

**ACHIEVING OPERATIONAL EFFICIENCY WITHIN THE LOCAL SPHERE  
OF GOVERNMENT**

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## ABSTRACT

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The study was done within the local government environment. It was conducted with the aim of assisting municipalities to achieve optimum levels of operational efficiency, following the realisation that all over the world there is an increasing need for organisations, including government organisations, to become efficient. One of the major challenges facing governments worldwide is the need for them to supply basic services to their populations, who are increasing at a disproportionate rate to the resources available to sustain and improve the quality of life of these people.

Thus for government to overcome these challenges, it needs to utilise its available resources cautiously to be able to meet these escalating challenges effectively. Therefore, ten practices were presented in this study as key instruments capable of bringing about efficiency to the manner in which local government operates or delivers services. It was found during the literature review that when these practices are deployed, they will ensure the achievement of operational efficiency within the local sphere of government.

The empirical study was conducted in Matjhabeng Local Municipality (MLM), located in the Northern region of the Free State Province. This local municipality came into existence on the 5<sup>th</sup> of December 2000 after the amalgamation of the former six transitional local councils into one financially viable and economically sustainable municipality. It incorporates the city of Welkom and the towns of Virginia, Odendaalsrus, Hennenman, Allanridge and Ventersburg, with an estimated population of more than 500 000 people.

During the background review of the municipality, several challenges were encountered which included parts of the population without access to proper sanitation and electricity. However, in all the municipal challenges presented, it was argued that the solution can be found in the effective management of municipal input with relation to its output, which means that the municipality has the huge task of managing its scarce resources in an efficient manner to be able to deliver on its mandate and to meet the expectations of its residents.

Furthermore, the study was conducted from a sample consisting of the four senior managers and twenty line managers from the four departments within the municipality. A representative sampling method was employed to ensure that all relevant aspects (such as race, gender and department), considered important for selecting a sample, are included and to also obtain global responses from respondents selected to participate in the study. Furthermore this sample was drawn from a population of nine senior managers and 35 line managers.

The research was conducted with the expressed permission from the office of the accounting officer. Different impressions of the responses made by the participants from this municipality were obtained and then analysed. Overall, there was a negative response from the majority of the participants regarding most of the questions on the ten practices identified. Moreover, in terms of the devised model for measuring efficiency of the municipality based on three levels, the most desirable being *Level 3*, it was found that the municipality could be classified as a *Level 1* organisation, which means that the municipality is at an elementary phase as far as achieving efficiency in its operations is concerned. Lastly, recommendations were made based on the findings of the empirical research conducted.

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## LIST OF ACRONYMS

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ANC	: African National Conference
DA	: Democratic Alliance
GDS	: Growth and Development Strategy
IDP	: Integrated Development Plan
MFMA	: Municipal Finance Management Act
MLM	: Matjhabeng Local Municipality
MSA	: Municipal Systems Act
PAC	: Pan Africanist Congress
PAJA	: Promotion of Administrative Justice Act
PMS	: Performance Management System
PSA	: Public Service Act
SARB	: South African Reserve Bank
SARS	: South African Revenue Service
TTTQM	: Transformation Through Total Quality Management
TQM	: Total Quality Management

## **CHAPTER 1: STUDY OVERVIEW**

### **1.1. INTRODUCTION**

All over the world, there is an increasing need for organisations, including government organisations, to become efficient. Worldwide, government has a constitutional obligation to supply basic services to all its citizens. It is required to perform this obligation in the face of many challenges. One of these challenges is presented by the need for government to supply basic services to a population increasing at a disproportionate rate to resources available to sustain and improve on the current quality of life of its people (Constitution of the RSA, Act 108 of 1996: 81).

In order for government to achieve its national objectives, it needs to plan its activities in such a way that it enhances the quality of life of all its citizens. Government further needs to utilise its available resources very cautiously so as to make an effort to protect them and accomplish its objectives by utilising reasonable resources to obtain sound performance. This, then can be described as obtaining value for resources depleted by government. When this happens, it may be said that government is becoming efficient in managing its resources, which simply means it achieves more for less.

Having stated that, governments or countries that have managed to encourage efficient use of national resources have become very competitive and by and large have managed to create an enabling environment inside its borders within which business can flourish, and have also been able to deliver considerably on a number of expectations from its general public. This is a level of operation which is brought about by the successful and well-organised management of administrative processes within any level of government.

It is important to note that most of the implementation of government programmes takes place within the local sphere of government. Therefore, local government should be administered effectively and efficiently in a manner that will ensure sustainability in the provision of municipal services and the promotion of social and economic development.

## 1.2. PROBLEM STATEMENT

Government plays a very important role in the growth of the economy of a country. It uses mechanisms such as those employed by the South African Reserve Bank to direct the economy and other mechanisms used by the South African Revenue Services and other government departments. If government fails to manage and account for its resources adequately, it will also fail to deliver on its mandate and to meet the expectations of its people.

Government accumulates its resources from taxing individuals, companies, trusts and other institutions. From these resources, government is expected to deal extensively with the most pressing issues that are of concern to its communities. However, it is not always possible for government to deal with all the expectations and demands from its citizens largely due to the limitation of resources caused by factors such as lack of economic performance, rapid population growth, and other factors. Even in the event where the economy of the country is performing well, government still finds it difficult, if not impossible, to deliver on all the expectations of its citizens.

In situations such as this, which is common to most countries, government can only do one thing, which is to try to achieve more output (objectives) with limited or less input (resources). This situation then forces government to adopt principles normally applied in the private sector which aims at achieving acceptable or standard levels of performance with very limited resources (Gershon, 2004: 6).

Although local government is regulated, most of these regulations generally provide a framework within which operations in local government must be conducted. These frameworks, including the *Constitution of South Africa*, cover an important base for local government to be accountable and to become efficient in its operations. Afterwards it becomes the duty of individual municipalities to adapt such guidelines to their unique circumstances. However one needs to realise that this task is enormous. It requires from

municipal administrators and councillors a specific insight and mastery into the affairs and operations of the government as a whole before it can be successfully executed (Country corruption assessment report, 2003: 30).

Having identified this problem in government, a model was devised in this study which consists of several practices which, when properly applied, coupled with the relevant experience and expertise of the management of these government institutions, is capable of improving efficiency levels within municipal administrative processes. These practices can essentially be applied to all businesses. They will be discussed in detail in the following chapters. These tools or practices have the potential to change the fortunes of municipalities, as far as efficiency is concerned.

### **1.3. PURPOSE OF THE STUDY**

The purpose of this study is to investigate and develop recommendations derived from a model, incorporating the relevant practices, which are essential in promoting optimum levels of efficiency within the local sphere of government in South Africa.

### **1.4. RESEARCH METHODOLOGY**

Based on the nature of the problem identified, a quantitative analysis will be employed.

#### ***1.4.1. Literature study***

A literature study, which will look at the important administrative aspects to consider when aiming at ensuring efficiency within organisations, especially government organisations, will be conducted to provide the insight needed to develop a successful model. The literature will then be used as the norm which must provide guidance on developing this model.

#### ***1.4.2. Empirical study***

An empirical study will be conducted to evaluate procedures that municipalities employ in ensuring operational efficiency. In carrying out this

task, a questionnaire will be developed to gather the necessary data from the respondents identified within different municipalities. This study will be crucial in presenting the situation as it exists within municipalities in the Free State with regard to their operations, as far as their attempt to achieve efficiency is concerned.

### **1.5. LIMITATION OF THE STUDY**

The study will be limited to one particular municipality within the Free State, namely Matjhabeng Local Municipality.

### **1.6. DEPLOYMENT OF THE STUDY**

Chapter 1 will serve the function of introducing the research topic. Chapter 2 will outline important aspects to consider when aiming to achieve operational efficiency within organisations, especially government organisations. In Chapter 3, an introduction to the organisation to be investigated will be provided. Chapter 4 will present and explain the situation as it currently exists within the selected municipality. The findings in this chapter will be compared and interpreted against standards that have been set by the literature study. Lastly, conclusions based on arguments presented in this study will be drawn in Chapter 5, and this will be followed by recommendations based on the findings from the previous chapter.

### **1.7. SUMMARY**

All over the world there is an increasing need for organisations, especially government organisations, to become efficient. If government fails to manage and account for its resources adequately, it fails to deliver on the expectations of its people and on its mandate to protect and improve the quality of life of its citizens. Thus, the objective of this study is to investigate, by means of a literature study and empirical research, all aspects of local government relevant to develop recommendations regarding a model capable of promoting optimum levels of efficiency within the local sphere of government within South Africa. This will involve a quantitative analysis which will be conducted within Matjhabeng Local Municipality in the Free State province.

## **CHAPTER 2: ACHIEVING OPERATIONAL EFFICIENCY**

### **2.1. INTRODUCTION**

#### **2.1.1. Foreword**

For the better part of South African history, most of the administrative decisions were taken in secrecy and members of the general public were not informed about the decisions that were taken on their behalf and against them. But the new Constitution, together with the Promotion of Administrative Justice Act 3 of 2000, made it possible for this practice to come to an abrupt end and to promote a culture of accountability, transparency and efficient administration (Country corruption assessment report, 2003: 57).

For that reason, in the new dispensation past business practices have been replaced by new ones founded on the democratic principles which include among others, good governance and the care for public wealth in the interest of all people of South Africa. To protect the public wealth of the nation, new, systematic measures and processes capable of complementing government frameworks need to be developed to ensure accountability, transparency and efficiency in the administration of public resources.

Therefore ten (10) practices, discussed below, have been compiled from literature sources. The practices have been found to be significant in ensuring the attainment of these values (stated earlier in this study) within the public administration. These practices can further be deployed as a strategy in local government to achieve efficiency in municipal operations.

#### **2.1.2. Defining efficiency**

The word efficiency has been defined in the Dictionary of Accounting Terms as “*the cost of input for each unit of output produced*” (Barron's Educational Series, 2005: online). This word has further been defined as “*the ratio of work done to the effort used*”, that is in terms of the relationship between input and output (A Dictionary of Geography, 2004: online).

Another definition which provides a fresh angle to the meaning of efficiency is found in the *Britannica Concise Encyclopaedia*. It defines efficiency in mechanics as “*the measure of the effectiveness with which a system performs*”, and it is also stated in relation of input to output (Encyclopaedia Britannica, 2006: online).

In the public sector, Gershon (2004: 6) states that the word efficiency has to do with making the best use of available resources to deliver services. Gershon adds that 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 attain reduced number of units whilst maintaining the same or higher level of service delivery.

Therefore, in terms of the above stated definitions, efficiency can be referred to as all measures taken to ensure that more is attained with less. Simply put, efficiency is all about getting the best value for money. In a quotation by Peter F. Drucker, efficiency is referred to as “*doing better what is already being done*” (Quotations Book, 2005: online)

On the other hand, there is another word which in terms of its usage in business also provides the same meaning as efficiency, and this word is productivity. It has been defined in the *McGraw-Hill Encyclopaedia of Science and Technology* (2005) as “*the ratio of output production to input effort*”. Its ratio has been used in business as an indicator of the efficiency with which a business organisation translates its inputs into output.

Sung (2007: 1692) also found a similar meaning between the terms efficiency and productivity. Sung argues that these terms often are used interchangeably to evaluate performance. Therefore in this study the word efficiency and productivity will be used interchangeably.

## **2.2. PRACTICES USED TO ATTAIN OPERATIONAL EFFICIENCY**

The literature material consulted for the purpose of this study, could not provide an acceptable model, which outlines various practices to deploy in

local government when aiming to achieve operational efficiency, nor suggest a specific level of consensus reached by various stakeholders on which practices should be pursued to obtain efficiency within local government.

As a result, ten practices were introduced in this study to be used as a point of reference as far as an attempt to achieve operational efficiency in the local sphere of government is concerned. In the chapters to follow, mechanisms will be introduced that will provide guidance to municipalities on how to measure their level of progress (based on these ten practices discussed in this paper) towards achieving operational efficiency.

Lastly it is important to mention that some of the sources to which reference was made in this study have been drawn directly from the private sector. But for the reason that both producers (in the public as well as private sectors) employ input to produce output, comparison between them became possible (Sung, 2007: 1694). Therefore the applications of the efficiency practices identified in this study should to a certain extent be able to bear similar results regardless of the sector in which they are employed

### **2.2.1. Commitment to an organisational value system**

One of the ten practices identified as significant to ensuring efficiency within the operations of different organisation, including government institutions, is the commitment to an organisational value system. Before the important aspect concerning the commitment to an organisational value system can be discussed, it is important to define what values are. Kreitner and Kinicki (2004: 189) define values as desired ways of behaving. They also consider values as the principles by which both employees and organisations live. In addition to this, Coetsee (2002: 81) maintains that the significance of having shared values within specific organisations is that, every employee is expected to have full knowledge and understanding of what organisational values are, and should recognise these values and operate according to them.

Organisations that have adopted a common set of values receive significant business and individual benefits (Sullivan, Sullivan & Buffton, 2001: 249). According to them, these organisations are able and capable of outperforming others. Their growth in revenue creation can grow four times faster than the revenue of companies without stated values. Furthermore most of these value-led companies have the ability to create seven times more jobs than the companies without stated values. For example, Sellotape, a value driven organisation, experienced enormous business performance in which it raised its profitability from three percent to ten percent in two and half years (Sullivan *et al.*, 2001: 249).

The above scenario suggests that companies which have stated values and who also ensure commitment from its employees to the organisation's shared values system tend to be more efficient in its operations than its counterparts. If an organisation has efficiency as one of its values, it will dedicate all its activities towards creating a climate which will encourage efficient operations or behaviour by employees which exhibit organisational citizenship (Coetsee, 2002: 81). Therefore, a relationship can be established between commitment to organisational values and attaining operational efficiency.

The link can further be established in the following extract from the Public Service Regulations of 2001, which states that *"the heads of department, by virtue of their responsibility in terms of section 7(3)(b) of the Act for the efficient management and administration of their departments and maintenance of discipline, are inter alia, under a duty to ensure that the conduct of their employees conform to the basic values and principles governing public administration and norms and standard prescribed by the Act"*.

Thus far, only the benefits of being committed to an organisational value system have been discussed. The part that deals with the attainment thereof was not considered. In conclusion, Thomsen (2005: 12) states that even in the event of failure by other social institutions to achieve optimal results, the ethical code may provide answers to improve economic efficiency.

### **2.2.2. Adhering to the principles of corporate governance**

The year 1994 saw the publishing of the first edition of the King Report on Corporate Governance. This initiative was headed by the retired judge of the High Court, Mervyn King SC. The aim of this report, which also included the Code of Corporate Practices, was to set out the highest standard of corporate governance in South Africa. The two main characteristics that this report promoted regarding corporate governance were the financial and the regulatory aspects (Kakabadse & Korac-Kakabadse, 2002: 306).

The approach that the King I Report wished to promote was an attempt to include a variety of stakeholders in the issues of good governance. Following this report an updated version, which took into consideration the developing trends in the world economy and other local matters, was produced in 2002 and it was termed King II Report on Corporate Governance. This report laid down several principles which dealt with issues of discipline, transparency, independence, responsibility, fairness and social responsibility (Kakabadse & Korac-Kakabadse, 2002: 307).

Still none of the applications or principles of the King II Report were considered binding on any organisation in South Africa, but they were voluntary (Del Brio, Maia-Ramires & Perote, 2006: 25). Though this position was held to be true, it was argued by Gelink (2007: 45) that it ought to be every organisation's goal to adopt good corporate governance and to practice its principles when conducting business. According to Gelink (2007: 45) a proper practice of good governance has the potential to enhance the delivery of business and accountability to stakeholders by all companies, public administration and public entities.

The point made by Gelink (2007: 45), which involved the voluntary adoption of applications of the King II Report, is emphasised through the observation made by Khiari, Karaa and Omri (2007: 149) during the period following the collapse of corporate giants such as Enron, WorldCom and the others. Khiari

*et al.* (2007: 149) held that many government authorities, subsequent to the events that transpired at Enron and the likes, embarked on a proactive quest to encourage the development and proliferation of corporate codes that were suited to reinforce corporate governance mechanisms. According to Khiari *et al.* (2007: 149) these measures have been advanced in many examples of literature as efficient ways to maximise the value to shareholders.

This argument suggested only one solution to governments in all parts of the world - the adoption of a similar proactive approach to ensure efficiency in the delivery of services through the application of corporate governance principles (such as accountability, responsibility, discipline, independence, social responsibility and fairness). In South Africa in 1997, government embarked on this initiative when it adopted the Code of Conduct for the Public Service. The government in 1998 further adopted the Code of Conduct for leadership at a moral summit held by religious leaders, as well as political leaders (Country corruption assessment report, 2003: 4).

This move by the South African government was aimed at combating corruption, which is one of the major reasons for the inefficiencies that are currently prevalent in government, and was followed by an extensive training in the code and the issue of a public manual. In addition to that, government employed political parties, public service unions, professional associations and religious bodies to play a leading role in mobilising their members around the code of conduct (Country corruption assessment report, 2003: 9). By June 1997, the Code of Conduct for the Public Service had become part of the regulations governing every public servant (Country corruption assessment report, 2003: 16).

These developments serve as a clear indication of the commitment by government to ensure that it conducts its operations efficiently, effectively and with a great deal of accountability and transparency. One of the acts promulgated by government which also seeks to promote administrative efficiency and good governance is the Promotion of Administrative Justice Act 3 of 2000 (Country corruption assessment report, 2003: 34). A similar

objective is shared by the Public Service Act 103 of 1994 which governs the conduct of officials holding public office. It regulate matters such as conduct, organisational matters, human resources management, performance management and evaluation, leadership development, reform and transformation to ensure efficient management, discipline and proper care and use of government resources (Country corruption assessment report, 2003: 59).

The South African government has also indicated its intention to incorporate a number of the corporate governance principles in its laws and regulations (Country corruption assessment report, 2003: 6). Moreover, government is aware that some of its enterprises and agencies may not be able to apply directly various recommendations made by the King II Report due to the fact that they are not appropriately adapted to the public enterprises. Therefore these recommendations may need to be adapted to public sector requirements before they can be applied (Country corruption assessment report, 2003: 42). This is necessary in order to assist government in ensuring administrative as well as operational efficiency through good governance.

### **2.2.3. Effective management of human capital**

The new system of local government provided in the Municipal Systems Act 32 of 2000 requires an efficient, effective and transparent public administration that conforms to the principles of the constitution of the country. The Municipal Systems Act 32 of 2000 further serves to provide core principles, mechanisms and processes that are necessary to enable all municipalities to move progressively towards the social and economic upliftment of local communities and ensure universal access to essential services that are affordable to all.

One of the important aspects to propel local government towards attaining efficiency, effectiveness and transparent administration capable of uplifting the social and economic condition of its local communities is the effective management of human capital or resources. According to Kleyhans

(2006:55), this is true because human resources have a direct impact on the competitiveness of an organisation and human resources is one of the important factors of production in any country.

Kleynhans (2006:55), further argues that enhancement in the quality of human resources can result in lower unit costs of production. Consequently these enhancements to the quality of human resources (such as the establishment of an efficient and effective selection and recruitment process, training and development) have the potential to lead to efficiency and effectiveness. Thus by applying this principle, stated by Kleynhans, the cost of delivering service in local government can be significantly reduced and better quality service can be delivered to local communities.

Therefore municipalities, in accordance with applicable laws and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration as contained in section 67 of the Municipal Systems Act 32 of 2000. Thus an attempt to achieve operational efficiency in local government must take into consideration one of the important catalysts which involves the effective management of the human resources component within an organisation.

#### **2.2.4. Management of risk**

Kallman and Maric (2004:57) describe risk management as a tool which is aimed to provide management with a scientific method to achieve desired organisational goals. The process also assists management to overcome obstacle preventing the organisation from achieving its goals. Kallman and Maric (2004) further state that the ultimate goal of the process of risk management is to assist management to make high quality decisions that will ensure the achievement of the goals of the organisation.

The process of risk management is also explained as an iterative and dynamic process. According to Kallman and Maric (2004:57) the process

reassesses the goals of the organisation to establish whether new plans are required; it reassesses identified obstacles to determine whether changes have occurred in the environment; it reconsiders the results to see whether new products or practices are suitable; it ensures that only the latest and most appropriate models for decision-making are used; and lastly, it re-evaluates the method by which risk in the organisation is managed.

The framework for regulating municipal operations contained in different legislatures prescribes several goals which all municipalities must adhere to. It stipulates that every municipality within its administrative and financial capacity must establish and organise its administration in a manner that would enable it to maximise the efficiency of communication and decision-making within its administration. Other parts of the legislature place the responsibility for managing the financial administration of the municipality on the accounting officers to ensure that the resources of the municipality are used effectively, efficiently and economically.

Moreover, senior managers in all municipalities are charged with ensuring that the financial and other resources of the municipality are utilised effectively, efficiently, economically and in a transparent manner. This is a huge task placed on municipal officials by local government regulations. To ensure the successful execution of these tasks, municipal officials would need scientific models such as those on risk management to ensure that they successfully overcome obstacles preventing the organisation from achieving its goals or objectives.

Section 62(c)(i) of the Municipal Finance Management Act 56 of 2003 recommends a risk management process to every municipality. It states that every municipality must ensure that it has and must maintain an effective, efficient and transparent system of risk management. As indicated above, this system is not only efficient, but it is also designed to ensure the achievement of the most dynamic goals of the organisation (Kallman & Maric, 2004:57). Elliott, Letza, McGuinness and Smallman (2000:53) identified one of the

benefits of an effective risk management process as achieving increased levels of effectiveness and efficiency.

With the prescribed mandate emanating from the local government regulations, which can be translated into goals or objectives for municipalities, they can employ this process to achieve these regulated objectives.

#### **2.2.5. Performance management**

For over two decades the implementation of performance management systems has been a practice at the forefront of the public sector reforms in many parts of the world. In numerous instances, it has been regarded as an instrument for directing activities within many organisations, especially in the public sector (Greiling, 2006:448). Reporting of performance results has more to do with utilising performance management as a tool for monitoring and controlling. Greiling (2006:452) argues that when organisations increase accountability as a result of implementing performance management systems there is normally a situation that these organisations may lack the opportunity to conceal their inefficiencies.

In a paper presented at the Third International Conference on Decentralisation, held in Manila on 7-9 October 2003, it was also argued that the performance management system which was established for purposes of attaining accountability, is usually geared towards reporting on the efficiency and economy of municipal operations. The paper further, indicates that performance measures, in addition, include the quantity, quality, efficiency and results of delivering services. Moreover, it was argued that the measurement of municipal performance, in essence, assesses the effectiveness of municipalities when delivering goods and services to local communities (Anon, 2003: 2).

Another aspect about performance management systems, which also formed part of the discussions at the conference, concerned the use of performance

management information. It was pointed out that information gathered from the performance management system should be used to allocate local government resources more appropriately and effectively, as well as using it to improve the quality and efficiency of services (Third International Conference on Decentralisation, 2003: 8).

The contribution made by Smith (1990) on this topic confirms the arguments made at the conference. Smith (1990: 67) also concluded that one of the many uses of performance indicators is that they are able to operate as a mechanism for measuring efficiency. In presenting the final argument about the performance management system, Smith (1990: 70) held that the fundamental criterion for evaluating any system is whether the benefits of adopting such a system outweighs the costs of implementing it.

In the late 1990s the South Africa government found itself under tremendous pressure to demonstrate to all stakeholders that performance in the public sector is managed, measured and improved (Van der Waldt, 2006:128). In 1997, it published a white paper called *Batho Pele*, which provided a framework within which public service delivery would be transformed. This initiative demonstrated a relentless pursuit by government to improve the efficiency and effectiveness of the manner in which public service is delivered (*Batho Pele White Paper*, 1997: 9). It also provided a framework for managing performance within the public sector by further mandating all government departments among other things to identify service standards, to define output and targets, and performance indicators (*Batho Pele White Paper*, 1997: 10).

Another performance management system enabling framework was provided by the Municipal Systems Act 32 of 2000. In terms of its section 38(c) it mandated every municipality to administer all its affairs in a manner which is economical, efficient and accountable. It further stipulated that in doing so municipalities should ensure that their performance management system is appropriate for all their resources and is adequate and in line with the priorities, objectives, indicators and targets contained in its strategic plan.

Therefore, from the argument presented, it becomes apparent that the South African government has done its fair share to develop frameworks for managing performance. At the same time, it also provides for improving the efficiency and the effectiveness of service delivery within the public sector. Earlier on, it was stated that a performance management system should be regarded as an instrument for directing activities within organisations. Since a performance management system in many instances is established for the purpose of attaining accountability, especially in the public sector, it will provide an account on the efficiency of municipal operations.

In light of the above argument, the implementation of a performance management system within local government will ensure that resources are allocated more appropriately and effectively, as well as ensuring that the quality and efficiency of delivering services is improved.

#### **2.2.6. Use of technology**

Many organisations pay large amounts of money each year for information technology but generally, they do not benefit considerably in terms of the profit the organisation makes. The reason for such results is that the utilisation of information technology in many of these organisations is not supported by the goals of the organisation, and in this manner, these organisations then fail to gain any competitive advantage from their efforts to procure information technology equipment (Pieterse, 2002: 11).

In addition to that, Pieterse (2002: 14) proposes that if only processes that were previously performed by hand or physically can be mechanised by employing information technology processes, many organisations would gain a competitive advantage. For Pieterse's argument to be accepted in local government the following has to happen: the phrase '*competitive advantage*' has to be replaced by '*service delivery*'. The reason for this can be explained by the differences found in the objectives of the public and the private sector, as well as the differences of the environment within they operate.

However, the argument presented by Pieterse (2007) raises an important fact: that for any organisation including government organisations or enterprises to realise the reward of investing in information technology, it must ensure that the use of information technology is supported by the goals of the organisation. This means that for municipalities to fully appreciate the value of information technology, they should ensure that their use of information technology is supported by increased levels of delivering quality service. Municipalities further need to substitute their conventional ways of doing business by modern processes supported by information technology to ensure that services are delivered efficiently.

In a study of information technology, efficiency and productivity conducted in Korea's local government structures, it was discovered that information technology contributed greatly to the improvement of the technical efficiency and to accelerated productivity growth (Sung, 2007: 1691). According to Sung (2007: 1692) there has been a consensus that the investment in information technology contributes to increased productivity growth. The term productivity in this case has been used interchangeably to refer to efficiency (Sung, 2007: 1692). Therefore, Sung's argument illustrates that information technology plays a very crucial role in providing an organisation with the capacity to be efficient.

Moreover, Mutepi (2007: 20) maintains that the use of information technology can offer other benefits to the organisation and such benefits may include improved customer service, support of core business functions, improved service quality and the management of internal as well as external communication. Mutepi (2007: 20) further, argues that the use of information technology provides the organisations with the capacity to perform tasks that they could not perform or could not perform very well before. This argument by Mutepi (2007) implies that information technology has the ability to ensure operational efficiency by providing improvements to tasks that could not be performed with a great deal of efficiency before.

Therefore because both the private and the public sector can be compared in the sense that they both employ input to produce output, the arguments presented above can therefore also be applied in local government to ensure that service is delivered through refined operational processes. One measure introduced by the South African government and by other governments elsewhere in the world is the concept called the E-Government which the government of South Africa is using to increase productivity, to lower costs and increase citizen convenience (Trusler, 2003: 2). Moreover this measure indicates a strong focus by government on improving service delivery within the public sector in South Africa (Trusler, 2003: 2).

This initiative described by Trusler (2003) substantiates the argument that information technology can be used as one of the processes to bring about efficiency in the delivery of the local government mandate in South Africa. However, there have been unforeseen circumstances that have seen the delay of the implementation of E-Government in South Africa and elsewhere in the world. Trusler (2003: 2) attributes the cause of these circumstances in South Africa to lack of capacity, whereas Ciborra (2005: 260) who encountered similar circumstances in the study conducted in the Kingdom of Jordan attributes this lack of E-Governance implementation to other factors foreign to South Africa.

Nonetheless, even with these challenges facing E-Governance, only one thing remains certain; that information technology has a pivotal role to play in propelling municipalities to achieve increased levels of operational efficiency within the local sphere of government.

#### **2.2.7. Survey results and other feedback**

According to McCarthy and Garavan (2001: 5), feedback can essentially be regarded as a component of an effective performance improvement strategy, that is why it is crucial that the recipients of this valuable information use it to its full potential in order to identify areas for improvements within an organisation. Once these areas have been identified, management need to

develop and take appropriate action to improve operations based on the feedback results received from a number of different participants (McCarthy & Garavan, 2001: 12).

In numerous studies consulted by McCarthy and Garavan (2001: 14), they have noticed that a significant number of organisations which adopted a multi-sourced assessment system managed to achieve an increased level of productivity and performance. The word productivity, in terms of an argument presented by Sung (2007: 1692), has been understood to also imply efficiency. Therefore to achieve these stated results within different organisations, management needs to search for and adopt an appropriate system of assessment which will be used to acquire the necessary feedback.

Smither, London and Reilly (2003: 456) defined a multi-source feedback as an assessment collected on a specific central manager, which is received from sources which may include self, supervisor, peers, direct reports, internal clients, external clients, and suppliers. Smither *et al.* (2003: 456) also argue that this form of assessment has grown in terms of popularity in recent years, and the majority of managers who applied it in their organisations have discovered its value in improving the performance of the organisation.

On the other hand, section 16 of the Municipal Systems Act requires municipalities to function in a manner that would allow for local communities to participate in the affairs of the municipality. Member of the local communities are in terms of this act expected to participate in the preparation, implementation and review of the integrated development plan; the establishment, implementation and review of municipal performance management systems; the monitoring and review of municipal performance, together with the outcomes and impact of such performance; the preparation of the municipal annual budget; and in the decisions relating to the provision of municipal services.

Moreover section 41 of the Municipal Systems Act also requires municipalities to regularly report to staff and to other stakeholders about matters relating to

the municipal performance management system. Now these conditions stipulated in the Municipal Systems Act makes it even more desirable for municipalities to seek participation of all stakeholders, including members of the local communities, in a survey aimed at providing important feedback that will aid municipalities to improve their performance as far as their operations are concerned. In these circumstances, the need for the adoption and the implementation of an appropriate multi-source assessment system to aid municipalities to realise improved levels of productivity and other benefits becomes apparent.

### **2.2.8. Benchmarking**

Benchmarking has been defined as *“the search for the best industry practices which will lead to exceptional performance through the implementation of these best practices”* (Anand & Kodali, 2008: 258). However, a number of other benchmarking definitions do exist. But the former has been found to be the most commonly used definition of benchmarking. A recent definition of benchmarking which Anand and Kodali (2008: 259) identified describes benchmarking as a process of *“identifying, understanding, and adapting outstanding practices from organisations anywhere in the world to help an organisation improve its performance”*.

In essence benchmarking has more to do with the adoption and implementation of best practices in order to attain superior organisational performance. Pierce (2004: 36) argues that best practices can by and large be regarded as those “tried and tested” processes which are perceived to be valuable benchmarking standards for attaining improved performance. The point that Pierce (2004: 36) is putting forward is the fact that benchmarking standards are derived from business models which have been profitable within organisations from which they originate.

Pierce (2004: 36) further maintains that the use of these best practices will fundamentally increase organisation’s efficiency; improve the morale of the organisation’s employees and will increase the organisation’s competitiveness

in an attempt to becoming a world class organisation. This argument suggests that the use of benchmarking activities has the ability to ensure superior performance and can therefore lead to the attainment of operational efficiency.

According to Anand and Kodali (2008: 258), benchmarking ought to be recognised as a catalyst for the process of improvement and innovation for different organisations to perform better, faster and cheaper. It is a process that management should use as a tool for attaining and/or exceeding their performance goals by obtaining knowledge from best practices and by appreciating processes by which these best practices are achieved. In a survey conducted among the *Fortune 1000* companies, it was discovered that 65 percent of companies that embarked on benchmarking activities and used it as a management tool, gained a competitive advantage (Anand & Kodali, 2008: 258).

It is therefore, imperative for every organisation that desires to improve performance and achieve efficiency to adopt and apply this concept. Therefore, municipalities can also employ this process to deliver service with a great deal of efficiency and effectiveness, thereby improving the levels of service delivered.

#### **2.2.9. Privatisation**

According to Al-Obaidan (2002: 111), privatisation became popular among the developing countries in the 1980s. This was mainly due to the hope placed by these governments on this concept to achieve economic efficiency. According to Al-Obaidan (2002: 111), many of these developing countries were faced with many challenges, such as the growing current account and balance of payments deficits, rising inflation, growing foreign debts, the prevalent waste and inefficiencies of government-owned entities and departments.

Prior to taking the route of privatisation, many of these countries were “following stringent economic regulations which had dominated most

developing countries during the 1960s” as Al-Obaidan (2002: 112) has indicated. Their economies were based on nationalisation. Al-Obaidan (2002: 112) also states that close to 100 countries undertook to privatise their state-owned enterprises. Al-Obaidan (2002: 112) furthermore reported that by 1990, approximately more than 185 billion sales of state-owned enterprises worldwide had taken place and this trend was continuing to grow. During this time, private investment increased by an estimated 29 percent over public investment.

Many believe that the reason for the launch of this ambitious privatisation effort by many of the developing countries was purely due to the belief that privatisation will reduce their inefficiencies. Al-Obaidan (2002: 112) writes that several arguments put forward suggest firstly, that privatisation can improve the decision making quality of the management by reducing the interference in the operations of the public enterprises. Secondly, privatisation increases the competitiveness of an organisation by providing managers with incentives that would enhance their performance. Lastly, privatisation enforces the strictness of the financial markets, which inspire organisations to operate efficiently (Al-Obaidan, 2002).

Another important point made by Smith (1990: 66) in support of the argument for privatisation was that for local government to be able to achieve socially efficient levels of service provision and technically efficient use of resources, the state should relinquish its monopolistic power. Smith (1990: 66) argues that such actions would promote competition and would allow forces related to the market economy to jump into action, thereby achieving described levels of social as well as technical efficiency.

Several other studies identified by Al-Obaidan (2002: 113) also suggest that privatisation improves the efficiency of an organisation. According to the analysis made by Al-Obaidan (2002: 113), which involves financial ratios, it was discovered that there is “significant post-privatisation increases in the profitability, output per employee, capital spending and total employment”. Consequently the evidence provided by Al-Obaidan (2002) and other experts

provides a significant link between privatisation and achieving operational efficiency in an organisation.

Lastly, Pouder and Golembiewski (1996: 105) state that in local government, when managers consider an efficient way to provide services to the community, they carefully compare the costs and benefits the municipality would incur in providing such services with the cost of contracting. Then, based on their analysis of the situation, managers make their decision. But as Pouder and Golembiewski (1996: 105) have discovered, in most cases the managers' decision to privatise arises mainly from their desire to attain efficiency when providing services to the community. However, in the event that the transactional costs associated with privatising are greater, there will be a strong chance that the service will be provided in-house by the municipality.

#### **2.2.10. Continuous improvement**

Most government organisations run the risk of performing poorly as far as delivering quality service is concerned. As Thompson (2005: 168) puts it, there are huge dangers involved, which are invisible in an environment where there are no competitive pressures. Thompson (2005: 168) believes that in a situation of such a nature, where there may be a sole supplier/provider of goods or services in a specific location, there will always be a danger of the emergence of an atmosphere of complacency. As a result, goods or services of an inferior quality tend to be accepted as the norm.

Thompson (2005: 169) further states that it is not only organisations that perform poorly that run the risk of delivering poor quality service. Also organisations that produce superior quality service may run the risk of losing their enthusiasm for delivering quality. The energy that these public organisations possess may no longer be sufficient to maintain and sustain their efforts to pursue service or product quality.

Therefore, it becomes important for public sector administrators and managers to develop a culture in their organisation of continuous improvement which is based on planning for and coordinating change efforts. Thompson (2005: 169) argues that efficiency, effectiveness, worldwide competitiveness and world-class status will only be achieved provided there can be a paradigm shift in thinking by public administrators and managers. The shift envisaged, involves improving business processes within the organisation with the aid of management approaches such as continuous improvement.

Zangwill and Kantor (1998: 910) describe continuous improvement as a collection of powerful methods which have brought about substantial improvements in many companies and organisations. According to Zangwill and Kantor (1998), this approach might be classified as the most central and the most accepted component of total quality management (TQM). This tool has further assisted many organisations to achieve high standards of quality and productivity. Zangwill and Kantor (1998: 911) further argue that this management approach raises the efficiency of many processes and systems within the organisation. They further state that beyond classifying continuous improvement as a universal component of TQM, continuous improvement is also closely related to the just-in-time and kaizen, which are some of the approaches used by many organisations to achieve operational efficiency.

The concept of continuous improvement originated in the early 1900s. It first surfaced at Toyota in the 1950s where Tiichi Ohno and Shigeo Shingo came up with the concept called just-in-time which pioneered a discipline and organised methodology that produced impressive efficiency gains. The second trend involving this approach (continuous improvement) surfaced in the 1920s. It was called the quality movement and statistical reasoning which was conceived by Shewhard (Zangwill & Kantor, 1998: 911).

Having established the relationship between continuous improvement (CI) and total quality management (TQM), the argument presented by Thompson (2005: 168) further supports the existence of such a link. He argues that one

of the approaches that can serve as a strategy for continually improving the processes that deliver service is the Transformation Through Total Quality Management (TTTQM).

Thompson (2005: 168) describes the goal of TTTQM as “*consisting of, but not limited to providing a framework, standards and guidance (education, training, facilitation, coaching and mentoring) to assist the South African government to actualise the Batho Pele principles in service delivery*”. The South African government introduced this initiative to enhance the quality and accessibility of government by improving efficiency and accountability (Thompson, 2008:168). Therefore by applying the above-mentioned concept to local government, efficiency may be a step closer to achieve.

### **2.3. SUMMARY**

Ten practices were presented in this study as key instruments capable of bringing about efficiency in the manner in which local government operates or delivers services. It was found during the literature review that when these practices are deployed, they will ensure the achievement of operational efficiency within the local sphere of government.

The first practice discussed, which demonstrated how efficiency could be achieved in local government, was a practice called commitment to organisational values. During these discussions, it was discovered that the performance of organisations with a common set of values surpassed that of organisations without stated values, and the revenue of these value-led organisation (among other things) grew four times faster than the revenues of organisations without stated values. This argument presented a clear indication that organisations with stated values become more efficient as a result of their commitment to organisational values.

Secondly, it was discovered that organisations such as Enron and others, after their realisation of the importance of stated values, encouraged others to develop corporate codes to reinforce their corporate governance

mechanisms. In this way, financial as well as other regulatory aspects contained in the corporate governance would be adhered to, and the result of these stringent measures would result in the operations of many of these organisations (including government organisations) becoming efficient. However, the application of corporate governance measures was still regarded as voluntary rather than binding.

A third important practice as far as achieving operational efficiency is concerned is the effective management of human capital. Being one of the factors of production (input), human capital has a direct impact on the competitiveness of the organisation. It was stated that if lower unit cost of production could be achieved through the effective management of human capital, operational efficiency would be realised.

Fourthly, a scientific method called risk management was introduced in this paper as a practice capable of assisting management to achieve organisational goals (or to deliver on a mandate prescribed by the local government laws and regulations). Since many government regulations instruct government organisations to employ efficient ways to deliver services, the deployment of a risk management tool was found to possess the ability to steer management within local government to attain this goal.

A fifth practice, which has also been at the forefront of many public sector reforms, called the performance management system, was introduced. It was held that a performance management system can be used as a tool for directing activities within organisations. This system (a performance management system) has been found to have the ability to allocate organisational resources more appropriately and effectively, as well as improving the quality and efficiency of services delivered.

In the sixth instance, another crucial practice to provide operational efficiency within the local sphere of government has been found to be the effective use of information technology. The study found that if processes, that were previously performed by hand or physically, could be automated as a result of

employing information technology, efficiency would be attained. But it was also stated that this would happen only if the use of information technology within organisations was supported by the organisational goals.

In addition, for management to be able to improve organisational performance, they needed to receive constant feedback about their business operations. It was argued that in doing this, management will be taking conscious efforts to improve its business operations. So, by adopting this multi-sourced assessment system, management will be able to achieve increased levels of productivity and performance.

Moreover, it was argued that the consideration of industry's best practices in municipal activities would lead to exceptional organisation performance. This is because benchmarks are derived from business models which have proved to be successful in organisations where they have been deployed. The benchmarks needed to be recognised as catalysts for the improvement and innovation of activities within organisations, in order to enable these organisations to perform better, faster and cheaper.

Furthermore another concept, called privatisation, became very popular among developing countries in the 1980s. This concept was used mainly because of the trust placed in it to achieve economic efficiency by governments throughout the world. However, it was found in this study that privatisation improves the efficiency of an organisation. Therefore for local government to achieve operational efficiency, it needed to employ some of the principles applicable in the market economy to promote competition.

Lastly, for local government to deliver quality service to the community it needs to develop a culture of continuous improvement, which has also been classified as the most central and the most accepted component of total quality management (TQM).

## CHAPTER 3: BACKGROUND AND CHALLENGES

### 3.1. INTRODUCTION

#### 3.1.1. Overview

Matjhabeng Local Municipality (MLM) came into existence on the 5<sup>th</sup> of December 2000 after the amalgamation of the former six transitional local councils into one financially viable and economically sustainable municipality. This local municipality incorporates the city of Welkom and the towns of Virginia, Odendaalsrus, Hennenman, Allanridge and Ventersburg with an estimated population of more than 500 000 people, as indicated in Table 3.1 below.

Table 3.1 Population Figures

Population							
1995	1996	1997	1998	1999	2000	2001	2002
468,201	474,900	481,707	488,603	495,597	502,695	509,890	517,193

(Source: MLM 2004)

The majority of the MLM households reside in urban areas (Table 3.2). About 7.06 percent of households within this municipal boundary reside in rural areas. However, as many as 59.35 percent of these households resides in formal settlements and the rest is made up of households residing in informal settlements.

Table 3.2 Population Demographics

Demographics				
Households	% Formal	% Informal	% of area Rural	% of area Urban
110 725	59.35228	36.89073	7.06	92.94

(Source: MLM 2004)

The economy of the MLM area has long being centred around mining activities located in and around the towns of Allanridge, Odendaalsrus and Virginia and the city of Welkom. However, small manufacturing activities aimed at the mining sector exist to a limited extent in the above-mentioned towns and city, while other manufacturing activities geared towards other

sectors in the economy are limited to a certain extent (Matjhabeng Municipality, 2004).

### **3.1.2. Municipal vision and mission**

Since its inception, following the process of amalgamation in 2000, MLM has pursued a vision to become “*a united, non-racial, transparent, responsive, developmental and efficient municipality that renders sustainable services so as to improve the quality of life in the community*”. However, this vision is faced with many challenges, especially in as far as the attainment of transparency and efficiency is concerned (Matjhabeng IDP Review, 2006/07: 6).

The municipal mission is “*to provide municipal services in an economic, efficient and effective way; to promote a self-reliant community through the promotion of a culture of entrepreneurship; to create a conducive environment for growth and development; to promote co-operative governance; and to promote a dynamic community participation and value adding partnership*”. Thus far the commitment towards a collective decision to pursue this mission, made in December 2000, still remain (Matjhabeng IDP Review, 2006/07: 6).

In terms of MLM’s vision and mission statement, the municipality has placed efficiency of the provision of services to the surrounding communities at the centre of its vision and mission. This is further stated as part of the priorities of the municipality in its IDP document and it forms part of municipal performance measures. Hypothetically these efforts therefore show the seriousness of the municipality to manage and deliver services to all communities within its municipal area in an effective and *efficient* manner.

### **3.1.3. Municipal services**

MLM’s bulk water infrastructure consists mostly of reservoirs and pipelines of Sedibeng Water, which is a water services authority within this municipal area. The established infrastructure supplies all of the towns of Matjhabeng with water from the Vaal River near Bothaville and to a lesser extent with

water from the Sand River, which passes through (and divides) the town of Virginia (Matjhabeng Draft IDP, 2007: 25).

MLM also has an established bulk electricity network, much of which is supplied within its municipal boundary by Eskom. The amount of bulk electricity which Eskom supplies, sufficiently covers all consumers within MLM's region. Annually, MLM purchases approximately  $\pm$  735 GWh of power from Eskom at 132Kv to 3.3Kv supply voltages. However, in the previously disadvantaged areas and in parts of the developed communities, Eskom sells electricity directly to consumers (Matjhabeng Draft IDP, 2007: 25).

Table 3.3 Electricity Consumer Profile

Type of consumer	No. of consumers ( <i>end-user and bulk</i> )
	<b>Actual</b>
Domestic	20887
Agriculture	2
Manufacturing	400
Commercial	2764
General	17
Own use, street lighting or sold to other departments.	165
<b>Total customers</b>	<b>24235</b>

(Source: MLM 2007)

Table 3.3 outlines the electricity consumption profile for the entire region. In terms of this table, the number of domestic consumers surpasses that of other consumers listed in this table. Second to this, with the most number of consumers, is the commercial sector which remain fixed at 2 764 consumers. Lastly, the agricultural sector has the least number of consumers of electricity as compared to the other consumer profiles listed in this table. It is further expected that the consumption rate by these consumers will follow the pattern contained in Table 3.3.

The MLM electricity operation complies with the Electricity Act of 1987 and is governed by MLM and the National Electricity Regulator, and it is the licensed

electrical distributor within its area of operations (Matjhabeng Draft IDP, 2007: 25).

Table 3.4 Basic Service Delivery

% of pop with access to water ('dwelling' 'On Site' Public Tap).	% of pop with access to sanitation ('Flush Latrine').	% of pop with access to electricity ('Municipality' and other electricity')
97%	68%	73%

(Source: MLM 2004)

### 3.1.4. Municipal governance structure

MLM has a governance structure which is made up of a political as well as an administrative arm. The political arm is made up of three political parties, which are the African National Congress (ANC), the Democratic Alliance (DA) and the Pan-African Congress (PAC). These political parties together form the council of MLM. The ANC commands the majority of seats in council, which are 57 in total, followed by the DA with 14 councillors, and the PAC occupies only one seat in this council. These councillors represent 72 wards which make up MLM, as illustrated in Table 3.5.

Table 3.5 Local Government

Local Government		
# of wards	# of Councillors	# of traditional leaders in the area.
36	72	0

(Source: MLM 2004)

The council has a duty to oversee the overall functioning of the municipality. Through its own initiative, the council governs the local government affairs of the community and also has the right to exercise the municipality's executive and legislative authority.

MLM's administration on the other hand is headed by the Municipal Manager, who is also the Accounting Officer, and by five directors directly accountable to the Municipal Manager, appointed in terms of section 57 of the Municipal Systems Act 32 of 2000. Together they are responsible for carrying out the mandate received from council and to perform other functions as may be prescribed in the legislation applicable to municipalities (Matjhabeng Municipality, 2004).

### 3.1.5. Economic activities

#### 3.1.5.1. Agriculture

Agriculture has for many years been one of the primary sources of economic activities within this region. It has also played an important role in the creation of jobs and self-employment for many residents within this region. Its main activities are centred on crops, maize, and livestock (Matjhabeng Municipality, 2004).

#### 3.1.5.2. Mining

Mining, and quarrying too, forms part of the primary economic activities within this region, especially in Welkom, Virginia, Odendaalsrus and Allanridge. Since the 1990s the economic activities within this sector have declined, and this decline has sparked several processes which included restructuring and retrenchment. As a result, MLM has lost a considerable income base due to the retrenchment of mineworkers residing within its municipal area. About 52 percent of the MLM's population found employment with the mining industry as illustrated in Table 3.6.

Table 3.6 Employment Figures

% of Workers in Services.	% of Workers in Manufacturing	% of Workers in Industry.	% of workers in trade.	% of Workers in Mining.	% of Workers in farming 3%	% of Skilled employees.
4%	1%	10%	6%	52%		3 345 (1%)

(Source: MLM 2004)

Another important point is that the mining sector created a dependency extended to other economic sectors, and thus the decline in the mining sector (within the region of MLM) bears terrible consequences on the success of other sectors as well (Matjhabeng Municipality, 2004)

### 3.1.5.3. Jewellery industry

MLM prides itself on having an international jewellery school within its municipal boundaries, which provides among other things training in jewellery design and manufacturing. The school has partnered with the Central University of Technology and with Harmony Gold Mining Company, which provided support in infrastructure and equipment. Learners at this institution receive, on completion of their training, a National Diploma in Jewellery Design and Manufacturing from the Central University of Technology.

In addition, this school is part of a coordinated and integrated effort supported by national, provincial, and local government. The project is divided into phases, the first being the training it offers to students from disadvantaged communities for a National Diploma, and the second phase being the establishment of a 'Hive System' incubator where trainers receive financial assistance from government to create products of specific quality for tourism outlets in South African, as well as for the international markets (Matjhabeng Municipality, 2004).

Table 3.7 Income Level Indicators Censors 2001

Matjhabeng	% of Workers in Manufacturing
<b>No income</b>	69%
Male	44%
Female	56%
<b>Less than R1600</b>	21%
Male	55%
Female	45%
<b>R1160 to R6400</b>	
Male	70%
Female	30%
<b>R6401 to R204800 plus</b>	2%
Male	72%
Female	22%

(Source: MLM 2004)

#### **3.1.5.4. Manufacturing**

Manufacturing is a secondary economic activity that has offered employment to residents within MLM. It has employed one percent of the total population of the region. The income distribution of those employed is shown in Table 3.7 above. The majority receive a monthly income of less than R1 600, while only two percent receive an income above R6 401 to the maximum of R204 800 annually (Matjhabeng Municipality, 2004).

#### **3.1.6. Financial position**

MLM has employed different mechanisms (which included the appointment of the Credit Control Manager and the Senior Manager Treasury) which were aimed at improving its financial position. Even with the implementation of all these measures to improve its controls and policies, its current financial position has still failed to improve. The municipality incurred a net loss during the current financial year and is likely to continue incurring these losses. Different factors have contributed to this current state of affairs, even though debt collection levels have dropped to between 65 and 70 percent during recent years (Matjhabeng Draft IDP, 2007: 40).

#### **3.1.7. Strategies and projects**

##### **3.1.7.1. Tourism**

MLM seeks to utilise its eco-tourism as a tourism draw-card into the region. One of the potential sites for development includes Flamingo Pan, a golf course, a waterfront development, and Witpan. Another site which currently remains under-utilised is the Phakisa Raceway. This racetrack has in the past hosted international races such as the Formula One Motorcycle Grand Prix and the World Superbike Championships and if fully utilised, together with other sites identified, is capable of creating an eco- and agro-tourism package within the region (Matjhabeng Municipality, 2004).

### **3.1.7.2. Airport**

Welkom has an airport which is located more or less at the centre of most major cities in South Africa, en route to the Northern Cape, Western Cape, Eastern Cape, North West and Gauteng. It is currently under-utilised. However, some two years ago it was earmarked to be upgraded to an international cargo airport. Although it has limited passenger facilities for national and regional use, it has the potential to provide major spin-offs in terms of jobs and income creation for the region and to benefit the service industries such as packaging, delivering, security and many more (Matjhabeng Municipality, 2004).

### **3.1.7.3. Employment**

Employment within the region of MLM is as indicated in Table 3.8 below. About four percent of the population is employed in the service industry. The least number of the population, of about one percent, is employed in the manufacturing industry, while at the opposite end the majority are employed in mining. The remaining sectors, trade and industry, only employ among them six and ten percent of the population respectively (Matjhabeng Municipality, 2004).

Table 3.8 Employment Figures

% of Workers in Services.	% of Workers in Manufacturing	% of Workers in Industry.	% of workers in trade.	% of Workers in Mining.	% of Workers in farming 3%	% of Skilled employees.
4%	1%	10%	6%	52%		3 345 (1%)

(Source: MLM 2004)

About 53 percent of the population within the MLM region is employed in one industry or another, as indicated in Table 3.8 above. The remaining 47 percent is unemployed. The majority of those who are employed are males, at 36 percent, while the percentage of women employed constitute only 17 percent (Table 3.9).

Table 3.9 Employment Levels

Employment Level	53%
Male	36%
Female	17%
Unemployment Level	47%
Male	19%
Female	28%

(Source: MLM 2004)

The scenario in Table 3.9 can be explained by the fact that men were traditionally the preferred candidates to be hired in mines rather than women (Matjhabeng Municipality, 2004).

### 3.1.8. Other services

The provincial government is in the process of establishing regional offices in different regions of the Free State, to represent the provincial government in those regions, a move which is described as a process to make government more accessible to the people. As a result this initiative will convey different services to MLM.

#### 3.1.8.1. Schooling

The numbers of schools in this region are 223, consisting of primary and high schools, and are situated within 36 different wards of MLM's region as indicated in Table 3.10 (Matjhabeng Municipality, 2004).

Table 3.10 Classification of Municipality According to the Municipal Structures Act: **FS 184**

District:	Lejweleputswa DC18
Wards:	36
Educational Institutions:	223 schools

(Source: MLM 2004)

#### 3.1.8.2. Health

There are 17 clinics within the MLM region. These clinics provide quality care and effective services based on the World Health Organisation's definition of Primary Health Care within the policy framework of the Department of Health

and the MLM. These clinics are based in all six towns of MLM. The ratio of clinics to the population within the region is 1:29 412. This implies that one clinic has to deliver services to 29 412 people (Matjhabeng Municipality, 2004).

### **3.1.8.3. Safety and security**

There are eight police stations in the entire region of MLM (which contains a population of more than 500 000 residents) and four prisons situated in Virginia, Hennenman, Odendaalsrus and Ventersburg. There are also five magistrate's courts situated in Hennenman, Odendaalsrus, Ventersburg, Virginia and Welkom (Matjhabeng Municipality, 2004).

### **3.1.9. The towns and one city of MLM**

Welkom is at the centre of the commercial activities, and heartland of the Free State. It was found by Sir Ernest Oppenheimer in 1948 and it derives its name from the farm called "Welkom". This city can be said to be situated at a reasonable distance from South Africa's major cities.

Odendaalsrus is regarded as the mother town of the Goldfields, because it was the first town in the region of the modern day MLM to be established in 1912. This town is known for the discovery of gold which took place during the 1940s. However, it was during April 1946 after the discovery of the richest gold reef that the town exploded into life and began to grow.

Hennenman is the only town within the modern day MLM to have had no gold discovered within its area. The town only came into existence as a railway station named Ventersdorp. The name Ventersdorp station changed in 1927 to Hennenman station. It is the only town which has survived on agriculture, unlike other towns within the municipal area. The town began to grow in earnest after the discovery of gold between Hennenman and Odendaalsrus in 1946, and in 1947 it was proclaimed a municipality.

The town Allanridge was named in honour of the late Alan Roberts, whose pioneering geological and prospecting work became the key aspect in the eventual discovery of gold and the development of the Goldfields. It was founded as a settlement in 1947, and it was only proclaimed as a town in 1956.

Ventersburg was also named after the pioneer, PA Venter, of the farm Kromfontein, who died in 1857. As part of the farm, Ventersburg was only declared a town in 1873, though it was still regarded as part of the district of Winburg. However, it was declared a municipality in 1903.

Virginia came into existence in the peak of the 1950s gold rush on the banks of the Sand River and it was named after the US surveyor who carved his name on a stone at Merriespruit (a modern day small suburb of Virginia) in 1890 (Matjhabeng Municipality, 2004).

### **3.1.10. Integrated development plan**

Municipal Integrated Development Planning is a consultative process which aligns all activities and functions within the municipality to ensure the delivery of service to the communities. It is a framework which is at the centre of all municipal planning processes. Being a municipal strategic document, it contains priorities obtained from consultative processes with the community members around MLM, politicians, heads of departments within the municipality, and the provincial and regional growth and development strategy (GDS) (Matjhabeng Draft IDP, 2007: 4).

The IDP document has become a cornerstone for the development of the municipal-wide annual budget and the annual performance plan, and was refined and refocused in order to respond more effectively to the challenges that confronted MLM (Matjhabeng Draft IDP, 2007: 4).

### **3.2. SUMMARY**

MLM has a relatively large population of more than 500 000 residents. Of that number, 68 percent has no access to proper sanitation (flush latrines) and only 73 percent has access to electricity. Therefore the management of this local municipality has a huge task of ensuring that every member of the community within its municipal district has access to basic services.

This challenge is further worsened by the prevailing economic conditions within this region. Many of those who are employed within the manufacturing sector are earning a basic salary of less than R1 600 per month. With the ever increasing costs of products and service influenced by the prevailing micro and macro economic conditions, there is a risk that the municipality may not recover its costs of delivering services to these residents. This condition then calls on the management of this municipality to ensure that it optimises operations by carefully managing the relationship between that which it receives (input) and that which it expends (output).

Compounding this fact is the collapse of the mining sector which has for more than 50 years been the primary source of economic development within this region, which further reduces the income base of the municipality and thus the input variable needed to drive service delivery. Therefore, MLM must put in place good productivity measures to ensure that it achieves more goals with less input.

For businesses, the delivery of services by the municipality (which involves the proper maintenance of municipal infrastructure) creates an enabling conducive environment which attracts investors into the municipal borders and thus increases the revenue base of the municipality. This happens when resources for creating such an environment are prioritised based on certain criteria which ensures its effective and efficient use by the management of the organisation.

Moreover, the municipal IDP document makes the integration of the three spheres of government possible, thereby ensuring that other essential services supplied by institutions such as police stations, hospitals and clinics are accessed by the community. Within this municipal region, there are only eight police stations, 17 clinics, four magistrate's courts and four prisons. For the growing population of more than 500 000, these centres are insufficient to provide in the needs of the population of this region. This therefore, requires the municipality to assume leadership by dedicating certain segments of its resources to the process of facilitating interaction with other spheres of government.

In all the above activities and functions presented as challenges to this municipality, the solution can be found in the effective management of municipal input with relation to its output, which simply means that the municipality has a huge task of managing its scarce resources in an efficient manner to be able to deliver on its mandate and to meet the expectations of its residents.

## CHAPTER 4: PRESENTATION OF RESULTS AND FINDINGS

### 4.1. INTRODUCTION

An empirical study was conducted in MLM on the ten practices essential for achieving operational efficiency. The sample consisted of the four senior managers and 20 line managers all from the four different departments within the municipality. A representative sampling method was employed to ensure that all relevant aspects (such as race, gender and department) considered important for selecting a sample are included, and to also obtain global responses from respondents selected to participate in this study. Furthermore, this sample was drawn from a population of nine senior managers and 35 line managers.

The questionnaire consisted of ten subheadings covering 43 questions on the ten practices essential for achieving operational efficiency (Table 4.1).

**Table 4.1- List of Ten Practices**

<b>Number</b>	<b>Practices</b>	<b>No. of questions</b>	<b>Numbering of questions</b>
1	Commitment to organisational value system	6	1.1 - 1.6
2	Adhering to principles of corporate governance	5	2.1 - 2.5
3	Effective management of human capital	5	3.1 - 3.5
4	Management of risk	3	4.1 - 4.3
5	Performance management system	7	5.1 - 5.7
6	Use of technology	3	6.1 - 6.3
7	Survey results and other feedback	3	7.1 - 7.3
8	Benchmarking	3	8.1 - 8.3
9	Privatisation	4	9.1 - 9.4
10	Continuous improvement	4	10.1 - 10.4

Moreover, the questionnaire was designed to draw specific responses, which could later be divided into three categories or levels (as indicated in Table 4.2 below), to evaluate the progress of the municipality (MLM) as far as its pursuit to achieve operational efficiency, is concerned. Moreover it is important to state that this questionnaire was developed using the standards laid down in the literature review, obtained from some of the most powerful arguments regarding the manner in which operational efficiency may be achieved within the local sphere of government.

The scale consisting of the four preset response choices, namely *Agree*, *Disagree*, *Uncertain* and *Don't know*, was used to draw out specific responses from all the respondents. The technique is usually termed “closed-ended”. It was chosen to avoid or reduce answers expressed in certain degrees or answers that express the extent of the occurrence of an event under investigation. The above stated reason thus informed the choice of the scale used in the questionnaire for this study.

**Table 4.2: Allocation of questions into three levels**

<b>Practices for achieving Operational Efficiency</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
Commitment to Value System	1.1	1.2, 1.4 & 1.5	1.3, 1.4 & 1.6
Adhering to principles of Corporate Governance	2.1	2.2	2.3 & 2.4
Effective management of Human Capital	3.1	3.3 & 3.4	3.2 & 3.5
Management of Risk	4.1	4.2	4.3
Performance Management	5.1	5.5, 5.6 & 5.7	5.2, 5.3 & 5.4
Use of Technology	6.1	6.2	6.3
Survey Results and other Feedback	7.1	7.3	7.2
Benchmarking	8.1	8.2	8.3
Privatisation	9.1	9.3	9.2 & 9.4
Continuous Improvement	10.1	10.2 & 10.3	10.4

Initially, copies of the questionnaire were given to a small number of respondents to evaluate the general understanding of the respondents as far as the completion of the questionnaire is concerned. Thereafter, they were circulated to the selected sample of 24 respondents as explained above. The questionnaires were self-administered in order to provide the assistance to the respondents where such assistance or clarification was sought. Prior permission to conduct an empirical study in this municipality was sought and obtained (see annexure B) from the office of the municipal manager. Subsequent activities related to the study were coordinated through the office of the head of the corporate services department to get the study underway.

## 4.2. ANALYSIS OF RESULTS AND FINDINGS

The following questions which were posed to the selected respondents, were compiled from relevant sections of the literature review contained in chapter two of this study.

### 4.2.1. Commitment to an organisational value system

The first question presented to all the participants was related to the municipal shared values or the code of conduct as indicated in Table 4.3. About 90 percent of the line managers (in Table 4.4) confirmed the existence of such a document, while only 10 percent were unaware of its existence. However all senior managers indicated through their responses that they were aware of the existence of such document.

**Table 4.3 – Questions: Practice1**

Number	Questions
1.1	Does the municipality have a shared value system/code of conduct applicable to all employees?
1.2	Do you have full knowledge and understanding of what organisational values are?
1.3	Are values within this municipality accentuated constantly by senior managers?
1.4	Are you constantly reminded of the values of the municipality?
1.5	Do you receive acknowledgement from management for displaying ethical behaviour?
1.6	Are you encouraged to report behaviour inconsistent with municipal shared values?

Furthermore, all line managers reported to have full knowledge and understanding of what the organisational values are while half (50 percent) of their senior counterparts reported otherwise.

**Table 4.4 - Response levels: Practice 1**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
1.1	90%	10%	0%	0%	100%	0%	0%	0%
1.2	100%	0%	0%	0%	50%	50%	0%	0%
1.3	20%	70%	0%	10%	0%	100%	0%	0%
1.4	0%	60%	30%	10%	0%	100%	0%	0%
1.5	0%	90%	0%	10%	0%	100%	0%	0%
1.6	10%	70%	20%	0%	50%	0%	50%	0%

Also about 70 percent of the participants from line management felt that shared values were not accentuated constantly by management. Only 20 percent held a different opinion of management and the rest did not know. On the other hand, senior managers remained divided over this issue. The majority of respondents from both line and senior management felt that they are not constantly reminded of the values of the organisation.

Moreover, the responses received from both sets of participants (in Table 4.4) yielded yet another common response - that they do not receive acknowledgement from management for displaying ethical behaviour, and as far as line managers are concerned, they are not encouraged to report behaviour inconsistent with organisational shared values, while senior management remained divided, one section saying they are encouraged to report inconsistent behaviour and the other section remaining uncertain on this issue.

#### 4.2.2. Adhering to principles of corporate governance

The following five questions contained in Table 4.5, derived from section 2.2.2 of chapter two, were posed to all participants. Their responses are included in other respective tables to follow.

**Table 4.5 – Questions: Practice 2**

Number	Questions
2.1	Has the municipality adopted principles of corporate governance which forms part of its municipal operations?
2.2	Which of the following applications/values does the municipality encourage all its employees to adhere to? <i>(Please tick in the appropriate box/es).</i>
2.3	Do management of this municipality always take the above stated values into consideration when making decisions?
2.4	Are the requirements of the following Laws and Regulation reflected in the decisions made by the management of this institution? <i>(Please tick in the appropriate box/es).</i>
2.5	Are you of the opinion that all municipalities and other state organs should adopt the principles of corporate governance and should also regard them as binding?

In terms of the Table 4.6, the majority of the first respondents agreed that the MLM has adopted principles of corporate governance, which also form part of

the municipal operations. However the majority of senior managers disagree. Only the 25 percent are in agreement with the majority of the line managers.

**Table 4.6 – Response Levels: Practice 2 – 2.1**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
2.1	60%	10%	30%	0%	25%	75%	0%	0%

Line managers have indicated that all employees are encouraged to adhere to the following values of fairness, transparency, accountability and responsibility. As indicated in Table 4.7 below, the majority of line managers feel that accountability is strongly encouraged, followed by responsibility and transparency. Senior managers on the other hand responded (in terms of Table 4.8) by stating that only accountability and responsibility are encouraged.

**Table 4.7 – Response Levels: Practice 2 – 2.2**

Line Managers				
Questions	Fairness	Transparency	Accountability	Responsibility
2.2	19.23%	23.08%	34.62%	23.08%

**Table 4.8 – Response Levels: Practice 2 – 2.3**

Senior Managers				
Questions	Fairness	Transparency	Accountability	Responsibility
2.2	0%	0%	50%	50%

However 40 percent of line managers (in Table 4.9) are of the opinion that management does not always take the above stated values into consideration when making decisions. All (100 percent) senior managers are in agreement that management always takes only accountability and responsibility into consideration when making decisions. Although 30 percent of line managers also hold similar view, they believe that fairness and transparency are considered when decisions are made.

**Table 4.9 – Response Levels: Practice 2 – 2.4**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
2.3	30%	40%	30%	0%	100%	0%	0%	0%

Of all the following government frameworks indicated below, line managers feel strongly that Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA) are considered by management when making decision, followed by the principles of *Batho Pele*, Promotion of Administrative Justice Act (PAJA) and Public Service Act (PSA). A similar trend was displayed by senior managers as well. They also believe that MFMA and MSA are strongly considered followed by *Batho Pele* principles and the PAJA, but in terms of Table 4.10 no consideration is given to the PSA.

**Table 4.10 – Response Levels: Practice 2 – 2.5**

Questions	Line Managers				Senior Managers			
	PSA	PAJA	Batho Pele	MFMA & MSA	PSA	PAJA	Batho Pele	MFMA & MSA
2.4	6.25%	12.50%	37.50%	43.75%	0.00%	25.00%	25.00%	50.00%

### 4.2.3. Effective management of human capital

Only five questions relating to the effective management of human capital (in Table 4.11) were posed to the respondents in this section of the paper, and they have been compiled from section 2.2.3 of chapter two.

**Table 4.11 – Questions: Practice 3**

Number	Questions
3.1	Does the municipality have a human resource management strategy for ensuring effective management of human capital?
3.2	Does the municipality ensure that the appointment of its personnel is always determined by the service delivery requirement identified in the municipal Integrated Development Plan?
3.3	Does the municipality maintain an optimal human capital structure that delivers services at a required level (in terms of its performance management system and other considerations)?
3.4	Does management ensure the enhancement of the quality of all its employees (by offering training and ensuring personal development of all personnel)?
3.5	Does management ensure fair, efficient, effective and transparent personnel administration within this municipality?

Relating to the first question of the third practice, 40 percent of line managers responded (in Table 4.12 below) by saying that they are aware of MLM's human resource strategy for ensuring effective management of human capital, while another 40 percent was uncertain and the rest were unaware. On the other hand senior managers were convinced that such a strategy does not exist. Secondly line managers do not agree to the fact municipality

ensures that the appointment of its personnel is always determined by the service delivery requirements identified in its IDP. Only 30 percent agrees while senior managers remain divided on this issue.

**Table 4.12 – Response Levels: Practice 3**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
3.1	40%	20%	40%	0%	0%	100%	0%	0%
3.2	30%	70%	0%	0%	50%	50%	0%	0%
3.3	0%	80%	10%	10%	50%	50%	0%	0%
3.4	40%	20%	40%	0%	100%	0%	0%	0%
3.5	30%	50%	20%	0%	50%	50%	0%	0%

Furthermore when coming to the question of whether MLM maintains an optimal human capital structure that delivers services at a required level, a much higher response of 80 percent by line managers was received. They believed this to be untrue, and the remaining 20 percent was made up of respondents who were uncertain and who knew nothing about this matter. 50 percent of senior managers believed this to be true while the other 50 percent believe it to be untrue.

Moreover a relatively weak but positive feedback was received from line managers. They indicated that management of MLM does ensure the enhancement of quality of all its employees, by offering them training and ensuring their personal development. Another relatively weak response was made up of other line managers who were uncertain. But for senior managers there was nothing uncertain about their response, they were absolutely certain of the fact that management ensures the enhancement of the quality of all the employees.

Lastly 50 percent of line managers believe that management does not ensure fair, efficient, effective and transparent personnel administration within MLM. Half of senior managers support this view while the other half does not.

#### 4.2.4. Management of risk

Risk management has been described in section 2.2.4 of chapter two as a tool which is aimed at providing management with a scientific method to achieve desired organisational goals. It has also been described as a process which assists management to overcome obstacles preventing the organisation from achieving its goals (Kallman & Maric, 2004: 57). Still the majority of both the line and senior managers presented a negative picture in their responses to the following questions (in Table 4.13) relating to the management of risk within MLM.

**Table 4.13 – Questions: Practice 4**

Number	Questions
4.1	Has the municipality developed a methodology for assessing risk?
4.2	Does management maintain an effective, efficient, and transparent system of risk management?
4.3	Does management employ risk assessment approaches to make high-quality decisions that will ensure the achievement of the goals of the organisation?

According to the responses made by line managers (in Table 4.14), equal numbers of them differed in terms of their opinion. The first group agreed that there is a developed methodology for assessing risk within the municipality. Another group disagreed with the response made by the first group, while the last group with an equal number of responses was uncertain about this matter. The remainder at 10 percent was made up of the group of managers who knew nothing about the existence of such a methodology for assessing risk within MLM.

On the side of senior managers, 50 percent agrees that there is such a methodology while the other 50 percent disagrees with the initial response made by the first half.

**Table 4.14 – Response levels: Practice 4**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
4.1	30%	30%	30%	10%	50%	50%	0%	0%
4.2	10%	40%	50%	0%	0%	100%	0%	0%
4.3	10%	50%	40%	0%	0%	100%	0%	0%

The majority of line managers are uncertain about whether MLM maintains an effective, efficient, and transparent system of risk management. About 40 percent disagrees with this fact, and only 10 percent agrees that such a system is being maintained. However all senior managers are not aware of the maintenance of such a system. Lastly the majority of both line and senior managers believe that risk assessment approaches are not employed by management to make a high-quality decisions that will ensure the achievement of the goals of the municipality.

#### 4.2.5. Performance management

The following questions (in Table 4.15) relating to performance management system, discussed in detail under section 2.2.5 of chapter two, were posed to all respondents partaking in this study.

**Table 4.15 – Questions: Practice 5**

Number	Questions
5.1	Has the municipality adopted a methodology for evaluating its performance?
5.2	Has the Performance Management System been implemented in this municipality for purposes of attaining accountability?
5.3	Does management use the Performance Management System to allocate resources in this municipality more appropriately and effectively?
5.4	Does management use performance indicators as mechanisms for measuring efficiency within this municipality?
5.5	Has management integrated <i>Batho Pele</i> principles in the management of performance within this municipality?
5.6	Is the performance management system of this municipality in line with the priorities, objectives, indicators and targets contained in the municipal strategic plan?
5.7	Is the performance of all municipal staff members monitored on a regular basis?

The management of performance within MLM will ensure that resources are allocated more appropriately and effectively, as well as ensuring that the quality and efficiency of delivering services is improved (Smith,1990: 67).

When responding to the first question under performance management system, line managers (in Table 4.16) agreed that the municipality has adopted a methodology for evaluating its performance. Only 20 percent did not agree, and the rest were uncertain. Half of senior managers agreed that such methodology for evaluating performance has been adopted, while the remaining half disagreed.

**Table 4.16 – Response Levels: Practice 5**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
5.1	50%	20%	30%	0%	50%	50%	0%	0%
5.2	50%	50%	0%	0%	50%	50%	0%	0%
5.3	20%	60%	20%	0%	50%	50%	0%	0%
5.4	40%	40%	20%	0%	50%	50%	0%	0%
5.5	20%	20%	60%	0%	0%	100%	0%	0%
5.6	40%	20%	30%	10%	50%	50%	0%	0%
5.7	10%	70%	10%	10%	0%	100%	0%	0%

On the question of whether the performance management system for MLM was implemented for purposes of attaining accountability, half of the group of line managers agreed though the other group disagreed. Exact resemblance of the response provided by line managers was also provided by the senior managers.

The majority of line managers believe that the management of MLM does not use a performance management system to allocate municipal resources more appropriately and effectively. Only 20 percent feel otherwise and the other 20 percent feel uncertain. Senior managers on the other hand are split equally, the one part agreeing while the other not. On the issue of whether management uses the performance indicators as mechanisms for measuring efficiency within the municipality, two groups of line managers responded equally, one group (of 40 percent) agreeing while the other one (of another 40 percent) disagreeing. The remaining 20 percent were uncertain. Senior

managers were still equally divided at 50 percent each as indicated in Table 4.16 above.

Furthermore there was a huge uncertainty about the responses provided by the line managers. Only 20 percent confirmed that the principles of *Batho Pele* are integrated in the management of performance within MLM, while the other 20 percent confirmed this to be untrue. The remaining majority of about 60 percent were uncertain, as it has been earlier commented. Senior managers were 100 percent certain that such principles do not form an integral part of the municipality performance management system.

It therefore appeared from the responses made by the line managers that the performance management system of MLM was in line with the priorities, objectives, indicators and targets contained in the municipal IDP. 50 percent of senior managers agreed with this whilst the other 50 percent disagreed. Lastly there was a convincing consensus gathered from the responses of both the line and senior managers that the performance of all municipal staff members is barely monitored on a regular basis.

#### 4.2.6. Use of technology

It was discussed in section 2.2.6 of chapter two that an investment in information technology contributes greatly to increased productivity growth within organisations. However the following three questions (in Table 4.17) revealed mixed reactions on the part of all participating respondents.

**Table 4.17 – Questions: Practice 6**

Number	Questions
6.1	Does the municipality have a policy for regulating the use of information technology within the organisation?
6.2	Is the use of information technology supported by the goals of the organisation?
6.3	Does the management of this municipality constantly seek new ways of employing technology to deliver services more effectively and efficiently?

Furthermore the existence of the framework for regulating the use of information technology within an organisation makes it so much easier to control processes involving the use of IT within an organisation, even to the extent of substituting conventional ways of doing business with modern processes (Pieterse, 2002: 14).

**Table 4.18 – Response Levels: Practice 6**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
6.1	90%	0%	10%	0%	100%	0%	0%	0%
6.2	60%	20%	20%	0%	50%	50%	0%	0%
6.3	30%	40%	20%	10%	50%	50%	0%	0%

Responding to the above stated questions in Table 4.17, there was unanimous consent from both the line and senior managers (presented in Table 4.18) that MLM has a policy for regulating the use of information technology. However consensus was lacking when respondents were asked whether the use of IT was supported by the goals of the organisation. At least 60 percent of line managers agreed, even though the minority were not convinced of such strategic alignment. Senior managers could also not agree on one thing as far as this matter was concerned (Table 4.18).

This discrepancy by senior managers surfaced for the second time (under this topic relating to IT) when they were asked whether the management of MLM constantly seeks new ways of employing IT to deliver services more effectively and efficiently. Half of them agreed while the rest did not. However as for the line managers, the slight majority of about 40 percent agreed.

#### **4.2.7. Survey results and other feedback**

Feedback has been regarded in section 2.2.7 of chapter two as essentially a component of an effective performance improvement strategy, which is why it is crucial that the recipients of this valuable information use it to its full potential in order to identify areas for improvements within an organisation (McCarthy & Garavan, 2001: 5). Three questions (in Table 4.19) relating to this topic were asked and the responses were obtained as follows:

**Table 4.19 – Questions: Practice 7**

Number	Questions
7.1	Does the municipality have a system through which it collects and evaluate feedback on service delivery from all stakeholders?
7.2	Does feedback form part of the municipal performance improvement strategy?
7.3	Has the municipality adopted a multi-sourced assessment system from which feedback about the municipal performance can be obtained?

About 50 percent of line managers (in Table 4.20) disagree that MLM has a system through which it collects and evaluates feedback on service delivery from all stakeholders. However the two halves of the senior managers’ group agreed even as the other did not. Secondly, feedback does not form part of the municipal performance improvement strategy. At least this is the impression made by the line managers. An equal number (50 percent) of senior managers agreed, and the other (50 percent) disagreed.

**Table 4.20 – Response Levels: Practice 7**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
7.1	30%	50%	10%	10%	50%	50%	0%	0%
7.2	10%	50%	30%	10%	50%	50%	0%	0%
7.3	0%	50%	20%	30%	50%	50%	0%	0%

Lastly another impression made by the line managers was that MLM has not adopted a multi-sourced assessment system from which feedback about the municipal performance can be obtained. 50 percent of senior managers attested to this, but the other half did not.

**4.2.8. Benchmarking**

Benchmarking in essence was described in section 2.2.8 of chapter two as having more to do with the adoption and implementation of best practices in order to attain superior organisational performance (Pierce, 2004: 36). The following questions (in Table 4.21) were also prepared to obtain the responses of participants on this topic.

**Table 4.21 – Questions: Practice 8**

Number	Questions
8.1	Has the municipality adopted a mechanism or process through which it benchmarks its processes or activities against best practices?
8.2	Does the municipality make use of best practices to improve and deliver superior performance?
8.3	Does management recognise benchmarking as a catalyst for the process of improvement and innovation for the municipality to perform better, faster and cheaper?

A slight majority (40 percent) of line managers gave the impression that the MLM lacks a framework through which it benchmarks its processes or activities against best practices. On the other hand, senior managers overwhelmingly (100 percent) declared through their responses (in Table 4.22 below) that MLM lacks such a framework. Throughout the questions related to this topic, they provided a similar overwhelming (100 percent) response. They were unconvinced that MLM makes use of best practices to improve and deliver superior performance, and that management recognises benchmarking as a catalyst for the process of improvement and innovation of the municipality to perform better, faster and cheaper.

**Table 4.22 – Response Levels: Practice 8**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
8.1	20%	40%	20%	20%	0%	100%	0%	0%
8.2	30%	30%	30%	10%	0%	100%	0%	0%
8.3	10%	20%	50%	20%	0%	100%	0%	0%

However line managers were not so convinced. A similar number (30 percent) of them agreed that management makes use of best practices to improve and deliver superior performance; while on the other hand, another 30 percent was not convinced. The last 30 percent remained uncertain. Lastly the majority were uncertain as to whether or not management recognises benchmarking as a catalyst for the process of improvement and innovation of the municipality to perform better, faster and cheaper.

#### 4.2.9. Privatisation

For the following questions (presented in Table 4.23) on privatisation, already discussed in section 2.2.9 of chapter two, the following responses were obtained:

**Table 4.23 – Questions: Practice 9**

Number	Questions
9.1	Does the municipality have processes or mechanisms through which it becomes able to take a decision about whether to outsource certain services or simply to utilise its internal capacity?
9.2	Is the management of the opinion that the outsourcing of specific activities or functions within the municipality would reduce inefficiencies?
9.3	Has management ever considered privatising specific activities/functions within this municipality with the view of attaining increased levels of social and technical efficiency?
9.4	Before a decision is made to contract out certain activities/functions, does management carefully compare costs and benefits that the municipality would incur in providing such service, with the cost of contracting out?

There was an indistinct response from line managers (in Table 4.24), 30 percent agreeing, another 30 percent disagreeing and the last 30 percent being uncertain, about whether MLM has a framework through which it is able to take a decision about whether to outsource certain services or simply to utilise its internal capacity. They also felt the same way about the opinion of management concerning the outsourcing of specific activities or functions of the municipality. As for their senior counterparts, they remained divided in their response to first question. However the response to the second question gave a rather puzzling impression when the other 50 percent claimed not to know whether management is of the opinion that outsourcing of specific activities or functions within the municipality would reduce inefficiencies.

**Table 4.24 – Response Levels: Practice 9**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
9.1	30%	30%	30%	10%	50%	50%	0%	0%
9.2	30%	30%	30%	10%	0%	50%	0%	50%
9.3	60%	0%	30%	10%	50%	50%	0%	0%
9.4	40%	40%	10%	10%	50%	50%	0%	0%

Next, the first 50 percent acknowledged that management has considered privatising specific activities or functions within MLM with the view of attaining increased levels of social and technical efficiency, and another denying that management has ever considered this position. Contrary to the last group of senior managers, the majority of line managers agree that management does consider this position when aiming to attain social and technical efficiency.

Lastly 40 percent of line managers agree that before a decision is made to contract out certain activities or functions, management carefully compares costs and benefits that the municipality would incur in providing such services with the cost of contracting out. However the other (40 percent of line managers) disagreed. Senior managers provided a similar response - one group (50 percent) agreeing, and the other disagreeing.

#### 4.2.10. Continuous improvement

Continuous improvement is a process which involves collection of powerful methods which have brought about substantial improvements in many organisations. It has been described in section 2.2.10 of chapter 2 as a process which is the most central and the most accepted component of total quality management (Zangwill & Kantor, 1998: 910). However several questions (in Table 4.25) related to the use of this mechanism within the MLM were posed to the respondents, and they responded as follows:

**Table 4.25 – Questions: Practice 10**

Number	Questions
10.1	Does the municipality have processes for defining service quality standards as far as service delivery is concerned?
10.2	Have senior managers in this municipality developed a culture of continuous improvement which is based on planning for and coordinating change efforts?
10.3	Does management set quality standards which become minimum requirements as far as delivering service is concerned?
10.4	Do managers in this municipality continuously seek new ways to improve business processes with the aim of improving the quality of the provision of services to the communities?

With regard to the first question, there was a total refute (100 percent) by the senior managers (in Table 4.26) of the existence of such a process within the

municipality. Although there was a slight denial by line managers of the existence of such a process, the majority (50 percent) were uncertain about its existence. Furthermore, senior managers in this municipality have not developed a culture of continuous improvement, which is based on planning for and coordinating change efforts. This was the feeling among 60 percent of the line managers. However 50 percent of senior managers indicated that such culture is prevalent within this municipality, with the other 50 percent sharing a dissimilar view.

**Table 4.26 – Response Levels: Practice 10**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
10.1	10%	30%	50%	10%	0%	100%	0%	0%
10.2	10%	60%	20%	10%	50%	50%	0%	0%
10.3	20%	60%	10%	10%	50%	50%	0%	0%
10.4	30%	50%	10%	10%	50%	50%	0%	0%

Another 60 percent of line managers denied the fact that management set quality standards which become the minimum requirements as far as delivering service is concerned. Moreover they also denied that managers in this municipality continuously seek new ways to improve business processes with the aim of improving the quality of service delivered to the communities. Lastly senior managers were equally divided in terms of their responses to the last two questions.

### **4.3. SUMMARY**

Empirical research was conducted in MLM with the expressed permission from the office of the accounting officer (see annexure B). Different impressions of the responses made by the participants from this municipality were obtained and then analysed. The summary of those responses is presented here. On *average* the majority of senior managers (58 percent) held the view that, within the municipality, commitment to an organisational value system is lacking, and this view was supported by 50 percent of the line managers.

**Table 4.27 - Average Response Levels: Practice 1**

Averages	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
Practice 1	37%	50%	8%	5%	33%	58%	8%	0%

In terms of the Table 4.27, the majority of the first respondents (60 percent) agreed that the MLM has adopted principles of corporate governance, which also form part of the municipal operations. However the majority of senior managers (75 percent) disagree. Only 25 percent are in agreement with the majority of the line managers.

**Table 4.28 – Average Response Levels: Practice 2 – 2.1**

Average	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
Practice 2.1	60%	10%	30%	0%	25%	75%	0%	0%

Line managers on *average* have indicated that all employees are encouraged to adhere to the values of fairness, transparency, accountability and responsibility. But, as indicated in Table 4.29 below, the majority feels that accountability is strongly encouraged, followed by responsibility and transparency. Senior managers on the other hand responded in terms of Table 4.30 by stating that only accountability and responsibility are encouraged.

**Table 4.29 – Average Response Levels: Practice 2 – 2.2**

Line Managers				
Average	Fairness	Transparency	Accountability	Responsibility
Practice 2.2	19.23%	23.08%	34.62%	23.08%

**Table 4.30 – Average Response Levels: Practice 2 – 2.3**

Senior Managers				
Average	Fairness	Transparency	Accountability	Responsibility
Practice 2.2	0%	0%	50%	50%

However 40 percent of line managers (in Table 4.31) is of the opinion that management does not always take the above stated values into consideration when making decisions. All senior managers are in agreement that management always takes only accountability and responsibility into

consideration when making decisions. Although 30 percent of line managers also holds a similar view, they further believe that fairness and transparency are considered when decisions are made.

**Table 4.31 – Average Response Levels: Practice 2 – 2.4**

Average	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
Practice 2.3	30%	40%	30%	0%	100%	0%	0%	0%

Of all the government frameworks indicated below, line managers feel strongly the MFMA and MSA are considered by management when making decisions, followed by the principles of *Batho Pele*, PAJA and PSA. A similar trend was displayed by senior managers as well. They believe that MFMA and MSA are strongly considered followed by *Batho Pele* principles and the PAJA, but in terms of Table 4.32 no consideration is given to the PSA.

**Table 4.32 – Average Response Levels: Practice 2 – 2.5**

Average	Line Managers				Senior Managers			
	PSA	PAJA	Batho Pele	MFMA & MSA	PSA	PAJA	Batho Pele	MFMA & MSA
Practice 2.4	6.25%	12.50%	37.50%	43.75%	0.00%	25.00%	25.00%	50.00%

Line managers on *average* are of the opinion that human capital is ineffectively managed while senior managers partly share a similar opinion. Both line and senior managers further agree that risk is not properly managed within this institution. Moreover, according to these two groups, the issue of performance needed much attention as well.

**Table 4.33 - Average Response Levels: Practice 3 - 10**

Averages	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
Practice 3	28%	48%	22%	2%	50%	50%	0%	0%
Practice 4	17%	40%	40%	3%	17%	83%	0%	0%
Practice 5	33%	40%	24%	3%	36%	64%	0%	0%
Practice 6	60%	20%	17%	3%	67%	33%	0%	0%
Practice 7	13%	50%	20%	17%	50%	50%	0%	0%
Practice 8	20%	30%	33%	17%	0%	100%	0%	0%
Practice 9	40%	25%	25%	10%	38%	50%	0%	13%
Practice 10	18%	50%	23%	10%	38%	63%	0%	0%

However everyone was content with the manner in which the use of technology is regulated and supports the goals of the organisation. Next, the response of the line managers on the issue of survey results and other feedback raised concerns that management does not have a system through which it collects and evaluates feedback on service delivery from all stakeholders, and that feedback does not form part of the municipal performance strategy. Another concern is the lack of the adoption (by management) of a multi-sourced assessment system from which feedback about the municipal performance can be obtained.

A further area of concern to both line and senior managers is the use of best practices within the municipality. Senior managers are particularly concerned about the lack of framework through which MLM can benchmark its processes or activities against best practices, and about recognising benchmarks as a catalyst for the process of improvement and innovation of municipality services. The manner in which activities or functions were being privatised or outsourced seemed to satisfy line managers, while their senior counterparts remained less satisfied. Still, on this last issue having regard to continuous improvements, senior managers were particularly unhappy that MLM does not have processes for defining service quality standards as far as service delivery is concerned. Line managers showed signs of particular concern as well, as far as this issue was concerned.

## CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

### 5.1 INTRODUCTION

Several arguments were advanced in the preceding chapters about the important practices which municipalities must consider in order to achieve operational efficiency. In this chapter, conclusions and recommendations will be developed based on findings in chapter 4, wherein the analysis of results was discussed. To assess how efficient MLM is, using the ten practices discussed in chapter 2, the following model in Table 5.1 was devised. The first level of this model involves the development of a suitable framework based on the ten practices necessary to achieve operational efficiency within the municipality.

This means that if the assessed municipality has developed relevant frameworks to deal with the ten (10) practices identified as crucial to achieve operational efficiency, it is in terms of Table 5.1 regarded to be at *Level 1*, which is considered elementary. This level can also be regarded as a compliance level. For a municipality to receive a higher rating, it must proceed from the elementary level to the second and third level. To reach *Level 2*, a municipality must have taken the necessary steps to implement all processes necessary to be successful at this level. All these necessary steps are indicated under each level in Table 5.1 below.

The last level which is *Level 3*, is a very important level which involves the decision making. At this point management needs to take into consideration all matters listed under this level when taking or making decision about any specific matter related to the delivery of service within the municipality. Level 3 is the most desired level. The attainment of these key requirements at this level implies that the municipality will take decisions which are guided by this prescribed framework or a model to achieve a sustainable level of efficiency throughout its operations.

Figure 5.1: Model to indicate organisational progress towards achieving efficiency

Practices for achieving Operational Efficiency	Framework (Level 1)	Implementation (Level 2)	Consideration for decision making process (Level 3)
Commitment to Value System	Code of Conduct	Attaining commitment to shared values	Observe practices of aligned commitment in decision making
Adhering to principles of Corporate Governance	Adapted Corporate Governance Guidelines	Developing Corporate Governance Strategy	Ensuring transparency, independence, responsibility, fairness, and social responsibility
Effective management of Human Capital	Human Capital Strategy/ Policies/ Applicable Laws & Regulations	Developing Human Capital Strategy	Ensuring careful implementation of strategy
Management of Risk	Risk Management Strategy/ Policy/Applicable Laws & Regulations	Developing Risk Assessing Action Plans	Considering risk that is beyond acceptance level (in terms of risk exposure ratings)
Performance Management	Performance Management System/ Applicable Laws & Regulations	Setting of performance targets	Consideration is given to performance targets
Use of Technology	IT Strategy/ Policy/Applicable Laws & Regulations	Identifying processes to automate or where IT can be used to improve processes	Change to processes that result in cost/time/other resource savings and that can improve services
Survey Results and other Feedback	Feedback Policy	Development of Survey Questionnaires	Using feedback from multi-sources to improve services
Benchmarking	Benchmarking Strategy/ Procedures	Setting Benchmarking targets	Making reference to best practices
Privatisation	Tender Procedures/ Privatisation Policy/ Applicable Laws & Regulations	Assessment of internal capacity (i.e. in terms of skills, experience, resources, expertise)	Assessing costs (and other factors) involved in using internal processes vs. cost of outsourcing services to consultants
Continuous Improvement	Quality Assurance Procedures/Applicable Laws & Regulations	Setting and assessing of Quality Standards	Continuously improving quality of services delivery

(Source: Researcher's model derived from the literature review 2008)

## 5.2 THE EFFICIENCY LEVEL WITHIN THE MUNICIPALITY

The following presented efficiency levels have been determined by means of the developed methodology for evaluating efficiency levels within the organisation. First, the results in terms of the model will be discussed, followed by a conclusion on the level of efficiency within MLM.

### 5.2.1. Findings grouped in terms of three levels

The questionnaire was designed to evaluate the municipality in terms of the three levels identified in the above presented model (in Table 5.1), hence the following results were obtained;

**Table 5.2 – Framework: Level 1**

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
1.1	90%	10%	0%	0%	100%	0%	0%	0%
2.1	60%	10%	30%	0%	25%	75%	0%	0%
3.1	40%	20%	40%	0%	0%	100%	0%	0%
4.1	30%	30%	30%	10%	50%	50%	0%	0%
5.1	50%	20%	30%	0%	50%	50%	0%	0%
6.1	90%	0%	10%	0%	100%	0%	0%	0%
7.1	30%	50%	10%	10%	50%	50%	0%	0%
8.1	20%	40%	20%	20%	0%	100%	0%	0%
9.1	30%	30%	30%	10%	50%	50%	0%	0%
10.1	10%	30%	50%	10%	0%	100%	0%	0%
<b>Average</b>	<b>45%</b>	<b>24%</b>	<b>25%</b>	<b>6%</b>	<b>43%</b>	<b>58%</b>	<b>0%</b>	<b>0%</b>

In terms of the average response obtained from all the participants (in Table 5.2), line managers have indicated the presence of a regulatory environment around the ten practices essential for achieving operational efficiency within the municipality. However senior managers are in total disagreement with the responses of the line managers. This means that MLM was able to develop some of the frameworks necessary to be classified as a *Level 1* organisation.

Secondly all the participants in terms of the second level, which is the implementation level, have indicated (in Table 5.3) through their responses that MLM is still far from obtaining *Level 2* status. Furthermore the respondents were still not convinced (in Table 5.4) that management takes all the matters listed under, '*considerations for decision making process*' into consideration when making decisions. Therefore these responses also provide an indication that MLM is yet to claim *Level 3* status.

Table 5.3 – Implementation: Level 2

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
1.2	100%	0%	0%	0%	50%	50%	0%	0%
1.4	0%	60%	30%	10%	0%	100%	0%	0%
1.5	0%	90%	0%	10%	0%	100%	0%	0%
2.2	19%	23%	35%	23%	0%	0%	50%	50%
3.3	0%	80%	10%	10%	50%	50%	0%	0%
3.4	40%	20%	40%	0%	100%	0%	0%	0%
4.2	10%	40%	50%	0%	0%	100%	0%	0%
5.5	20%	20%	60%	0%	0%	100%	0%	0%
5.6	40%	20%	30%	10%	50%	50%	0%	0%
5.7	10%	70%	10%	10%	0%	100%	0%	0%
6.2	60%	20%	20%	0%	50%	50%	0%	0%
7.3	0%	50%	20%	30%	50%	50%	0%	0%
8.2	30%	30%	30%	10%	0%	100%	0%	0%
9.3	60%	0%	30%	10%	50%	50%	0%	0%
10.2	10%	60%	20%	10%	50%	50%	0%	0%
10.3	20%	60%	10%	10%	50%	50%	0%	0%
<b>Average</b>	<b>26%</b>	<b>40%</b>	<b>25%</b>	<b>9%</b>	<b>31%</b>	<b>63%</b>	<b>3%</b>	<b>3%</b>

Table 5.4 Consideration for decision making process: Level 3

Questions	Line Managers				Senior Managers			
	Agree	Disagree	Uncertain	Don't know	Agree	Disagree	Uncertain	Don't know
1.3	20%	70%	0%	10%	0%	100%	0%	0%
1.4	0%	60%	30%	10%	0%	100%	0%	0%
1.6	10%	70%	20%	0%	50%	0%	50%	0%
2.3	30%	40%	30%	0%	100%	0%	0%	0%
2.4	6%	13%	38%	44%	0%	25%	25%	50%
3.2	30%	70%	0%	0%	50%	50%	0%	0%
3.5	30%	50%	20%	0%	50%	50%	0%	0%
4.3	10%	50%	40%	0%	0%	100%	0%	0%
5.2	50%	50%	0%	0%	50%	50%	0%	0%
5.3	20%	60%	20%	0%	50%	50%	0%	0%
5.4	40%	40%	20%	0%	50%	50%	0%	0%
6.3	30%	40%	20%	10%	50%	50%	0%	0%
7.2	10%	50%	30%	10%	50%	50%	0%	0%
8.3	10%	20%	50%	20%	0%	100%	0%	0%
9.2	30%	30%	30%	10%	0%	50%	0%	50%
9.4	40%	40%	10%	10%	50%	50%	0%	0%
10.4	30%	50%	10%	10%	50%	50%	0%	0%
<b>Average</b>	<b>23%</b>	<b>47%</b>	<b>22%</b>	<b>8%</b>	<b>35%</b>	<b>54%</b>	<b>4%</b>	<b>6%</b>

### 5.3. CONCLUSION

In chapter 2, the standards for achieving operational efficiency were set, based on the arguments presented in that chapter. Therefore to achieve

operational efficiency within local government, the ten practices discussed in chapter 2 had to be taken into consideration. Chapter 3 presented some of the key challenges facing MLM, in the background discussions of the organisation. In that chapter it was stated that the solution to the challenges facing the municipality would be found in the effective management of municipal input with relation to its output.

The questionnaire was developed based on the standards set in chapter 2, and its results were presented in chapter 4. In this chapter conclusion is made on the responses obtained from the use of this questionnaire in MLM. Therefore it could now be concluded according to the responses received that there is a clear challenge facing the municipality as far as achieving operational efficiency is concerned. There are issues of commitment to a organisational value system that still needs to be resolved. Secondly even though there are disagreements between line and senior managers on the matters relating the adoption of corporate governance principles, this situation still does not favour operations of the municipality.

Another issue that needs to be resolved involves municipal compliance with all laws and regulations applicable to the municipality. A selective approach undermines the objective for which that framework was developed. A lack in the effective management of human capital also appears to prevent MLM from making any progress as far as achieving certain levels of efficiency within the municipality. It was reported to have been ineffectively managed by a group of line managers, though senior managers partly share the same opinion.

Risk within the municipality is not properly managed. This situation will prevent MLM from achieving its objectives, and from making high quality decisions. Moreover the issue of performance needs much attention as well from management. If it is left unattended, resources of the municipality may not be allocated appropriately and effectively, and performance indicators as well may not be used as mechanisms for measuring efficiency. The manner in which technology is used, appears to be adequate.

Furthermore the issue of survey results and other feedback raised concerns that management does not have a system through which it collects and evaluates feedback on service delivery from all stakeholders, and that feedback does not form part of the municipal performance strategy. Another issue involves the lack of the adoption (by management) of a multi-sourced assessment system from which feedback about the municipal performance can be obtained. The use of best practices within the municipality further raised concerns, particularly about the lack of framework through which MLM can benchmark its processes or activities against best practices, and about recognising benchmarks as a catalyst for the process of improvement and innovation of municipal services.

The manner in which activities or functions were being privatised or outsourced raised mixed reactions among the participants, even though this was the case, this area still warranted some form of reaction from management. Lastly management should be unhappy that there are no processes for defining service quality standards as far as service delivery is concerned, which forms part and parcel of the continuous improvement process.

After having regarded these and other factors listed under Table, 5.1, 5.2 and 5.3, the municipality can be said to be at an elementary stage (*Level 1*) as far as their progress towards achieving operational efficiency is concerned.

#### **5.4. RECOMMENDATIONS**

Based on the findings presented in chapters 4 and 5, the following is therefore recommended. Management should ensure that:

- information is disseminated to lower levels;
- commitment to a organisational value system is achieved;
- shared values are accentuated constantly by management;
- all employees are constantly reminded of the values of the organisation;

- acknowledge employees for displaying ethical behaviour;
- principles of corporate governance are adopted;
- all employees are encouraged to adhere to the values of fairness, transparency, accountability and responsibility;
- above stated values are taken into consideration when making decisions;
- all relevant laws and regulations are taken into consideration in the day to day running of the municipality;
- human capital is effectively managed;
- an optimal human capital structure that delivers services at a required level is maintained;
- quality of all its employees is enhancement by offering them training and ensuring their personal development;
- risk is properly managed;
- high-quality decisions that will ensure the achievement of the goals of the municipality are made;
- a system through which it collects and evaluates feedback on the service delivery from all stakeholders is maintained;
- feedback forms part of the municipal performance strategy;
- best practices within the municipality are employed;
- benchmarks are recognised as a catalyst for the process of improvement and innovation of municipality services; and
- have processes for defining service quality standards.

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Annexure A

**QUESTIONNAIRE (SQ43)**

*Please state your position/post*

*Please state your post level*

Symbols	Meaning
A	Agree (Yes)
B	Disagree (No)
C	Uncertain
D	Don't know

**Please indicate your selection with an X**

**1. Commitment to organisational value system**

Does the municipality have a shared value system/code of conduct applicable to all employees?

A	B	C	D
---	---	---	---

Do you have full knowledge and understanding of what organisational values are?

A	B	C	D
---	---	---	---

Are values within this municipality accentuated constantly by senior managers?

A	B	C	D
---	---	---	---

Are you constantly reminded of the values of the municipality?

A	B	C	D
---	---	---	---

Do you receive acknowledgement from management for displaying ethical behaviour?

A	B	C	D
---	---	---	---

Are you encouraged to report behaviour inconsistent with municipal shared values?

A	B	C	D
---	---	---	---

**2. Adhering to principles of Corporate Governance**

Has the municipality adopted principles of corporate governance which forms part of its municipal operations?

A	B	C	D
---	---	---	---

Which of the following applications/values do(es) the municipality encourage all its employees to adhere to?  
 (Please tick in the appropriate box/es).

Fairness  Transparency  Accountability  Responsibility

Does management of this municipality always take the above stated values into consideration when making decisions? 

A	B	C	D
---	---	---	---

Are the requirements of the following Laws and Regulations reflected in the decisions made by the management of this institution? (Please tick in the appropriate box/es).

Public Service Act  Promotion of Administrative Justice Act  Batho Pele  MFMA and MSA

Are you of the opinion that all municipalities and other state organs should adopt the principles of corporate governance and should also regard them as binding? 

A	B	C	D
---	---	---	---

### 3. Effective management of Human Capital

Does the municipality have a human resource management strategy for ensuring effective management of human capital? 

A	B	C	D
---	---	---	---

Does the municipality ensure that the appointment of its personnel is always determined by the service delivery requirement identified in the Municipal Integrated Development Plan? 

A	B	C	D
---	---	---	---

Does the municipality maintain an optimal human capital structure that delivers services at a required level (in terms of its performance management system and other considerations)? 

A	B	C	D
---	---	---	---

Does management ensure the enhancement of the quality of all its employees (by offering training and ensuring personal development of all personnel)? 

A	B	C	D
---	---	---	---

Does management ensure fair, efficient, effective and transparent personnel administration within this municipality? 

A	B	C	D
---	---	---	---

### 4. Management of risk

Has the municipality developed a methodology for assessing risk? 

A	B	C	D
---	---	---	---

Does management maintain an effective, efficient, and transparent system of risk management? 

A	B	C	D
---	---	---	---

Does management employ risk assessment approaches to make high-quality decisions that will ensure the achievement of the goals of the organisation? 

A	B	C	D
---	---	---	---

## 5. Performance Management System

Has the municipality adopted a methodology for evaluating its performance?

A	B	C	D
---	---	---	---

Has the Performance Management System been implemented in this municipality for purposes of attaining accountability?

A	B	C	D
---	---	---	---

Does management use the Performance Management System to allocate resources in this municipality more appropriately and effectively?

A	B	C	D
---	---	---	---

Does management use performance indicators as mechanisms for measuring efficiency within this municipality?

A	B	C	D
---	---	---	---

Has management integrated Batho Pele principles in the management of performance within this municipality?

A	B	C	D
---	---	---	---

Is the performance management system of this municipality in line with the priorities, objectives, indicators and targets contained in the Municipal Strategic Plan?

A	B	C	D
---	---	---	---

Is the performance of all municipal staff members monitored on a regular basis?

A	B	C	D
---	---	---	---

## 6. Use of Technology

Does the municipality have a policy for regulating the use of information technology within the organisation?

A	B	C	D
---	---	---	---

Is the use of information technology supported by the goals of the organisation?

A	B	C	D
---	---	---	---

Does the management of this municipality constantly seek new ways of employing technology to deliver services more effectively and efficiently?

A	B	C	D
---	---	---	---

## 7. Survey results and other feedback

Does the municipality have a system through which it collects and evaluates feedback on service delivery from all stakeholders?

A	B	C	D
---	---	---	---

Does feedback form part of the municipal performance improvement strategy?

A	B	C	D
---	---	---	---

Has the municipality adopted a multi-sourced assessment system from which feedback about the municipal performance can be obtained?

A	B	C	D
---	---	---	---

## 8. Benchmarking

Has the municipality adopted a mechanism or process through which it benchmarks its processes or activities against best practices?

A	B	C	D
---	---	---	---

Does the municipality make use of best practices to improve and deliver superior performance?

A	B	C	D
---	---	---	---

Does management recognise benchmarking as a catalyst for the process of improvement and innovation for the municipality to perform better, faster and cheaper?

A	B	C	D
---	---	---	---

## 9. Privatisation

Does the municipality have processes or mechanisms through which it becomes able to take a decision about whether to outsource certain services or simply to utilise its internal capacity?

A	B	C	D
---	---	---	---

Is the management of the opinion that the outsourcing of specific activities or functions within the municipality would reduce inefficiencies?

A	B	C	D
---	---	---	---

Has management ever considered privatising specific activities/functions within this municipality with the view of attaining increased levels of social and technical efficiency?

A	B	C	D
---	---	---	---

Before a decision is made to contract out certain activities/functions, does management carefully compare costs and benefits that the municipality would incur in providing such service, with the cost of contracting out?

A	B	C	D
---	---	---	---

## 10. Continuous Improvement

Does the municipality have processes for defining service quality standards as far as service delivery is concerned?

A	B	C	D
---	---	---	---

Have senior managers in this municipality developed a culture of continuous improvement which is based on planning for and coordinating change efforts?

A	B	C	D
---	---	---	---

Does management set quality standards which become minimum requirements as far as delivering service is concerned?

A	B	C	D
---	---	---	---

Do managers in this municipality continuously seek new ways to improve business processes with the aim of improving the quality of the provision of services to the communities?

A	B	C	D
---	---	---	---

*Thank you for completing this survey*

Annexure B

# MATJHABENG

**Municipality  
Umasipala**  
P O Box 708  
Welkom, 9460  
South Africa



**Mmasepala  
Munisipaliteit**  
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Enquiries / Navrae / Dipatlisiso: Adv. Moshodi  
Room no / Kamer nr / Kamore ya: 212  
Date / Datum / Letsatsi: 21 October 2008  
Your Ref / U Verw / Ho ya ka bona:

Our Ref / Ons Verw / Ho ya ka Rona:

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MD TSOAI  
P.O. Box 116  
VIRGINIA  
9430

Sir/Madam

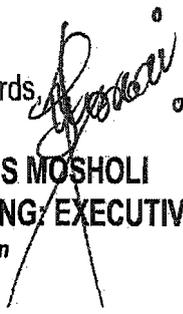
## PERMISSION TO CONDUCT RESEARCH

Refer to your letter dated 19 September 2008.

Kindly be informed that your permission has been granted.

For further discussion with Executive Director Corporate Services please contact Me. Baiti  
057 391 3243 at Room 212 Floor.

Regards,

  
**Adv. S MOSHOLI**  
**ACTING EXECUTIVE DIRECTOR CORPORATE SERVICES**  
SM/mbn