands-on professional management in the public sector, which means the active and visible control of institutions;
- clear standards and measures of performance, meaning defining clear goals, targets and indicators which can be measured;
- greater emphasis on outputs, ensuring that resource allocation and rewards are linked to performance;
- unbundling of public sector units;

- greater competition in the public sector by including term contracts and tendering procedures;
- private sector style of management, including more flexibility in hiring and reward systems; and
- greater discipline in the use of resources by cutting and limiting costs and promoting accountability through performance management.

From the above it can be argued that performance management, both individual and institutional, is a product of New Public Management. As such, the ability of public managers to ensure appropriate alignment for the achievement of the above New Public Management principles becomes imperative.

In the next section the management challenges of the Overstrand Local Municipality will be explored in relation to the management functions.

4.3 MANAGEMENT CHALLENGES

Management challenges within the Overstrand Local Municipality will be identified in relation to the four management functions, namely, planning, organising, leading and control.

4.3.1 Planning

The vision, mission and goals of the institution are determined during the planning process. Management also has to plan how to reach these predetermined goals and how the needed resources will be acquired (Smit *et al.*, 2007:10). Kroon (1995:9) describes planning as a visualisation of what the institution wants to achieve, and the formulation of long-term goals and short term objectives. Van der Waldt and Du Toit (1999:181) state that planning helps the institution to keep up with change and that plans can guide managers in the institution to achieve their goals. In the unpredictable institutional environment of South Africa, it is important to plan for the unexpected. When planning is done successfully and clear goals are formulated, cooperation in a diverse workforce can be established. In turn, this cooperation can

positively influence the realisation of goals, as well as the productivity of the institution (Smit *et al.*, 2007:117).

Planning in the institution takes place at all levels of management. Senior managers are responsible for designing the strategic plans of the institution. The strategic plans are aimed at ensuring that the entire institution is aligned with the external environment, which is always changing. During strategic planning the vision and mission of the institution are created, long-term goals are set, and the appropriate strategies to achieve these goals are formulated. The strategic plans do not provide in-depth details of how goals are to be achieved, but serve as an outline (Rossouw *et al.*, 2014:2). Tactical and operational plans are therefore necessary to make sure that the strategic plans are implemented at middle and lower management levels (Smit *et al.*, 2007:118).

Tactical planning serves as a method to ensure that the strategic plans of the institution are implemented in the different functional areas, such as finance, human resources, and other functions. All the tactical plans for the various functional areas should be compatible with the institutional goals (Smit *et al.*, 2007:119; Rossouw *et al.*, 2014:10).

Operational planning focuses on carrying out the tactical plans. The operational plans are focused and short term (Rossouw *et al.*, 2014:12). Clear strategic and tactical plans are of great importance to ensure the success of the operational plan and the achievement of goals at all levels of the institution (Smit *et al.*, 2007:121).

All levels of management are involved in strategic management, including tactical and operational planning. Strategic planning is the responsibility of the senior managers in the institution, while middle management is accountable for the tactical plans (the implementation of strategic goals and strategies) and supervisors are responsible for operational plans, namely the implementation of tactical objectives and strategies (Rossouw *et al.*, 2014:5).

From the writings of Rossouw *et al.* (2014:5), it can be deduced that the institutional PMS of a municipality would lie in the formulation of strategic goals and would

therefore be the responsibility of senior management, as it is a strategic planning task. Once again, it is emphasised that all levels of management are of great importance in the implementation of the institutional PMS. From the above, the alignment of responsibility flowing from strategic planning (senior management), tactical planning (middle management) and operational planning (supervisors) is clear. The design and implementation of the PMS implemented by the Overstrand Local Municipality should follow the same logical flow.

The planning process comprises eight steps (Smit *et al.*, 2007:121-125; Van der Waldt & Du Toit, 1999:185). These are:

- identify the changes that necessitate planning, inside and outside the institution, in a volatile environment;
- establish goals in order to give direction to all the plans;
- draw up premises, which should be agreed on by the senior management and shared with other managers to ensure the alignment of the institutional goals at all levels;
- develop different courses of action, so as to have an alternative plan in case it is needed;
- evaluate different courses of action and weigh up all factors in terms of their positive and negative impacts;
- select a course of action; either one or several courses of action can be decided on by the manager;
- formulate derivative plans in order to support the basic plan, which leads to follow-up plans; and
- budget so as to ensure that resources are available to implement the plans and achieve the predetermined goals.

The above eight steps of the planning process is a general application that can be used in various sectors, including in the municipal sphere. As a PMS is part of strategic planning, and communicates the link between the institution's mission, strategic direction and required employee performance, the aforementioned steps can be applied to the planning phase of the PMS.

When probed about the support senior managers receive from the Overstrand Local Municipality regarding the simplification of the alignment and implementation process of the PMS, Groenewald (2013) stated that support from the municipal council was needed for the successful aligning and implementing of the PMS. Arrison (2013) indicated that the municipal council was very positive about performance management. The municipal council and management accepted the PMS.

The PMS facilitates the alignment and implementation of institutional goals with individual goals. All employees know what is expected of them (Bartman, 2013). This comment is in contrast to an earlier discussion, noted in chapter 3, in which senior managers indicated the negative perception and behaviour employees have towards the PMS. Thus, even though alignment is possible on paper, the practice thereof proves to be challenging. The municipality supports managers by providing training, and making the managers part of the process of alignment and implementation of the PMS (Michaels, 2013). Management is also supported by the legislation that guides them and by clearly set goals (Reyneke-Naude, 2013).

According to Groenewald (2013), the municipal manager of the municipality is responsible for ensuring that a PMS is implemented. Furthermore, every director, manager and supervisor should take responsibility for implementation, while the municipal council and executive mayor also have an important supervisory role. This statement by Groenewald (2013) clearly links to the aspects of strategic, tactical and operational planning, and the alignment thereof between all levels of management, as well as the commitment and responsibility of all managers to ensure the implementation of the PMS at all levels. Based on comments made in the previous chapter, knowledge regarding the PMS is sufficient, but when it comes to implementation, employees' perceptions and behaviour towards the PMS necessitate that extra care should be taken by managers to ensure alignment.

Regarding the effectivity and shortcomings of the Overstrand Local Municipality's municipal scorecard model, Groenewald (2013) argues that the model is forthcoming from legislation, but that regulations should be better defined and focus more on the core competencies higher up in the hierarchy. This statement indicates a need to ensure that all employees be made aware of their contributions to institutional

performance through proper performance alignment. According to Arrison (2013), the electronic system is a challenge, as well as the measurability of certain aspects. Michaels (2013) indicates that because of the challenges posed by the system, it is reviewed annually to see where it can be improved. The system should not be generic, but rather adaptable to the type of service. The system indicates what you must stop doing, start doing and continue doing.

Processes should be simplified because the system is more complex than is necessary (Reyneke-Naude, 2013). This is in contrast to statements made in the previous chapter regarding the need for a PMS's adaptability to external and internal influences. The argument here is that if senior managers focus too much on practical implementation, the possibility exists that the bigger performance picture might become distorted and that the emphasis is placed only on compliance. When senior managers indicate that employees perceive performance management only as a compliance issue, attention should be paid to the message communicated by the actions and decisions of senior managers themselves.

Müller (2013) indicates that the system is not helpful when dealing with people and their personal problems and emotions. Madikane (2013) adds that, although the PMS is part of job satisfaction and motivation, each employee knows whether they have delivered. The PMS is subjective and is not effective. These statements support the negative perceptions, attitudes and behaviour employees associate with performance management in general. However, if alignment is properly managed and specifically planned for, employees would be placed in a position to understand their individual contributions to institutional performance.

As the municipal scorecard forms part of the PMS and therefore planning, the efficiency thereof is important to the planning processes within the municipality. From the above it is deduced that the municipal scorecard model is not flawless, but it is revised annually for improvement. The feedback of the interviewees indicates that while the importance of alignment of performance indicators, from the scorecard model to the different levels of management and all employees, is evident on paper, the practical realisation thereof is proving to be a challenge.

Concerning the alignment of individual and institutional performance indicators and the role of senior managers in this regard, Müller (2013) states that the directors, together with managers, annually review the alignment of the IDP, budget and SDBIP, thus focusing on strategic alignment, but they do not ensure that policies are reflected in individual performance planning. Arrison (2013) explains that the SDBIP is linked to the PMS in order to measure performance management on an institutional level and the KPIs of the directors are influenced by individual performance management. Thus there should be alignment between the individual performance agreement of employees as well as the performance agreements of the directors. Bartman (2013) agrees that the vision and mission of the municipality should be linked and aligned to the SDBIP, as well as individual KPIs. Arrison (2013) further states that the directors should meet with the managers in order to develop the KPIs. According to Bartman (2013), it is the responsibility of the senior managers to ensure that the KPAs are aligned with the vision and goals of the municipality. All employees should know exactly what is expected of them (Michaels, 2013). Reyneke-Naude (2013) agrees that senior managers have a responsibility to ensure alignment from the lowest to the highest level employees. From the above it could be argued that senior managers indicate an obligation towards ensuring alignment, but that none of them indicated an actual management function for ensuring it.

Synergy is important to alignment, so regular communication and strategic sessions are vital (Michaels, 2013). In order to ensure alignment between all the relevant role players, a system with clear guidelines is important, as is introducing the PMS systematically. In the Overstrand Local Municipality the PMS was first implemented at senior management level and then at lower levels (Reyneke-Naude, 2013). According to Madikane (2013), the PMS gives an overall understanding of the performance of all the departments, which is important information in terms of aligning role players. For Müller (2013) the PMS provides the opportunity to communicate with employees at an informal level and provides more communication opportunities. An important deduction here is that all communication relates to the institutional PMS, while the Municipal Scorecard was done in isolation. Employee performance management was not integrated with the Municipal Scorecard.

Aspects such as the PMS, IDP, budget and SDBIP (as explained in Chapter 2) are all interlinked and form part of the planning process within the municipality. These aspects should all be aligned for optimal results and goal achievement. With the implementation of the PMS, as well as the alignment of individual and institutional performance indicators within the Overstrand Local Municipality, it is clear that a thorough strategic planning process was followed, but that specifically operational planning was lacking. According to the interviewees, a definite link also exists between the PMS, IDP, budget and SDBIP. In the next section, organising will be explored as one of the management functions.

4.3.2 Organising

After the plans and goals of the institution have been set, management is tasked with allocating the various resources of the institution to specific employees and departments. Furthermore, roles and responsibilities are defined and policies and procedures are established in order to achieve the institutional goals (Smit *et al.*, 2007:10). Kroon (1995:10) agrees that organising means allocating activities to individuals or divisions and assigning responsibility. Cloete (1991:112) adds that organising groups the functions of employees and the institution into an orderly pattern, so that all the employees can work towards the same objective. Organising is an interactive and never-ending process in the institution, where resources are properly deployed and the activities coordinated (Smit *et al.*, 2007:187).

One of the functions of organising is coordination. Smit *et al.* (2007:192) describe coordination as the combined effort of all employees within the institution to achieve the strategic, tactical and operational goals of the institution as a whole. Tripathi and Reddy (2008:161) define coordination as the management of interdependence in the institution. This interdependence can occur between departments and individuals. Organising is valuable for deploying resources effectively, ensuring synergy to ensure effectiveness and quality, and the coordination of activities (Smit *et al.*, 2007:188).

On the role of managers with respect to alignment, Arrison (2013) and Groenewald (2013) agree that each director should ensure that performance management under

their directorate occurs at individual level. Performance is the function of each next level manager. Madikane (2013) agrees that senior management should be held accountable for their directorate. Bartman (2013) observes that the PMS indicates both problems and improvements in the institution and individuals can be held accountable. From the above statements from interviewees it is clear that senior managers are aware of their important role in ensuring alignment between individual and institutional performance. Nonetheless, the actual evidence shows that in practice the alignment is not entirely effective. Although managers possess knowledge regarding the process of alignment, as discussed in chapter 3, the practical implementation thereof is lacking.

Good coordination can ensure that the alignment between the different levels of management flows effectively. In this way, performance can be checked both individually and institutionally. The role of senior managers in this regard is to ensure that performance management filters down in their directorate.

Communication is another important aspect of organisation, which is closely connected to coordination. Through organising, clear channels of communication should be established to make sure that the communication between managers and employees is aligned throughout the various levels of employment (Smit *et al.*, 2007:188). Communication is defined by Smit *et al.* (2007:363) as a “process of transmitting information and meaning”. This process includes a sender, message and receiver. In order to organise successfully, managers need to communicate effectively with subordinates in order to achieve alignment in the institution.

Regarding the challenges of managers in the implementation of a PMS, Arrison (2013) states that lower level employees see performance management as a tool for punishment. Because of their lower level of schooling, performance measurement is a difficult concept to understand. This relates back to the negative perceptions and attitudes of employees towards individual performance management, which influences the behaviour of employees, and ultimately the achievement of individual and institutional goals. In order to correct the above-mentioned challenges, more focus should be placed on the tactical and operational planning phases, to ensure that the management function of organising is successful. For Bartman (2013),

consistency in a PMS is important and should be marketed to employees to get their buy-in. In this regard, the issue of institutional culture is of great importance, as discussed in the previous chapter because institutional culture influences the perceptions and behaviour of employees in the institution.

In this regard, communication is of great importance for the successful implementation of the PMS. The role of senior management should be to communicate the aim of the PMS and performance measurement in general, to lower level employees. This will ensure that employees understand the system and accept the concept.

Responsibility and accountability are also closely linked to organising. Smit *et al.* (2007:193) defines responsibility as the duty to achieve goals by performing obligatory, predetermined activities, while accountability is seen as an assessment of how well responsibility was met. Mukherjee and Basu (2005:78) in turn define responsibility as an individual's obligation to perform an assigned task, while accountability is the acceptance of credit or blame resulting from their work.

Regarding the implementation of the PMS, Michaels (2013) mentions that it is the responsibility of all levels of management to ensure that the PMS is implemented effectively following a top-down approach. Reyneke-Naude (2013) sees the whole management corps as responsible for the PMS and the success of its implementation as dependent on management, which leads the employees and sets an example. At the Overstrand Local Municipality, although the managers recognise their responsibility with respect to the implementation of the PMS, it seems that the alignment thereof throughout all levels is inadequate. The negativity of employees towards the PMS implies that senior managers have not been successful in this regard.

From the above it is clear that senior management has a responsibility towards the institution to ensure the successful implementation of the PMS in order to facilitate effective performance management in the Overstrand Local Municipality. This alignment between the different levels of management should flow down to individual employees. Furthermore, legislation holds the municipality responsible for the

implementation of the PMS. The evidence from interviewees verifies that the alignment, especially at lower levels, has not been successful.

Organising is imperative for achieving goals and leads to an institutional structure, which in turn assigns responsibility and tasks to employees. In this way, individual employees can be held accountable for their actions and results. According to Groenewald (2013), performance management is important because the Overstrand Local Municipality makes use of individuals' tax money; they are financed by the public. Therefore, the municipality should be held accountable for its use of these monetary resources. The public will evaluate the municipality to determine whether they have complied with their mandate (Groenewald, 2013). Arrison (2013) agrees that the importance of performance management is wider than legislation prescribes, that the public is the client and the Overstrand Local Municipality is responsible for delivering good service to the community and is accountable to them.

A municipality is not a profit-making institution and works in the public interest, in a context in which the public does not have the choice of using other service providers. The public is dependent on the municipality for services and it is therefore held accountable (Reyneke-Naude, 2013). According to Michaels (2013), employees should be multi-skilled in order to do more with fewer resources, thereby acting in and promoting public interest. Reyneke-Naude (2013) affirms that the municipality should deliver optimal outputs and services with the community's money.

Employees of the Overstrand Local Municipality are held accountable by legislation (various Acts and Regulations as described in Chapter 3), as well as the public through service delivery. The role of management in this regard is to be accountable concerning tasks such as the allocation of resources, expenditure and service delivery. The next section will analyse leading as a management function.

4.3.3 Leading

According to Van der Waldt and Du Toit (1999:196), leading is the method of influencing employees to achieve the set objectives of the institution. Leading includes the management of human resources in the institution, in order to align them

with the set goals and plans. Managers have to work in collaboration with employees in order to achieve the institutional goals. Leading also includes the motivation of employees and directing necessary change (Smit *et al.*, 2007:10). According to Müller (2013), managers should motivate and inspire employees to be innovative and to accomplish more with limited resources.

In leading the institution, the complex management function of leadership is of vital importance. Leadership is defined as a process aimed at directing the behaviour of others in order to accomplish the goals of the institution. The leader translates the plans of the institution into reality (Smit *et al.*, 2007:271).

Leadership comprises the following components (Kroon, 1995:354):

- authority, which gives a leader the right to give orders to employees;
- power, which is the skill of a leader to influence the actions of employees without using authority;
- influence, which leads to action by employees, where the leader uses both power and authority;
- delegation, which is the transferring of authority from the leader to a subordinate; and
- the leader should take responsibility and be accountable for their actions, resources and performing tasks.

A balanced combination of the above components will ensure stable leadership in the institution. According to Smit *et al.* (2007:275), the quality of leadership in the institution is directly linked to performance. In order to achieve greater performance, productivity and profitability, the managers in the institution should also be trained to be good leaders. Therefore, managing and leading go hand-in-hand to ensure better individual and institutional performance.

The first research on leadership was conducted to prove that good leaders had certain characteristics or traits. Some of these identified traits included qualities such as attractiveness, above average height, intelligence, self-assurance and

assertiveness. This research was unsuccessful, though, as a universal list of the traits of successful leaders could never be compiled (Smit *et al.*, 2007:279). Further research focused on the behavioural approach to leadership and what a successful leader does. Behaviours and actions of leaders include delegation, communication and motivation. There are two basic leadership behaviours, namely task-orientated leader behaviour (autocratic) and employee-oriented leader behaviour (democratic). In the first scenario the leader is concerned with supervision and control to ensure that employees perform at their work. The leader sees the employee as an instrument to get the work done. In the second scenario the leader believes in motivation and participative management. The leader focuses on the needs of people and their progress (Smit *et al.*, 2007:280; Naidu & Rao, 2008:76). Naidu and Rao (2008:76) add another scenario, namely the free-rein leader, meaning that power is not used often and it is important to this leader to give the employees the independence they need to achieve their goals.

According to Smit *et al.* (2007:282), the contingency or situational approach to leadership could be adopted. This approach entails that the success of a leader is determined by his or her ability to assess a situation and adapt his or her leadership style for the best results. Various models flowed from the contingency or situational approach, namely Fiedler's contingency theory of leadership, Hersey and Blanchard's leadership cycle model and the Vroom-Yetton-Jago model. Fiedler's contingency theory of leadership states that the success and efficiency of a leader depends on the match between leader, situation and employee. Hersey and Blanchard's leadership cycle model suggests that the maturity of the employees determines the most effective management style for a specific situation, as well as the readiness and willingness of followers (employees) (Robbins *et al.*, 2009:297). The Vroom-Yetton-Jago model is another situational leadership mode, but it is not widely used because of its complexity. This model proposes that the leader should adjust to various task structures (Smit *et al.*, 2007:284).

One of the most esteemed leadership approaches is the Path-Goal Theory. This theory was developed by Robert House and entails that the leader has the responsibility to assist employees in reaching their goals (through the provision of information and resources), as well as to direct and support them to ensure that

individual goals are compatible with institutional goals. In terms of this theory, leaders should clear the path for employees to reach their goals (Smit *et al.*, 2007:284; Robbins *et al.*, 2009:299). Within this theory there are four leadership behaviours, namely the directive leader (employees know what is expected of them and are guided on how to perform tasks), the supportive leader (who is concerned about the needs of employees), the participative leader (who consults with employees and considers their ideas before making a decision) and the achievement-orientated leader (expects the highest performance from employees and sets challenging goals) (Smit *et al.*, 2007:284). Ideally, leaders should be flexible and use all the above leadership styles in different situations.

Regarding leading as a management function and leadership at the Overstrand Local Municipality, Arrison (2013) states that capacity and resources are needed to be a successful leader, as many indicators are linked to the budget. Clear guidelines and good leadership are, moreover, important for the alignment of individual and institutional performance indicators, according to Bartman (2013). Michaels (2013) mentions that regular sessions with project managers are important, as well as insight into the system rather than a forced system. For Reyneke-Naude (2013) it is critically important to be familiar with the institutional indicators, otherwise alignment cannot take place at the lower levels in order to achieve institutional goals. It is therefore important to understand how to keep employees happy and to be sensitive towards them. Madikane (2013) agrees with Arrison (2013) that support and capacity are vital to senior management. As is evident from the previous section, senior managers at the Overstrand Local Municipality have adequate knowledge of institutional indicators, as well as leadership capabilities. Still, the alignment of these indicators, mostly at lower levels, is not sufficient.

From the above statements from interviewees it can be deduced that the Overstrand Local Municipality uses the Path-Goal Theory. These senior managers believe in the importance of available capacity and resources, clear guidelines, good leadership, insight into the PMS, the knowledge of institutional and individual indicators, and the happiness and wellbeing of employees.

The process for performance management in the Overstrand Local Municipality is clear. In order for senior managers to ensure the alignment of individual and institutional performance indicators, a bottom-up approach is followed where a chain is followed from officials to managers and then to directors for reviewing and lastly to the municipal manager. These processes end in a signed performance agreement, which is evaluated quarterly (Groenewald, 2013). In this regard, the municipality uses a top-down approach when determining the KPIs and KPAs of employees, in order to ensure that all indicators at all different levels are aligned. Furthermore, a bottom-up approach is followed once the KPIs and KPAs have been incorporated, documented and authorised. In order to function optimally, Groenewald (2013) states, knowledge of the environment is needed. Senior managers should be experts in their field and know the institution. However, the institution functions as a team and cannot be successful without the teamwork of all the employees.

Within any institution, change is a reality, be it in the internal or external environment. Leaders need to be equipped to deal with change and manage and steer employees in times of change. Employees might be resistant to change because their interests seem threatened, they are uncertain of the effects the change might have on them, a lack of trust and misunderstanding can play a role, people have different perceptions of change and some have a low tolerance for change (Smit *et al.*, 2007:223). According to Robbins *et al.* (2009:487), there are various ways for a leader to manage change in the institution, in order to reassure employees. The leader can educate employees and communicate with them to help them to see the reason and logic behind the change. Getting managers aligned with the idea of change is a necessity if the endeavour is to be a success. When employees participate and are involved in making decisions, change will be accepted more readily. Facilitation and support is available from change agents to reduce resistance from employees. This also means providing the necessary resources in order for employees to do their jobs well. A combination of negotiation and incentives can be successfully used to reach an agreement with employees regarding the proposed change (Smit *et al.*, 2007:224; Robbins *et al.*, 2009:487). Robbins *et al.* (2009:488) also refer to methods such as manipulation (covert influence attempts) and coercion (threatening and forcing employees) to accept change. The above two methods are inexpensive but not recommended, as the credibility of the institution can be damaged.

Regarding change and leadership in the Overstrand Local Municipality, according to Groenewald (2013), a challenge for senior management with the implementation of a PMS is to change employees' attitudes towards performance measurement. Groenewald (2013) adds that performance measurement is a strange concept to most people and should be introduced carefully. A possible explanation for this can be that employees are unfamiliar with performance measurement practices and are uncertain about the unknown. This again indicates that alignment has not happened.

Another challenge for managers perceived by Reyneke-Naude (2013) is time constraints, which leads to performance management being left for last. Performance management can be valuable to the institution, and should not be seen as a compliance issue. She says that the employees were nervous about performance management at the beginning of the process, but later became comfortable with it. But she adds that performance management is an important tool that can be used by employees and supervisors to inform each other of problems they experience, and discuss ways to rectify them (Reyneke-Naude, 2013). This is in contrast to statements made in the previous chapter that performance management is not seen as a compliance issue at the municipality; that the PMS at the Overstrand Local Municipality was introduced and implemented first at senior management level and later filtered down to the lower levels; and that employees became comfortable with performance management after they were informed about why performance measurement is necessary and what is expected of them. This is relevant in terms of institutional performance measurement, but is not reflected in the individual performance agreement.

According to Madikane (2013), employees should understand why they should perform and why they are measured. This will help them to focus on their tasks. Müller (2013) indicates that a challenge with the institutional PMS is the fact that not all aspects are quantifiable, such as attitude, accuracy and innovation. However, he says that employees do appreciate feedback on their performance. Bartman (2013) states that while the system is effective, it is less effective for the lower, unschooled employees, other than clerks and office personnel. The reason for this might be that the work of unschooled employees is of a more practical nature, out in the field.

From the above it is clear that the implementation of the institutional PMS in the Overstrand Local Municipality was a big change for all the employees. Understandably, there was resistance to this change, as employees saw the PMS as a negative process and a way to punish them, especially the lower level, unschooled employees. Through good communication and education from senior management, aligned on all levels of management, employees became more comfortable with the PMS concept and how it can be used to rectify problems through a bottom-up approach, as well as a top-down approach. From the above it could also be seen that performance management comprises a measure of control, which is the last management function to be introduced in the next section.

4.3.4 Control

According to Rossouw *et al.* (2014:227) control takes place at the strategic level, functional level and operational level (as discussed under planning). Control is defined as the process that ensures that the activities coincide with the planned activities (Van der Waldt & Du Toit, 1999:201). Managers should exercise control in the institution to ensure that the predetermined goals of the institution are achieved. During control, the objective is to monitor performance to ensure that the plans for the institution are followed. Any deviations from the plan can be identified and corrected through monitoring. During the measurement of performance, the degree to which goals were reached will be evident and feedback can be given (Smit *et al.*, 2007:11).

In this regard the aspect of measurement, monitoring and correction are important. The formulated goals of individuals as well as the institutional goals should be measurable, which Smit *et al.* (2007:135) describe as the explanation of goals in such terms that they can be quantified and evaluated for the purpose of a performance appraisal. Senior managers have an important role in this regard, namely to ensure that goals and KPAs are measurable. Robbins *et al.* (2009:5) explain monitoring and correction as the responsibility of managers to ensure that the performance of the institution is monitored and compared with the predetermined goals. Furthermore, any substantial deviations should be corrected by management.

Regarding measurement and monitoring in relation to the function of control, the Overstrand Local Municipality makes use of an electronic performance management programme named Ignite. Together with legislation, this makes alignment and performance issues easy, according to Groenewald (2013). This statement is controversial in terms of the information received from interviewees and the evidence of difficulties regarding alignment in the municipality. In the case of underperformance by employees, management should be made aware of and try to rectify the problem. Furthermore, if employee performance is not aligned to institutional performance, even correcting the problem will have no effect on institutional effectiveness and efficiency. The Overstrand Local Municipality claims to be a Centre of Excellence and should therefore only provide quality services to the public, according to Michaels (2013). Therefore performance of employees should unquestionably be monitored, evaluated and controlled. Even with the monitoring, evaluation and control, alignment is of the utmost importance. In order to successfully monitor, evaluate and control, the individual and institutional performance indicators should be aligned to determine whether goals have been achieved.

According to Groenewald (2013) the municipal scorecard model is effective, although there is no opportunity to ensure that KPIs are always measurable. The municipal manager, together with the managers, strives to develop effective KPIs, but not all aspects are measurable. Ideally, the core competencies should account for more than 20% for higher level employees. Arrison (2013) indicates that the municipal scorecard model is very effective, although there are some gaps in interpretation in the system. This indicates that although the scorecard model has positive aspects, there is still room for improvement, and therefore the annual revision of the system is important.

Michaels (2013) is also very positive about the municipality's PMS. He is of the view that it motivates employees to take their jobs more seriously because they are monitored. Employees also have clear goals and know what is expected of them, so the introduction of the PMS definitely had a positive impact, he argues. Reyneke-Naude (2013) indicates that the PMS provides employees with the tools they need to be professional and to measure performance in a uniform and consistent manner. Madikane (2013) agrees that the PMS is a positive tool and is helpful with

organisation and prioritisation in the institution. These comments indicate that the focus is only on individual performance and the link with institutional performance is missing. Although employees are aware of their own goals, they are unaware of the vision of the institutional goals. This again indicates that proper alignment between the different levels has not been successful.

In short, although the Overstrand Local Municipality has a well implemented PMS, including the electronic system Ignite, with many positive attributes, some problems are still experienced regarding the measurability of certain aspects. For the most part the system functions effectively, but there is room for improvement, according to the interviewees.

Control is aimed at keeping to the plans of the institution without deviation so as to attain the goals of the institution. The progress in this regard is measured and supervised through the control function, in order to intervene and manage deviations. Through control, managers can determine whether activities are working according to plan, whether the plan should be adjusted or a new plan is needed (Smit *et al.*, 2007:386).

Control is important in the institution as it ensures that all the activities in the institution at different levels are in line with the predetermined goals and to ensure that resources are applied correctly for goal achievement. Through control, change and uncertainty can be better managed and contribute to better quality of results. The turbulent and ever-changing environment, with its variables, the complexity in each institution's structure and the competitive market can be better managed by applying control (Smit *et al.*, 2007:388).

The control process comprises four steps (Smit *et al.*, 2007:389; Van der Waldt & Du Toit, 1999:203). These are:

- Setting the standards of performance so as to anticipate the expected performance standards. Through control the gaps between planned and actual performance can be monitored and compared. These performance standards might include profit standards, market share standards, productivity standards

and employee development standards. The municipal scorecard model, for example, is a control tool used to ensure clear standards and to ensure consequent measurability, as it indicates the KPAs, KPIs and the required resources for goal achievement;

- Measuring the actual performance is an ongoing task. While reporting, such as annual reports, is a difficult task, it is a method of controlling performance. Variables should be quantifiable and measurable in order to make a significant comparison. Moreover, the reporting should be accurate and reliable to be meaningful and effective for control purposes. Reporting and performance management provides important management information, so that management can concentrate on problem areas and rectify them;
- Evaluating deviations between the standards and actual performance is important. Information regarding why certain standards have only been equalled or why they have been exceeded is vital. The causes of the gaps between standards and actual performance can range from changes in the business environment to poorly formulated goals; and
- Corrective action is aimed at bettering performance and ensuring that future discrepancies do not occur. Deviations can be rectified if the actual performance is lower or higher than the set standard by lowering or raising standards, improving the actual performance or revising strategies (Rossouw *et al.*, 2014:228).

The management function of control requires the above-mentioned steps in order to ensure that it is executed correctly and all aspects have been considered. In the Overstrand Local Municipality, the Ignite electronic performance management programme assists with these steps of control.

Another important part of control by management is quality. According to Robbins *et al.* (2009:14), any effort to improve quality and productivity needs the support of the employees. Managers need to obtain the buy-in and participation of all employees. The quality and productivity of the individual employee affects the quality and productivity of the institution as a whole.

Arrison (2013) observes that when the performance inside the institution is poor, the results, output, service and overall quality will also be poor. Employees should therefore be driven to perform better to improve the final product sold to the public. Bartman (2013) agrees that performance management is important to ensure that the municipality functions at an optimal level. In this regard, Michaels (2013) confirms that the public has certain expectations from the municipality regarding service delivery. The above will not be possible without the alignment of individual and institutional indicators. In order to ensure optimal service and outputs, alignment must be present and individual performance and goals should correlate with the goals of the institution.

The challenges above link back to the KPAs listed in the IDP of the Overstrand Local Municipality, as well as the national KPAs, as discussed in Chapter 1. From the above it is clear that quality outputs are of great importance to the Overstrand Local Municipality and that the senior managers play an important role in ensuring the alignment and achievement of goals in their directorates. Reporting is encouraged to facilitate the achievement of goals.

Nieuwenhuizen and Rossouw (2008:446) argue that in order to report on performance, certain targets should be set in the planning phase, while the report should present both the predetermined targets and the achieved targets. Priorities might shift, and targets can change, but variations between the set targets and reached targets should be clearly explained in the report. Presenting a report with performance against the set targets is helpful in setting a benchmark.

Within the Overstrand Local Municipality, the PMS measures performance per directorate and makes provision for any type of report in demand (Arrison, 2013). These reports include individual performance reports, institutional performance reports and financial performance reports. The PMS provides a good overview of the performance of the municipality and also contributes to the annual reports of the municipality. The use of uniform annual reports in municipalities makes it possible to compare municipalities with each other in order to motivate improvements where needed. Important management information is generated by the PMS (Groenewald, 2013). According to Arrison (2013) the PMS forces employees to work with more

accuracy, because of reporting. Performance management makes employees more successful in their work.

These comments indicate that reporting forms an integral aspect of control in the Overstrand Local Municipality, not only to measure performance, but also to set a benchmark in order to compare with other municipalities. These reports also give feedback to the community (as taxpayers), as well as government (complying with legislation), which leads to the issue of compliance. According to the Annual Report of the Overstrand Local Municipality (2013a:75), communication with the public is of great importance and therefore various structures are in place to create sufficient communication opportunities between the municipality and the community. In this regard, the municipality has put in place a communication unit, a communication strategy, a communication policy, customer satisfaction surveys and a functional complaint management system, as well as publishing a newsletter that is distributed at least quarterly. The municipality also has an established website on which reports are available to the public. These reports include the annual budget and all budget-related documents (adjustment budget and budget implementation policy), annual reports (drafts and approved), performance agreements and all quarterly reports tabled in the council. In order to compile these reports, information from all levels of the institution is needed.

Smit *et al.* (2007:323) explain that compliance involves a change in the behaviour of an employee who does not personally agree with certain plans or decisions. An employee will comply to achieve the goals of the institution. The institution, in turn will comply in order to meet the demands of legislation.

Regarding the issue of compliance with legislation, Reyneke-Naude (2013) holds that the PMS of the Overstrand Local Municipality is effective. According to Groenewald (2013), some managers see individual and institutional performance management as a compliance issue, but should use it to gather important management information. Auditing and reporting forces the municipality to comply with performance management processes. Arrison (2013) agrees that performance management is often only done because it is compulsory, but senior managers at the Overstrand Local Municipality have a positive attitude towards performance management.

Managers are positive about the PMS and find the system highly beneficial. A successful PMS indicates problem areas as well as areas of excellence (Bartman, 2013). Michaels (2013), however, states that management is very negative about the guidelines and legislation regarding institutional and individual performance management. He indicates that legislation is too rigid; although the guidelines are very clear, they do not leave any discretion to the manager. On the other hand, Reyneke-Naude (2013) comments that not everyone is comfortable with the institutional side of performance management yet; a clear picture is needed to see how institutional and individual performance management flow into one. According to Madikane (2013), it is vital to align individual and institutional performance management and to align the national KPIs with the IDP of the municipality. The prescribed guidelines are broad and could make the municipality function effectively.

Thus within the Overstrand Local Municipality, performance management is not seen by senior management as a compliance issue, but rather as a tool that can improve the institution as a whole. However, this perspective is not shared by all and this has an enormous influence on the employees as well as the institution, which implies that alignment remains a problem area in the municipality. Senior managers have the task of ensuring that individual and institutional goals are aligned, and that performance management is seen by all employees in their respective directorates as a way to keep the Overstrand Local Municipality a centre of excellence. The guidelines prescribed by legislation seem to be negatively received by some employees. In the next section, some general observations will be made regarding the challenges management faces with respect to alignment in the Overstrand Local Municipality.

4.4 GENERAL OBSERVATIONS

On the basis of the above information, the following general observations are made concerning alignment in the Overstrand Local Municipality. Certain concerns were raised regarding regulations and legislation in the planning stages of the PMS. Interviewees stated that regulations could be better defined and a stronger focus should be placed on core competencies. The use of an electronic system was also challenging for employees. A big challenge experienced by senior managers was the

measurability of certain aspects. The system seems to be generic and not adaptable to all the different services offered by the municipality. The PMS is also perceived as overly complicated and should be simplified. The system is not helpful in the institutional environment in terms of dealing with people, who have emotions and personal problems. One interviewee described the PMS as subjective and ineffective.

The senior managers agree that it is their responsibility to ensure the alignment of the different levels in the institution, and to ensure that the KPAs and goals of the municipality are aligned. However, regarding the alignment challenges in the planning phase of the PMS, it is evident that legislation and regulations can hinder alignment and impact negatively on the efforts of senior management to enforce alignment in the institution. Thus, through the information gathered, it became clear that alignment is possible in theory, but the implementation thereof remains problematic. Furthermore, managers acknowledge their important role in ensuring alignment, but the integration of individual and institutional performance, as well as sufficient operational planning is lacking. The negative perceptions, attitudes and behaviour that employees display towards performance management could be rectified through proper planning and management.

Regarding the management function of organising, alignment challenges were also observed. Apparently lower level employees struggle to accept performance measurement and managers endeavour to market the PMS and get the buy-in of all employees. The alignment of the PMS at all levels is essential in the organising phase. Alignment concerns at this stage influence the institution as a whole, from the highest to the lowest level. In this regard it is important for the municipality to focus more on tactical and operational planning, as well as the aspect of institutional culture, to limit the negative attitudes, perceptions and behaviours of employees towards the PMS. Paying more attention these factors might assist in the successful alignment of individual and institutional performance.

Leading the design and implementation of the PMS is an important task of senior managers in the Overstrand Local Municipality. Some concerns regarding alignment in the leading phase include the fact that certain aspects such as attitude, accuracy

and innovation are not quantifiable in the PMS. Furthermore, senior managers perceive that the system is less effective for the unschooled employees than the office employees. It still seems to be a challenge for senior managers to change the attitudes of employees towards performance measurement. Moreover, time constraints cause managers to not fully utilise the PMS as the valuable tool that it is, but rather to just comply with legislation and regulations. When all the employees are not committed to the PMS, the alignment of individual and institutional performance indicators is hampered and this impacts the institution as a whole negatively. Although managers have good leadership skills and knowledge of the system and indicators, the alignment between different levels seems to fall short.

In order to manage the control function of management effectively, certain alignment challenges need to be addressed. The measurability of KPIs once again comes to the fore. Gaps in the interpretation of the system were also observed by senior managers. Seemingly, some managers still see individual and institutional performance management as a compliance issue, and practice it only because it is compulsory. The issue of prescribed guidelines and legislation for the PMS appears again and impedes alignment. Certain managers complained that legislation was too rigid. Furthermore, not all the employees are comfortable with institutional performance management. Senior managers need to ensure that all employees understand how institutional and individual performance management are intertwined. For the alignment of individual and institutional performance indicators to be established successfully, specific attention should be given to the above-mentioned management challenges. In order to successfully apply the management function of control, attention should be given to the alignment of individual and institutional performance, which in turn affects service delivery. Performance management is still seen by some as a compliance issue and its value to the institution is not appreciated by everyone.

4.5 CONCLUSION

In this chapter the management challenges in the alignment of institutional and individual performance indicators within the Overstrand Local Municipality were

discussed in relation to the four management functions, that is, planning, organising, leading and control.

Certain challenges and concerns were identified that should be addressed in order to promote efficient alignment practices. Some recurring challenges include factors such as regulations and legislation being too rigid and the certain aspects of performance not being measurable. Some facets were experienced as not being quantifiable. The complexity of the system was also touched upon. Furthermore, the attitudes to and buy-in of employees regarding the PMS were also a concern.

In the next chapter a best practice framework and proposed management framework will be given for the alignment of performance indicators in the Overstrand Local Municipality by making use of the four management functions, namely planning, organising, leading and control.

CHAPTER FIVE: PROPOSED MANAGEMENT FRAMEWORK FOR THE ALIGNMENT OF PERFORMANCE INDICATORS

5.1 INTRODUCTION

While in the previous chapter the focus was on the management challenges with respect to the alignment of institutional and individual performance indicators within the Overstrand Local Municipality, this chapter includes best practice examples by reviewing the performance policies of the eThekweni Metropolitan Municipality, the George Local Municipality and the Theewaterskloof Local Municipality. Thereafter, a proposed management framework for the alignment of performance indicators within the Overstrand Local Municipality will follow. This will be done by using the management functions of planning, organising, leading and control, as discussed in chapter four.

5.2 BEST PRACTICE EXAMPLES

In the municipal context, best practices should address activities that have an impact on the external community. A best practice is defined as actions and processes to improve efficiency and deliver better services to the community (Du Plessis, 2005:40). Furthermore, the concept of benchmarking means to measure and compare in order to achieve better performance (Keehley *et al.*, 1997:39). According to Weller (1996:24), benchmarking is an influential tool for quality improvement, especially in the transformation of public sector institutions into quality institutions.

The following criteria have been formulated to define best practices (Keehley *et al.*, 1997:26):

- results must be quantifiable;
- timelines, outcomes, outputs, effectiveness and efficiency measure its success;
- employees should view best practice as innovative;
- best practice development and its advantages should be available in order for other departments and institutions to use it;

- the local community is affected by best practice and it should be of importance to them;
- different institutions should be able to use best practice; and
- the best practice should have a successful track record over a lengthy period.

While the above indicates specific criteria for determining best practice, for the purpose of this research best practice examples will be taken from different municipalities and specific attention will be paid to how these municipalities are able to ensure alignment between institutional and employee performance management systems. The purpose is to understand the role that managers, and specifically senior managers, play in ensuring that alignment is reflected throughout the institution. Thus, in order to propose recommendations to the Overstrand Local Municipality for a best practice framework to address the challenges related to the current municipal scorecard model and for effective alignment between individual and institutional performance indicators, the following three municipalities will be used as a benchmark.

5.2.1 eThekweni Metropolitan Municipality

The eThekweni Metropolitan Municipality is located in KwaZulu-Natal Province and spans an area of approximately 2,297km². The population comprises 3,442,361 million people, with the greatest population concentrations around urban areas. The municipality has developed a fully electronic PMS, which was used to facilitate the implementation of its IDP and promote good governance (eThekweni Metropolitan Municipality, 2014:4-8).

Performance management is the instrument that measures whether the targets set by the institution and its employees are achieved, in order to meet the strategic goals of the institution. Therefore, it should be noted that performance management is of great relevance to the institution, as well as its employees (eThekweni Metropolitan Municipality, 2008:10).

According to the eThekweni Metropolitan Municipality (2008:3), the success of performance management is dependent on the following five key issues:

- top level management and the municipal council have to drive the system;
- communication at all levels is essential;
- the value of the PMS must be understood by all employees;
- the system must provide learning opportunities through coaching and reviewing processes; and
- performance management is a continuing process in the institution.

From the above it can be argued that placing emphasis on top management's role in ensuring the implementation of the system is the necessary first step in ensuring that alignment is recognised as an important management function at all managerial levels. Furthermore, promoting the system as creating opportunities for learning through coaching and mentoring implies an alignment with employee feedback provided, for instance, during employee performance management and development processes. This is offered as best practice for municipalities to ensure that, in identifying the purpose of the PMS, attention is given to the role managers have in ensuring implementation through alignment.

The objective of the performance management framework for the eThekweni Metropolitan Municipality is to produce an effective and efficient PMS in order for the municipality to (eThekweni Metropolitan Municipality, 2008:11):

- convert the vision and mission of the municipality, as well as the IDP, into clear measurable outcomes and indicators that define the accomplishment of goals that are shared throughout the municipality;
- ensure that the plans and programmes of the municipality are successfully implemented;
- act as a tool for assessing, managing and improving the overall performance and success of institutional processes and systems;
- measure the development impact;
- ensure the efficient use of resources;
- create a best practice culture;

- promote accountability;
- deliver an in-depth and predictive PMS by including measures of quality, cost, customer service and employee alignment, motivation and skills; and
- evaluate the performance of the municipality as a whole, along with its employees.

Specific mention is made of alignment in the above points, which again emphasises employee involvement in the implementation of the institutional PMS. The IDP of the eThekweni Metropolitan Municipality acts as an inclusive and strategic plan for the development of the municipality, which in turn links and integrates plans, and aligns resources to form a framework on which the annual budget must be based. The IDP is the main strategic tool guiding planning, management, development and implementation (eThekweni Metropolitan Municipality, 2008:12).

According to the eThekweni Metropolitan Municipality (2008:13), the SDBIP is important as it measures the operational plan of the municipality, while the PMS measures performance at a strategic level. If the SDBIP and PMS are well formulated, the achievement of the strategic objectives set by the municipal council will be ensured.

While the IDP and SDBIP are strategic policies, the implementation thereof requires the involvement of all employees at all levels. Aligning institutional with employee performance will ensure that the above is achieved. Thus, performance management can make a substantial contribution to the individual and institutional performance of the institution. The PMS should aim to improve the strategic focus and institutional effectiveness, while also aiming to improve the performance of each employee, as well as the municipality in its entirety (eThekweni Metropolitan Municipality, 2008:15).

Ultimately, the performance of a municipality is linked to the performance of the employees. Therefore, the eThekweni Metropolitan Municipality (2008:16) emphasises the importance of linking institutional and individual performance and to manage it simultaneously, but also separately. The individual performance plans of managers are drafted on the basis of the performance plans of the senior managers and the process cascades down through the hierarchy of the different directorates of

the municipality. Therefore the institutional scorecard is effectively executed by the municipality's employees. The job descriptions of employees are aligned with the individual performance plan of the senior managers. This ensures that all employees are working towards the goals of the municipality (eThekweni Metropolitan Municipality, 2008:16).

In order to achieve the institutional performance objectives, the eThekweni Metropolitan Municipality (2008:16) states that it is important for each employee to reach his or her individual performance objectives, which are linked to both the goals of the department and the IDP. Individual performance management takes place between each employee and next level manager.

The eThekweni Metropolitan Municipality (2008:18) experiences the benefits of individual employee performance as:

- ensuring the alignment of individual goals with that of the municipality and to synchronise efforts to achieve goals;
- understanding what is expected from the employees, the expected timeframe and the expected standard;
- recognising the key areas of accountability of employees;
- determining whether performance objectives are met;
- making qualified decisions within the employee's level of competencies; and
- giving employees learning and development opportunities to competently meet their performance goals.

From the above, the argument can be made that the reciprocal relationship that exists between employee and institutional performance management is not only evident in their policy frameworks, but is experienced by all who work for the municipality.

The eThekweni Metropolitan Municipality (2008:47) sees performance as a process that needs to be consultative and clearly understood by all levels of employees and management in order for each individual employee to play a role in achieving the

institutional goals. In this regard, a performance-driven management culture is of the utmost importance within the municipality.

5.2.2 George Local Municipality

The George Local Municipality is located on the south-eastern coast of South Africa, 440km southeast of Cape Town. The municipal area comprises 5,190,43 km² in extent and this municipal area includes, among others, George, Wilderness, Harold's Bay, Kleinkrantz, Victoria Bay and Rondevlei. The George Local Municipality has a population of 193,672. This municipality has developed a fully electronic PMS, which is used to facilitate the implementation of its IDP and promote good governance (George Local Municipality, 2014:19-20).

The George Local Municipality (2011:5) holds that employees will benefit from the PMS in that it will:

- Provide better insight into tasks and clarify the duties and responsibilities associated with the position of the employee;
- Enable employees to visualise their position in the municipal structure and therefore help them to contribute to achieving the development objectives of the municipality, as stipulated in the IDP of the municipality;
- Assist employees to discover their strengths, recognise their weaknesses and develop the knowledge, skills and attitudes needed to overcome weaknesses to ultimately perform to their full potential; and
- Enhance employee career development through focused training.

It is clear from the above that the alignment between individual and institutional performance management offers many benefits to both the employer and employee. What is interesting here is that the institutional PMS is provided as mechanism through which career development can be achieved. The argument is made that when employees understand the current contribution they provide towards institutional goal achievement, the career path of what their future contributions could achieve should motivate them towards personal and institutional goal achievement.

For the employer, performance management holds the following benefits (George Local Municipality, 2011:5):

- The implemented IDP is available to all employees and clarifies objectives and strategies, and also promotes the accountability of groups and individual employees;
- It offers the continual reassessment of structural functionality and enables effective institutional alignment with goals and strategies;
- It facilitates understanding of the roles, duties and responsibilities of employees;
- It enables the identification of the shortcomings in employment practices, procedures and policies;
- It delegates clear and realistic responsibilities (KPIs) to employees; and
- It provides efficient, effective and economically viable services to the community.

Facilitating the reciprocal relationship that alignment between individual and institutional performance indicators can achieve is one of the most important management functions. The George Local Municipality (2011:12) agrees with the eThekweni Metropolitan Municipality that the IDP and PMS must be seamlessly integrated. Furthermore, institutional performance is measured by a municipal scorecard at institutional level, while the SDBIP measures performance at the departmental level. The SDBIP is a tool that translates the IDP and budget into measurable criteria, and also allocates responsibility to each directorate.

The municipal scorecard is used to merge service delivery targets set by the municipal council and senior management, which provides a superordinate view of the municipal performance (George Local Municipality, 2011:13). Regarding KPIs, the George Local Municipality (2011:14) states that these must be linked to the strategic objectives of the IDP, and aligned with the national and municipal KPAs. Furthermore, clear targets should be set quarterly and assigned to a senior manager. Targets can only be set after reviewing resources and past performance. To ensure that the objectives identified in the IDP are achieved by delivering on the KPIs, it is

necessary to analyse these KPIs. Again, the role of all managers at all levels is highlighted since the analyses of KPIs cannot be done without the input of the employees responsible for delivering on them. The SDBIP should be reviewed by the executive mayor for compliance, alignment and adherence to the municipal council agenda. When reviewing KPIs, it is important to evaluate the validity and suitability thereof (George Local Municipality, 2011:15).

For the George Local Municipality (2011:29), KPIs indicate progress in the implementation of the strategic objectives of the municipality. Indicators are regarded as important by the municipality because they:

- provide a framework to collect data in order to measure and report;
- change complicated concepts into operational measurable variables;
- make it possible to review goals and objectives;
- help to give feedback to the municipality and employees; and
- identify any gaps between the IDP strategies and the operational plans of the different departments.

From an organising function perspective, the alignment between strategic and operational plans is made clear by the above. Thus, not only should managers ensure proper aligned planning for performance, but their structural arrangements should also facilitate this alignment.

The SDBIP captures the performance of each directorate in detail and provides a complete picture of the performance of each specific directorate. The SDBIP is compiled by senior managers for their own directorates and includes objectives, indicators and targets from other annual plans (George Local Municipality, 2011:17). None of these activities can be done if alignment is not achieved. In that case, only reflection regarding strategic objectives would be provided without tangible proof of the actual implementation thereof.

The George Local Municipality (2011:19) argues that all managers have the responsibility to:

- design KPIs that address the SDBIP, operational needs, service delivery improvement and other important departmental activities;
- plan performance and set targets for the institution;
- assign KPIs to employees;
- ensure that the SDBIP is implemented;
- monitor performance and document it;
- take corrective action if it is required; and
- communicate performance results to the municipal manager.

By placing the above responsibilities on all managers, the leading role of managers in ensuring performance management through alignment becomes evident. While the PMS is initiated by senior managers, its implementation is the responsibility of all employees through aligned performance management.

The senior management team has important roles and responsibilities within the institution, including (George Local Municipality, 2011:23):

- implementing individual performance in their respective directorates;
- approving performance plans;
- evaluating performance and results in their directorate;
- moderating performance; and
- reporting to the municipal manager.

As can be seen from above, and according to the George Local Municipality (2011:20) the performance of the municipality and the employees are interlinked. Therefore, linking institutional performance and individual performance is vital. These two aspects should be managed simultaneously, but also separately. The George Local Municipality agrees with the eThekweni Metropolitan Municipality that the individual performance plans of managers are based on the performance plans of the senior managers and the process cascades down through the hierarchy of the

different directorates of the municipality. Through this it is ensured that all employees are working towards the same goals of the municipality. Furthermore, these two municipalities are in agreement regarding the various benefits of individual performance, as seen in *Section 5.2.1*.

The individual scorecards of senior managers should include their key focus areas for the year, KPIs linked to the SDBIP and aligned to the manager's job description, managerial KPIs, as well as weightings to show the importance of each input or output (George Local Municipality, 2011:21). Consequently, the performance plans of all employees should include key focus areas for the year, performance agreed to for all employees at a specific job level, performance of the individual employee aligned to the job description, as well as performance indicators that ensure efficient and effective service delivery (George Local Municipality, 2011:22).

The George Local Municipality (2011:22) emphasises that performance measurement is a continuous process that should not be addressed only during formal performance reviewing sessions. This places an emphasis on the manner in which the control function of managers is supposed to be carried out. Continuous measurement of performance is important, not only for the realisation of individual performance goals but more specifically to ensure institutional success.

Performance management in the municipality was developed to specifically address poor performance. Poor performance by employees had been attributed to the following factors (George Local Municipality, 2011:25):

- poor systems and processes in the institution;
- inappropriate structures internally;
- lack of skills and capacity problems;
- inappropriate institutional culture; and
- absence of appropriate strategies.

The above factors indicate that the role of managers in ensuring alignment is particularly evident. The planning, organising, leading and control functions of

managers enable them to address problems associated with internal structures, capacity, culture and communication problems. Thus, in the George Local Municipality a specific response was developed to address the problems associated with performance. This strategy entails (George Local Municipality, 2011:25):

- restructuring as a possible solution to an unsuitable structure;
- process and system improvements;
- training and sourcing additional capacity to address a lack of capacity;
- change management and education programmes in order to address institutional culture;
- revising strategy by key decision; and
- considering alternate service delivery strategies.

In all the decisions regarding the above strategy, all the employees and managers had to be involved. The result was the George Local Municipality (2011:34) implementing the electronic Ignite system for individual and institutional performance management, which allows them to use the system optimally by generating reports in order to be consistent and effective. The PMS of each institution is unique, as is its environment. The PMS cannot function in isolation, particularly if it is to be used to ensure control over the achievement of goals and objectives. Furthermore, the municipality's PMS evolved and developed over time and currently reflects the uniqueness of the municipality. In the municipal setting it is always possible to achieve even more focused alignment between the objectives and performance levels (George Local Municipality, 2011:38).

5.2.3 Theewaterskloof Local Municipality

The Theewaterskloof Local Municipality encompasses an area of 3,231km², with Cape Town on its western boundary and sharing the eastern coastline with the Overstrand Local Municipality. The population of this municipality is 108,790. The municipality developed a PMS in order to facilitate the implementation of the IDP and promote good governance (Theewaterskloof Local Municipality, 2013:4).

In their policy statement, the Theewaterskloof Local Municipality (2011:9) states that they recognise the value of a performance-based institutional culture, which encourage productivity and development by the alignment of individual and institutional performance goals with the mission, strategic goals and objectives of the municipality. The responsibility of executing the PMS falls to the senior managers, each of whom is responsible for performance in his or her directorate. This is no different from any of the other municipalities, except that with the Theewaterskloof Local Municipality the measurement of both individual and institutional performance is inherent in the system.

The PMS measures performance on both an individual and institutional level and this ensures that the municipality meets its institutional performance indicators. The performance objectives of employees are linked to their directorate and the municipality. Once the municipal targets are set, it can cascade down to the different directorates and employees (Theewaterskloof Local Municipality, 2011:10).

The PMS of the Theewaterskloof Local Municipality (2011:11) is intended to:

- Ensure that all employees share a common vision and mission and that all the objectives and strategies of the municipality reflected in the IDP are realised;
- Establish a framework that provides effective and regular performance feedback and reporting in the institution;
- Ensure that the SDBIP and IDP are aligned;
- Develop an implementation plan to reflect concrete programmes, activities and targets in order to achieve priorities;
- Ensure that the SDBIP forms the basis of an effective institutional and individual PMS;
- Develop a system for monitoring and evaluation that guarantees performance management and reporting;
- Continuously improve sustainable service delivery; and
- Encourage a performance-oriented institutional culture within the municipality.

The specific emphasis on institutional performance culture seems to permeate all the best practice examples described here. Establishing such a culture implies that all senior managers are committed to achieving the goals of the municipality by ensuring that there is collective recognition and achievement of these goals within their respective directorates. The argument here is that this commitment by senior managers moves beyond a reflection on performance goals in their directorates' performance indicators; they conscientiously plan, organise, lead and control the alignment of these municipal goals with individual employee performance agreements and the employee performance management system. Though the individual and institutional PMS are implemented separately, the reciprocal recognition of their importance for institutional success is evident. In the design and implementation of the PMS, the Theewaterskloof Local Municipality (2011:12) followed eight important principles:

- Simplicity – the PMS must be accurate and effective, but still be simple and user-friendly in order for the municipality to develop, implement, manage and review performance without burdening the existing capacity of the municipality;
- Politically acceptable and administratively manageable – the PMS must be acceptable to all political role players and flexible enough to be accepted by the municipal council;
- Implementable – the PMS should be implementable using the current resources of the municipality, which include time, institutional, financial and technical resources;
- Transparency and accountability – the PMS must be inclusive, transparent and open. The community should be aware of how the municipality is administered, how resources are used and who is responsible for what aspects;
- Efficient and sustainable – the PMS must be cost effective, and managed in a professional and sustainable manner;
- Integration – the PMS must be integrated with the IDP of the municipality, as well as its individual employee performance management;

- Objectivity – the PMS must be based on a value system in terms of which the management and information is objective and credible. Performance assessments must ensure objectivity and credibility in performance management; and
- Reliability – the PMS must deliver reliable information on the municipality's progress in achieving the objectives of the IDP.

Again, it should be noted that alignment is specifically mentioned and emphasis is placed on integration with the employee PMS. According to the Theewaterskloof Local Municipality (2011:14), performance targets must be set annually and reviewed every month. In order to analyse the performance of the institution, managers should compare current performance with targets, past performance and, where applicable, with the performance of other municipalities. Integration between the SDBIP and individual performance is vital for the municipality, as all KPIs and targets in the SDBIP should be present in the individual scorecards of senior managers (Theewaterskloof Local Municipality, 2011:17). These scorecards measure both inputs and outputs. Outputs describe the expectations from managers of what the employee should achieve during the year, while inputs describe the skills, knowledge and behaviour expected of the employee in order to achieve the objectives. Outputs in the Theewaterskloof Local Municipality (2011:18) weigh three times more than inputs to ensure that the focus of employees is on the delivery of results. The weight of each input or output reflects the importance thereof and leadership decides on these at the beginning of each financial year (Theewaterskloof Local Municipality, 2011:20).

The Theewaterskloof Local Municipality (2011:37) agrees that it is integral to success to make objectives manageable and realistic, and that the focus should be on development. Considering the fact that the KPAs were set in the national sphere, it is a common occurrence that different municipalities will have similar KPAs. However, the municipality has the opportunity to differentiate their unique developmental priorities when deciding on the objectives per KPA. The municipality should decide on KPIs that are measurable, relevant, simple and precise.

The following general observations emerge from the above best practice examples:

- All the municipalities promote a supportive performance management culture, which is evident in their strategic to operational policies;
- All the municipalities place emphasis on the importance of ensuring alignment, not only through policy processes, but also through the management of employees and their alignment with municipal performance indicators; and
- All the municipalities understand the importance of ensuring that managers are capable and committed towards managing through planning, organising, leading and control, as well as through the alignment of individual and institutional performance management.

In the following section, and based on the above observations, a management framework will be proposed aimed at addressing the challenges identified in the previous chapter.

5.3 PROPOSED MANAGEMENT FRAMEWORK

As discussed in chapter two, the current municipal scorecard model of the Overstrand Local Municipality is based on a systems approach to the PMS. The systems approach is an open system, made up of different subsystems that are dependent on each other (Van der Waldt & Du Toit, 1999:64). The Overstrand Local Municipality PMS is an open system, in which each subsystem (department or directorate) is influenced by the other and reflects environmental influences (Smit *et al.*, 2007:38). The PMS functions as a subsystem of its environment and receives inputs from the environment that needs to be converted to outputs. Feedback will then be given on these actions. In this regard, the institution and the environment are dependent on each other (Van der Waldt & Du Toit, 1999:65).

In light of the challenges identified in the previous chapter, as well as the best practice examples described in the section above, the research suggests a framework to enhance the current Municipal Scorecard Model. This management framework will integrate proposed management solutions by focusing on the four

management functions (as discussed in chapter four), namely planning, organising, leading and control.

5.3.1 Planning

It became apparent during the interviews at the Overstrand Local Municipality that the complex nature of the PMS was challenging, and could impede the proper functioning of the system and influence the alignment of performance indicators. For the eThekweni Metropolitan Municipality, one of the objectives of the performance management framework was the ability to convert its vision and mission, and the IDP into clear and measurable indicators. The George Local Municipality agrees that measurable criteria are important.

Reyneke-Naude (2013) indicated that processes should be simplified and that the system was more complex than is necessary. According to the George Local Municipality, one of the reasons for this might be poor systems and processes in the institution. This can be rectified by restructuring unsuitable structures and processes in the municipality. One of the principles the Theewaterskloof Local Municipality follows for the design and implementation of the PMS is simplicity, because the system needs to be effective but also user-friendly. The study recommends that the Overstrand Local Municipality investigates the manner in which integration and alignment were achieved in the best practice examples by using an electronic system. Although the municipality's scorecard is already available in electronic format, the possibilities of ensuring further alignment should be investigated.

In order for the PMS to function optimally, and align the individual goals and performance with the institutional goals and performance, the system should be adaptable to the type of service being measured. Senior management could consider adapting the PMS to fit each directorate specifically and accommodate the different services applicable to each directorate. More specific development plans and KPIs for lower level employees might help to bring about a clearer vision for employees of how the individual and institutional goals align with each other. Furthermore, the complexity of the system and its processes should be addressed. Strategic sessions between all levels of management working with the PMS would be helpful in this

regard in order to simplify certain processes. Reyneke-Naude (2013) recommends holding strategic sessions with lower level employees in order for them to see the difference they can make in the institution. Reyneke-Naude (2013) also believes that recognition should be given to employees for their contribution to the institution.

In chapter three, the negative perceptions and behaviour that employees exhibit towards the PMS were noted. In this regard, the eThekweni Metropolitan Municipality suggests key issues for successful performance management, including that the value of the PMS should be understood by all employees. Furthermore, as discussed in chapter four, the institutional culture can play a role here. The George Local Municipality indicates that an inappropriate institutional culture can be linked to poor performance within a municipality, and can be rectified by change management and educational programmes to address institutional culture issues. In this regard, the PMS of the Theewaterskloof Local Municipality aims to encourage a performance-oriented institutional culture within the municipality. The Theewaterskloof Local Municipality also mentions that individual scorecards measure both inputs and outputs, where inputs include the skills, knowledge and behaviour an employee should possess in order to reach his or her set goals.

Moreover, comments from employees noted in chapter three indicate that the knowledge regarding the PMS at the Overstrand Local Municipality is adequate, but when it comes to the behaviour and perceptions of employees, managers should take extra care to ensure alignment. In aligning the current PMS to individual performance, the municipal scorecard does not identify the core competencies necessary for alignment. There is also a call for better defined regulations flowing from legislation. The PMS is challenging because the measuring of individual performance to institutional performance is not clear. The fact that lower level employees have generic development plans and KPIs, as indicated by Arrison (2013), might contribute to the aforementioned problem. In this regard, it is important to ensure that all employees are aware of their contribution to achieving the institutional goals. The eThekweni Metropolitan Municipality indicates that in order for institutional goals to be reached, individual employees should reach their own goals. The PMS of the municipality should therefore aim to improve the performance of each individual employee. According to the George Local Municipality, one of the

benefits of the PMS for employees is that it enables employees to visualise their position in the municipality and what they contribute to achieving the objectives of the municipality.

The human aspect of the PMS has also been called into question because it does not take into account the personal problems and emotions of employees. This can severely influence the achievement of institutional goals. Another concern regarding the PMS is its objectivity and effectiveness, which can seriously impact the alignment of individual and institutional performance if individual performance is not measured accurately. The Theewaterskloof Local Municipality describes objectivity as one of the principles needed when designing and implementing a PMS. This ensures that management and information is credible and objective in performance management. Once again, these challenges can be linked back to the negative attitudes, perceptions and behaviour of employees towards performance management. In this regard, individual employees should understand their contribution to the institution and its goals. To achieve its institutional performance objectives, the eThekweni Metropolitan Municipality believes in the importance of each employee reaching their individual performance objectives, which are linked to the goals of the department, as well as the IDP. Employees should be aware of their position in the municipality and where they fit in. It is therefore recommended that, as departure point, all senior managers should create a common understanding of what alignment would entail. Furthermore, this alignment initiative should be discussed with all the managers within their respective directorates and each manager should be made responsible for ensuring that all employees' performance agreements reflect their contribution to the achievement of municipal goals.

The above could be facilitated by the municipal and senior managers re-examining their core competencies and including the responsibility of achieving alignment as a core competency. This can be done once a year, as confirmed by Michaels (2013), as the PMS is reviewed annually because of its challenging nature.

Concerns regarding the objectivity and effectiveness of the PMS should be discussed at senior management level, after which other managers should be called in to share their experience and perspectives of regarding the PMS. Bartman (2013) confirms

that consultation between senior managers regarding the alignment of aspects that are being measured, aspects that should be measured and the identification of shortcomings would be ideal. Bartman (2013) adds that good communication, regular updates and trust in each other will ensure the successful functioning of the PMS. Through careful planning, the PMS can be populated with more specific information regarding KPIs and core competencies for the next year, in order to ensure an objective and effective PMS.

5.3.2 Organising

Several challenges were identified by interviewees within the Overstrand Local Municipality with respect to the management function of organising. The evidence showed that, in practice, alignment remains ineffective in the municipality because the practical implementation seems to be problematic. The eThekweni Metropolitan Municipality uses a performance framework, among other things, to ensure employee alignment and states that the performance of the municipality is linked to the performance of individual employees. The eThekweni Metropolitan Municipality reiterates the importance of linking individual and institutional performance. One of the benefits of individual employee performance management as identified by the municipality is that individual goals are aligned with the goals of the municipality and working together to achieve these goals. Furthermore, the George Local Municipality agrees with the eThekweni Metropolitan Municipality that manager's performance plans flow from the performance plans of senior managers, and cause this process to cascade down to all the levels of the municipality. Through this it is ensured that all employees work towards the same institutional goals. The Theewaterskloof Local Municipality, in turn, states that a performance-based institutional culture will encourage productivity by aligning individual and institutional goals with the objectives of the municipality. In this regard, it is recommended that senior managers cultivate a performance-driven institutional culture by their actions and behaviour towards performance management, and thereby lead by example. Change management and education programmes might be valuable tools to change institutional culture. Furthermore, managers can teach employees the value of performance management in the municipality.

Senior managers observed that employees see performance management as a compliance issue. In such cases the actions and decisions of senior managers should set the example for employees in terms of becoming a performance-driven institution. One of the key issues of successful performance management, as stated by the eThekweni Metropolitan Municipality, is that communication at all levels is vital. Part of its performance management framework is to create a best practice culture within the institution, as well as a performance management-driven culture. This links back to the behaviour and perceptions of employees towards the PMS, as well as the institutional culture.

The negative perception of employees concerning the use of the PMS is a challenge for the alignment of performance indicators. The perception exists that both individual and institutional performance management are tools for punishment, used by managers to effect compliance. It perpetuates the problem of alignment between individual and institutional performance when employees do not have the vision to achieve the institutional goals. According to the eThekweni Metropolitan Municipality, the success of performance management is dependent on the fact that the PMS must be understood by all employees in the municipality, as well as communication at all levels. The municipality also states that performance should be a consultative process which must be clearly understood by all employees in order for them to play a role in the achievement of institutional goals. The George Local Municipality adds that the PMS enables employees to have a vision of their place in the municipality and how they contribute to achieving institutional goals. In this regard, the PMS of the Theewaterskloof Local Municipality aims to ensure that all employees share the same vision and mission in order to realise the strategies of the municipality forthcoming from the IDP.

A further challenge in the Overstrand Local Municipality is that all communication centres on institutional performance and the municipal scorecard is handled in isolation. The eThekweni Metropolitan Municipality experiences one of the benefits of individual performance management as being the alignment of individual goals with institutional goals in order to combine efforts to achieve the set targets. In light of this, continuous communication between all levels of management, as well as other lower level employees, is recommended. This can be achieved by organising workshops to

orientate employees on performance management and why it is important to align individual performance with institutional performance. Also important is regular communication at managerial level through meetings and strategic sessions.

The negative perceptions of employees can be addressed by organising informative sessions regarding the objectives of the PMS for all levels of employees. By educating employees, especially at the lower levels, on the importance of performance measurement, negative perceptions can be eradicated. The alignment of individual and institutional performance indicators and goals can, in turn, be explained and promoted. Through a top-down approach, institutional goals cascade down to individual level in order to form individual performance indicators. Reyneke-Naude (2013) agrees that institutional performance management is not yet understood by all employees. Employees should be informed about how and why individual and institutional performance management should be aligned. The concept and the aim of the PMS should be communicated to all, and an understanding and acceptance thereof should be cultivated among employees. Michaels (2013) suggests that regular interaction and proper communication is important in this regard. Furthermore, individual goals should be achievable and clear to employees.

The recommendations regarding the organising function centre on the ability of managers to establish a performance culture through appropriate communication. Poor performance can be linked to an inappropriate institutional culture, as was noted in the best practice examples. Although programmes linked to address institutional culture issues might be appropriate, a necessary first step should be for senior managers to communicate the aim of the PMS to employees in order for them to understand and accept the concept. The eThekweni Metropolitan Municipality argues that for performance management to be successful, top level management and the municipal council should drive the system and ensure communication at all levels of the institution. The municipality also insists that performance management should be clearly understood by all employees in order to ensure the alignment of individual and institutional goals.

5.3.3 Leading

Leading as a management function plays an important role in the alignment of performance indicators in the municipality. Leadership is important in that it guides employees in their actions and goal achievement. Alignment will be impossible if managers do not accept and fulfil their leadership roles. Regarding the role of managers, it is important that all managers have the same understanding of alignment, which could be discussed during a planned session. If all the managers are on the same page about the meaning and importance of alignment, they can lead all the employees of the municipality with more success. Each senior manager should be made responsible for alignment in their directorates, even at the lowest level.

In cases where managers see performance management only as a compliance issue, this attitude will inevitably influence the perceptions, attitudes and behaviours of employees towards performance management. In order to ensure that individual and institutional performance is aligned, managers should lead by example and use the PMS to its fullest extent as the valuable tool that it is. Ultimately, this type of leadership can lead to a performance-driven institutional culture, in terms of which all the individuals work together to achieve the goals of the institution.

In short, performance measurement should, first and foremost, be understood and accepted by senior and other managers in the institution. Only then can they lead the rest of the employees to acceptance and comprehension of the PMS.

Regarding the workload of managers, performance measurement should be seen as a priority and one of their most important tasks. Ideally, the processes in the PMS should become simpler in order to save time. The measurability of innovation, attitude and accuracy is a complex task, meaning that attempting to add such aspects to the PMS can be problematic. Currently it seems that the measurement of such aspects is left to the discretion of each manager, which leads to inconsistency between different managers.

Within the management function of leading, the alignment of indicators, especially at lower levels, remains a challenge in the Overstrand Local Municipality. As discussed in the previous sections, the alignment of individual and institutional indicators and goals are of the utmost importance if the municipality is to reach its institutional targets. All three of the best practice municipalities above agree on the importance of ensuring that managers are capable of and committed to lead the alignment in the municipal context.

Furthermore, the challenge of negative perceptions and the attitudes of employees towards the PMS again came to the fore. Also, the fact that performance measurement is seen by employees as a foreign concept is challenging. This will inevitably hamper the achievement of the institutional goals, as it makes alignment impossible. It is a necessity for each employee to work towards a uniform goal, and therefore performance measurement needs to be understood and accepted at all levels of the institution. The PMS should be driven by senior managers and marketed to employees, as indicated by the eThekweni Metropolitan Municipality. In this regard, it is recommended that managers take a stronger leadership role in enforcing alignment. This can be achieved by educating employees on the importance of performance management, how their individual goals add to the achievement of institutional goals, as well as leading by example.

Managers at different levels of the institution are experiencing pressure because of their work load. This causes performance management to often be neglected and not optimally utilised as the valuable tool it is. Alignment between the different levels of management can in turn be neglected. Time constraints might cause managers to treat performance management as a compliance issue. In the design and implementation of its PMS, the Theewaterskloof Local Municipality states that a PMS should be simple and implementable. This entails that the system should be designed and implemented without burdening the current capacity of the municipality and, furthermore, that the current resources of the municipality (including time) should be used effectively. The above implies that capacity problems might be the cause of the time constraints managers are experiencing. Further pressure is put on capacity in the municipality because, as the George Local Municipality indicates, performance measurement is a continuous process that should be addressed

regularly throughout the year. It is recommended that the municipality investigates the possibility that capacity problems cause performance management to be neglected and done only because it is compulsory. The possibility exists that greater capacity can lead to more successful alignment as performance management is optimally used.

The contentious issue of the effectivity of the PMS on lower level employees can possibly be rectified through strong leadership at all management levels, as well as through the aforementioned informative or educational sessions, in which the role and importance of performance measurement can be explained. Once again, communication between managers and subordinates is important in this regard. Managers should strive to change the attitudes of employees towards the PMS and create positive perceptions. Groenewald (2013) explains that senior managers try to do what is best for the institution, but cannot succeed on their own. Therefore teamwork is important if they are to achieve the institutional goals.

5.3.4 Control

During the interviews at the Overstrand Local Municipality it became clear that not all the employees are comfortable with institutional performance management. This is an important challenge in the sense that institutional goals determine individual goals and the achievement of individual goals determines, to a large extent, the achievement of institutional goals. Furthermore, difficulties in the alignment of individual and institutional performance indicators have been observed. In order to monitor, evaluate and control successfully, it is important that individual and institutional performance indicators are aligned to determine whether goals have been reached. The importance of alignment within the municipality was heavily emphasised throughout the policy documents of the eThekweni Metropolitan Municipality, the George Local Municipality and the Theewaterskloof Local Municipality. By contrast, in the Overstrand Local Municipality it seemed that the link between individual and institutional performance was absent. Although employees are aware of their own goals, their vision of institutional goals seemed to be lacking. Thus alignment between the different levels seems to be unsuccessful.

In the alignment of individual and institutional performance indicators, the PMS of the Overstrand Local Municipality does not allow for the opportunity to ensure that all KPIs are measurable. If these KPIs are not measurable, it is impossible to determine whether individual goals have been reached and makes it even more difficult to reach the goals of the institution. This creates uncertainty and grey areas around performance and responsibilities. There is an appeal from senior management for the PMS to allow core competencies to increase to more than 20% for the higher level employees. Gaps in the interpretation of the PMS have been reported, which can result in uncertainty and the inconsistent measuring of performance between different managers and different directorates. According to the George Local Municipality, KPIs should be linked to the strategic objectives of the IDP and aligned with the national and municipal KPAs. Targets should be clear and measurable. The Theewaterskloof Local Municipality states that targets should be set annually and reviewed monthly, and emphasises the importance of integrating the national KPIs into the municipality. Also, different weightings can be assigned to different indicators. When reviewing KPIs, it is important to re-evaluate the validity and suitability of these KPIs. In this regard, it is recommended that the senior managers investigate the measurability of the KPIs. Also, it is recommended that alignment becomes a KPI in the individual performance plans of senior managers in order to ensure successful alignment in each directorate.

The question of measurable KPIs and the percentage awarded to core competencies can be addressed by controlling the population stage of the PMS. After the aforementioned planning and strategic sessions between managers, KPIs added to the PMS should be measurable and the core competencies re-evaluated. Each manager in the institution should strive to develop effective KPIs in order to align the individual and institutional goals. Regarding the gaps in the interpretation of the PMS, regular communication and consultation between managers should take place to ensure that performance measurement, at all levels, is done in a consistent manner.

Negativity towards the PMS legislation and regulations by some managers regarding the inflexibility thereof needs to be addressed. This challenge might be balanced out by modifying the KPIs of employees and using incentives as a tool to encourage good performance. One of the main challenges identified was that some employees

are uncomfortable with institutional performance measurement. This is a great threat to the institution as it shows a lack of vision among certain employees. As already argued, management should ensure that all employees are educated on the importance of individual performance measurement and its goals, and how this links to the performance and goals of the institution as a whole. A greater focus should be placed on the alignment of individual and institutional performance and goals. A possible resolution could be workshops regarding this issue for employees at all levels of the institution.

Although the above management framework is presented in relation to the different management functions, recognition should be given to the integrated and interdependent nature of these management functions. The recommendations made are also grouped together according to management functions, but once again should not be considered in isolation. None of the planning recommendations can be achieved if effective communication, appropriate organising, example setting, committed leadership, measurability and control are not simultaneously implemented. The managers responsible for individual and institutional performance management should provide a seamless management process in facilitating alignment.

5.4 CONCLUSION

In this chapter, the challenges faced by the Overstrand Local Municipality regarding its PMS were discussed in relation to the four management functions. Some challenges appeared more than once, but this is because they are relevant to different management functions. One of the greatest challenges in this study appeared to be the alignment of performance indicators at different levels of the institution and the linkage between individual and institutional performance measurement. The next chapter will provide recommendations for the above-mentioned challenges and also conclude this dissertation.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter will serve as a concluding chapter to this paper. It will begin with a summary of the study, linking the research objectives to specific chapters. Furthermore, recommendations are made to the Overstrand Local Municipality regarding the role of management in the alignment of performance indicators. These recommendations are grouped under the four management functions highlighted throughout this dissertation.

6.2 SUMMARY

Chapter one of this dissertation served as an introduction and commenced with an orientation and problem statement. The focus of this study was defined as the problem of managing the PMS through institutional and individual performance alignment in the Overstrand Local Municipality. Furthermore, research objectives, research questions and theoretical statements were introduced. The main research objective of this study was to determine the role of management in the alignment of individual and institutional performance indicators in the Overstrand Local Municipality using a municipal scorecard model. The secondary objectives of the study included:

- Describing the theoretical models and principles of performance management;
- Identifying the principles and legislative requirements of a comprehensive PMS as prescribed for municipalities in South Africa;
- Determining the challenges that managers experience in aligning institutional and individual performance indicators through a municipal scorecard model; and
- Proposing recommendations based on best practice examples towards a management framework for the effective alignment between individual and institutional performance indicators.

Moreover, the research methodology followed in this study was discussed. A qualitative approach was followed that included a literature study and unstructured interviews. This chapter concluded by providing a chapter layout of the study.

Chapter two comprised a literature review of institutional performance management and the first secondary objective of chapter one, namely describing the theoretical models and principles of performance management, was addressed. The chapter started with a description of the theoretical framework of the PMS, followed by the performance management models. The models examined comprised the key performance area model, the balanced scorecard model and the municipal scorecard model. Specific emphasis was placed on the municipal scorecard model, as it is used by the Overstrand Local Municipality. Within the municipal scorecard model, all indicators are grouped together and performance is measured against five perspectives, namely the institutional development perspective, the service delivery perspective, the municipal development perspective, the governance process perspective and the financial management perspective.

Further sections of this chapter contained information on municipal planning and performance, as well as the principles of a PMS. Then, the various role players involved in the development, implementation and use of the PMS were identified and their roles and responsibilities within the processes discussed. These role players comprise the municipal council, the municipal manager, senior management (directors), employees and the community.

In chapter three environmental factors influencing performance management in the Overstrand Local Municipality were outlined. The second secondary objective, mentioned in chapter one, was also addressed. The objective was to identify the principles and legislative requirements of a comprehensive PMS as prescribed for municipalities in South Africa. The environmental factors included the external and internal environment. In this regard, the external environment consists of the political and legislative environment, the economic environment, and the social and cultural environment. The internal environment includes knowledge, attitudes and perception, as well as behaviour. The research presented in this chapter indicated that although the performance of senior managers is aligned to institutional indicators, the

alignment of other employees is hampered by the negative attitudes, perceptions and behaviour employees exhibit towards performance management in general.

In chapter four the management challenges regarding the alignment of institutional and individual performance indicators within the Overstrand Local Municipality were addressed. This chapter correlates with the third secondary objective mentioned in chapter one, namely to determine the challenges in the role of management in aligning institutional and individual performance indicators through a municipal scorecard model. The chapter started with a brief history of management theory. Furthermore, the management challenges within the Overstrand Local Municipality were addressed by using the four management functions of planning, organising, leading and control. After identifying the management challenges, some general observations were made in this regard. Various challenges were identified in this chapter, but the main concern was the lack of alignment of individual and institutional performance in the Overstrand Local Municipality.

In chapter five, recommendations were made regarding a management framework based on best practice examples for the successful implementation of the municipal scorecard model by the Overstrand Local Municipality and how to overcome the challenges that were observed in the course of this research. This chapter addresses the last secondary objective mentioned in chapter one, namely proposing recommendations, based on best practice examples, for a management framework that will produce alignment between individual and institutional performance indicators. The best practice framework for a PMS was first established by consulting the performance policy frameworks of the eThekweni Metropolitan Municipality, the George Local Municipality and the Theewaterskloof Local Municipality. The chapter concluded with a proposed management framework, again in light of the four management functions, namely planning, organising, leading and control.

By addressing the secondary objectives of the study, ultimately the main objective, which is to determine the role of management in the alignment of individual and institutional performance indicators using a municipal scorecard model in the Overstrand Local Municipality, was addressed. In the next section recommendations that emanate from the research will be made.

6.3 RECOMMENDATIONS

Various recommendations are made to the Overstrand Local Municipality, based on the deductions made from this study, and will be grouped under the four management functions of planning, organising, leading and control.

Regarding planning in the Overstrand Local Municipality it is recommended that:

- The municipality should investigate the manner in which integration and alignment were achieved using the electronic system in the best practice examples;
- Possibilities for further alignment should be investigated;
- All the managers should jointly arrive at a common understanding of what alignment entails;
- This alignment initiative should be discussed with all managers responsible for aligning performance agreements with the municipal goals;
- Senior managers should pay more attention to tactical and operational planning in order to align individual and institutional performance;
- Employees should understand their individual contribution to institutional performance. This should happen if alignment is properly managed and specifically planned for;
- Senior managers should re-evaluate the objectivity and effectiveness of the PMS, especially at the lower levels;
- The municipality should hold a workshop for employees of all levels, using a performance specialist, in order to promote the PMS, and for all employees to understand and accept the PMS;
- Senior managers should attempt to simplify the performance management process as it is experienced as being too complex; and
- The performance management processes must be simplified in order to address time constraints in the municipality, which lead to seeing performance management as a compliance issue.

Regarding organising in the Overstrand Local Municipality it is recommended that:

- Senior managers should investigate the alignment between strategic and operational plans regarding KPIs;
- Senior managers should cultivate a performance-driven institutional culture and lead by example through their actions and behaviour towards performance management;
- Change management and education programmes should be investigated as valuable tools to change institutional culture;
- Continuous communication should occur between all levels of management, as well as with lower level employees, through organising workshops to orientate employees on performance management;
- Regular communication should occur at managerial level through meetings and strategic sessions;
- Senior managers should not address the municipal scorecard in isolation, but integrate it with individual performance management; and
- All employees should be educated on the advantages of performance management in order not to see it as a tool for punishment.

Regarding leading in the Overstrand Local Municipality it is recommended that:

- All managers discuss their understanding of alignment at a planned session;
- Managers take a stronger leadership role in enforcing alignment through educating employees on performance management and leading by example;
- The municipality should investigate the possibility that capacity problems cause performance management to be neglected and only done because it is compulsory;
- Senior managers should ensure that performance management filters down in their directorate;
- Senior managers should ensure that employees at all levels are comfortable with institutional performance and understand the concept; and
- Senior managers should be the driving force behind the PMS of the municipality.

Regarding control in the Overstrand Local Municipality it is recommended that:

- Managers should continually measure the performance of individuals and not only during formal reviewing sessions;
- Senior managers should investigate the measurability of the KPIs; and
- Alignment needs to become a KPI in the individual performance plans of senior managers.

6.4 CONCLUSION

During this study several challenges in the Overstrand Local Municipality regarding planning, organising, leading and control became evident. The research objectives set out in chapter one were addressed. The key challenge that emerged was the lack of alignment of individual and institutional performance indicators within the municipality. Furthermore, it became evident that employees experience performance management as negative and a way to punish them.

It also became clear that although the Overstrand Local Municipality delivers adequate services, has knowledgeable senior managers and functions properly, the lack of alignment, especially at lower levels of the municipality needs to be addressed. Further study in this area is possible by interviewing mid-level managers and possibly lower level employees.

The information gathered in this research underscores the importance of performance management in the municipal context, as well as ways to improve performance management in the Overstrand Local Municipality.

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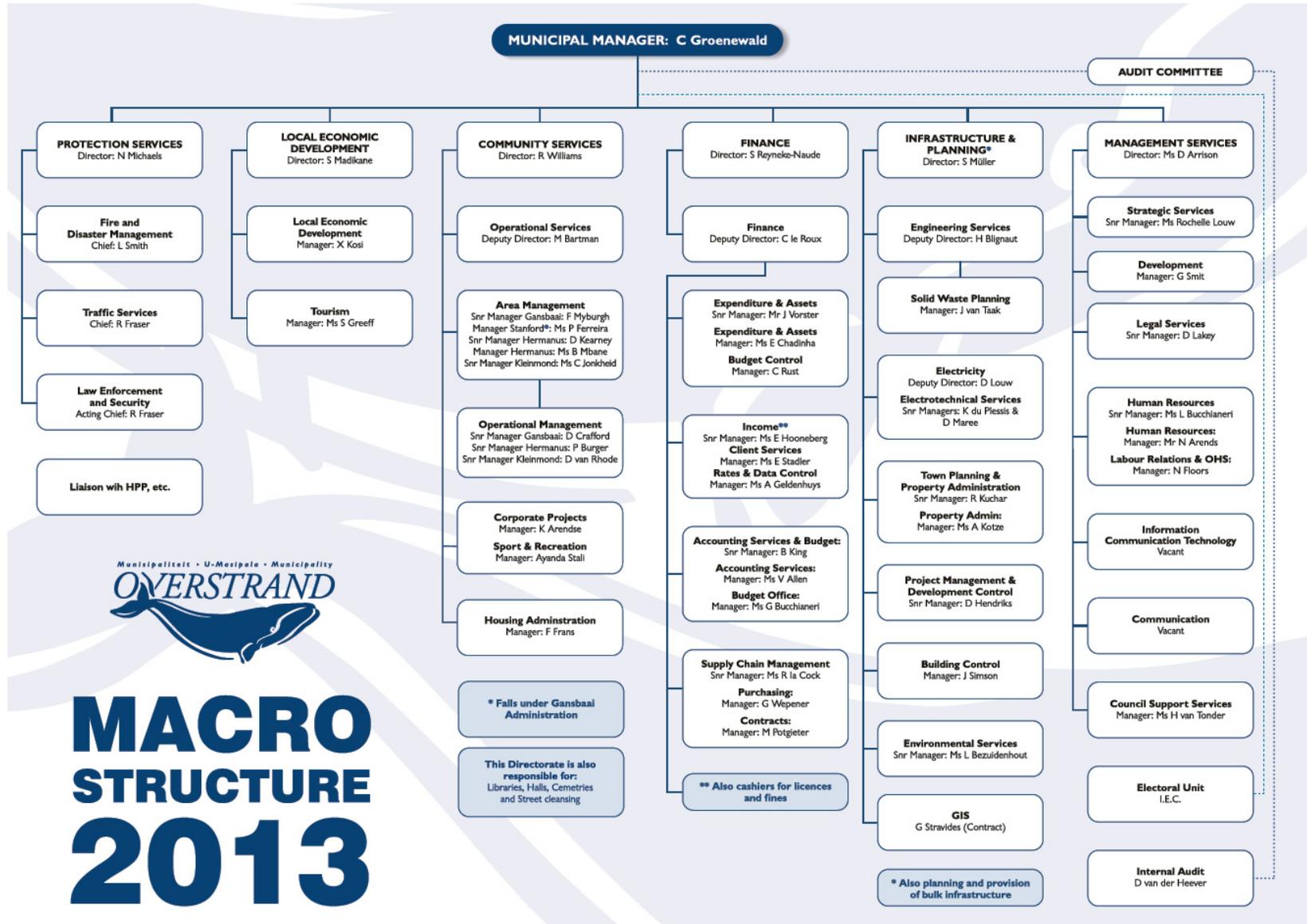
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INTERVIEW QUESTIONS

1. How would you define performance management?
2. According to your opinion, which do you think is more important, organisational or individual performance management?
3. Why is performance management important to the municipality?
4. What is the policy framework for a PMS?
5. How are you as senior manager enabled to implement the policy framework?
6. Who are the important role players in the implementation of a PMS?
7. What is in place to ensure alignment between all the role players?
8. What is your role as senior manager in the alignment of individual and organisational performance indicators?
9. What challenges do you face as senior manager in the implementation of the PMS?
10. How does the municipality support you as senior manager to simplify the alignment and implementation process?
11. What is the perception of management regarding the prescribed guidelines and regulatory framework supporting organisational and individual PMS?
12. What is your view on the effectiveness of the municipal scorecard, which is used by the municipality?
13. Are there any shortcomings in the model?
14. How does your internal environment influence your role as senior manager with regards to the alignment and implementation of a PMS?

15. How does your external environment influence your role as senior manager with regards to the alignment and implementation of a PMS?
16. What do you need to fulfil your role as senior manager in ensuring alignment between organisational and individual performance indicators optimally?
17. Do you have any suggestions to better fulfil your role as senior manager in facilitating the alignment of performance indicators?
18. Up to this stage, what has the implementation of the PMS meant to you in the organisation?



Source: Overstrand Local Municipality (2013d)

ANNEXURE 3



NORTH-WEST UNIVERSITY
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INFORMED CONSENT FOR PARTICIPATION IN AN ACADEMIC RESEARCH STUDY

Title of the study:

The alignment of performance indicators within the Overstrand Local Municipality:
Determining the role of management

Research conducted by:

Ms S.G. Reyneke (North-West University) 018 299 1753

Dear Respondent

You are invited to participate in an academic research study conducted by Ms Suzanne Reyneke at the North-West University.

The purpose of the study is to:

- describe the models and principles of performance management;
- identify the principles and requirements of a comprehensive PMS as prescribed for municipalities in South Africa;
- determine the role of management in aligning organisational and individual performance indicators through a municipal scorecard model; and
- propose recommendations for a best practice framework to address the shortcomings of the current municipal scorecard model for effective alignment between individual and organisational performance indicators, thereby contributing to the body of knowledge regarding municipal

scorecards and performance indicators, and to overcome the challenges that will be observed through this study.

Please note the following:

- This study involves your participation in an in-depth interview.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- The results of the study may be made available to all stakeholders in this research project and may be published in an academic journal and/or presented at an academic conference.

Please sign the form to indicate that:

- You have read and understood the information provided above.
- You agree to participate in the study on a voluntary basis.
- You may be quoted.

Respondent's signature

Date