Assessing the relationship between CEO remuneration and organisational performance in a water board in South Africa

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ABSTRACT

The remuneration of CEOs has been a controversial subject, with some members of the public believing that CEO remuneration is excessive. This point is further exacerbated by the current socio economic conditions prevalent in South Africa as well as globally. In South Africa, water boards are charged with the provision of water services to municipalities or water services authorities. These water boards are critical to the delivery of water as a basic service. It is thus crucial that those charged with the leadership of such water boards are sufficiently remunerated and perform as expected in the provision of water as a basic service. This study sets out to assess the relationship between CEO remuneration and organisational performance, with the specific focus of a single water board. The water board was selected for the study due its size, as compared to other water boards.

The study began with a literature study to gain an understanding of the relationship between CEO remuneration and organisational performance as well as to understand the determinants of CEO remuneration. Another part of the literature study focused on organisational performance management to gain an understanding of the history of organisational performance management. A thorough study of performance management was also performed, focusing on the balanced scorecard and KPIs. The final part of the literature study focused on the shareholder compact and its applicability to the water board as a public institution.

A study was conducted, with the use of the interpretive content analysis approach. The information, which was the focus of the study, was obtained from the relevant water board’s website in the form of annual reports and then information relating to organisational performance and the CEO’s remuneration was extracted and summarised and then analysed. The organisational performance, for each financial year was summarised and a performance level for each year was calculated. Then the CEO’s remuneration was summarised, broken down into its various components for each year and then displayed on a line graph to display the movements year on year. Histograms were also used to depict both the performance levels of the water board and the remuneration components individually year on year. A line graph was then used to portray the relationship between the performance level of the water board and each component of the CEO’s remuneration for each of the 5 financial years selected,
with a sixth year as the base. The line graph was also used to portray this relationship for the total remuneration package of the CEO as well as the performance level of the water board for each of the 5 years selected.

The results from the study show no positive relationship between the performance level of the water board with the CEO's basic salary and other cash benefits. The study did however show a positive relationship between the performance level of the water board and the performance incentive paid to the CEO. The findings were however inconclusive when it came to the relationship between the performance level of the water board with the CEO’s total remuneration package.

Conclusions regarding the study were made and an evaluation was performed to ascertain whether the primary as well as secondary objectives of the study were met.

**Key Words**
Chief Executive Officer remuneration, Organisational Performance, Performance Management, Balanced Scorecard, Water Board
# TABLE OF CONTENTS

ACKNOWLEDGEMENTS .................................................................................................................. II

ABSTRACT ................................................................................................................................... III

CHAPTER 1: INTRODUCTION........................................................................................................ 1

1.1 Background to the research area ................................................................................. 1

1.2 Problem Statement ........................................................................................................ 2

1.3 Objectives ...................................................................................................................... 3

1.3.1 Main Objective ........................................................................................................ 3

1.3.2 Secondary Objectives ........................................................................................... 3

1.4 Motivation of topic actuality ..................................................................................... 3

1.5 Research design/method ............................................................................................ 4

1.5.1 Literature review .................................................................................................... 4

1.5.2 Empirical research .................................................................................................. 4

1.6 Literature review ........................................................................................................... 5

1.6.1 The role of the CEO .............................................................................................. 5

1.6.2 Determinants of CEO remuneration .................................................................. 5

1.6.3 Organisational Performance Management ........................................................... 7

1.6.3.1 Accounting Perspective .................................................................................... 7

1.6.3.2 The Balanced Scorecard Perspective ............................................................... 8

1.6.3.3 Strategic Management Perspective ................................................................. 9

1.6.3.4 Entrepreneurship perspective ........................................................................ 9

1.6.3.5 Microeconomics perspective ....................................................................... 10

1.7 Hypothesis ..................................................................................................................... 10
1.8 Overview ................................................................................................................. 11
1.8.1 Chapter 1............................................................................................................... 11
1.8.2 Chapter 2............................................................................................................... 11
1.8.3 Chapter 3............................................................................................................... 11
1.8.4 Chapter 4............................................................................................................... 11
1.8.5 Chapter 5............................................................................................................... 12

CHAPTER 2: PERFORMANCE MANAGEMENT ............................................................ 13
2.1 Introduction ............................................................................................................... 13
2.2 Performance Management ....................................................................................... 13
2.3 Evolution of Performance Management .................................................................... 15
2.4 The Balanced Scorecard .......................................................................................... 16
  2.4.1 The Learning and Growth Perspective ............................................................... 17
  2.4.2 The Business Process Perspective ..................................................................... 17
  2.4.3 The Customer Perspective ................................................................................ 18
  2.4.4 The Financial Perspective ................................................................................ 18
  2.4.5 Arguments for and against the balanced scorecard .......................................... 19
2.5 Strategy Maps .......................................................................................................... 20
2.6 Extending the Balanced Scorecard to Non-Profit and Public Sector Enterprises (NPSEs) .................................................................................................................. 22
2.7 Key Performance Indicators .................................................................................... 22
  2.7.1 Characteristics of KPIs ...................................................................................... 23
2.8 Performance Management – A National Treasury Perspective ............................ 25
2.9 The Shareholder Compact ....................................................................................... 26
CHAPTER 3: RESEARCH DESIGN ........................................................................................................... 27
3.1 Introduction ..................................................................................................................................... 27
3.2 Research Methodology ................................................................................................................... 27
3.2.1 Experimental research design .................................................................................................. 27
3.2.2 Quasi-experimental research design ........................................................................................ 28
3.2.3 Non-experimental research ...................................................................................................... 28
3.3 Research Approach ......................................................................................................................... 29
3.4 Population size and sample ............................................................................................................. 31
3.4.1 Purposive sampling .................................................................................................................... 32
3.4.2 Quota sampling ......................................................................................................................... 32
3.4.3 Snowball sampling ..................................................................................................................... 32
3.5 Sources of data ............................................................................................................................... 33
3.6 Data collection and analysis ........................................................................................................... 34
3.7 Data Management .......................................................................................................................... 36
3.8 Validity and Reliability ................................................................................................................... 36

CHAPTER 4: RESEARCH RESULTS ...................................................................................................... 38
4.1 Introduction ..................................................................................................................................... 38
4.2 Performance Results ....................................................................................................................... 38
4.3 CEO Remuneration .......................................................................................................................... 46
4.3.1 Contribution of each remuneration component ......................................................................... 47
4.3.2 Basic salary and performance .................................................................................................. 48
4.3.3 Other cash benefits and performance ....................................................................................... 50
4.3.4 Performance Incentive and performance ............................................................................... 52
LIST OF TABLES

Table 2-1: Coding instrument ............................................................................................................. 34
Table 4-1: Performance Level for 2009 .............................................................................................. 39
Table 4-2: Performance level for 2010 ............................................................................................... 40
Table 4-3: Performance level for 2011 .............................................................................................. 41
Table 4-4: Performance level for 2012 .............................................................................................. 42
Table 4-5: Performance level for 2013 .............................................................................................. 43
Table 4-6: Performance level for 2014 .............................................................................................. 45
LIST OF ABBREVIATIONS

BS: Basic Salary

BSM: Basic Salary Movement

CEO: Chief Executive Officer

CSIR: Council for Scientific and Industrial Research

GAAP: Generally Accepted Accounting Principles

HR: Human Resources

KPI: Key Performance Indicator

NPSE: Non Profit and Public Sector Enterprises

NWU: North-West University

OCB: Other Cash Benefits

OCBM: Other Cash Benefits Movement

PFMA: Public Finance Management Act

PI: Performance Incentive

PIM: Performance Incentive Movement

PLM: Performance Level Movement

SMART: Specific, Measurable, Attainable, Relevant and Time-bound

SOE: State Owned Enterprise

TRP: Total Remuneration Package
LIST OF FIGURES

Figure 2-1: Translating Vision and Strategy: 4 Perspectives. Source: Kaplan (2010:4) .......... 19

Figure 2-2: Strategy Map, Source: Kaplan (2010:22) ......................................................... 21

Figure 2-3: Strategic Alignment Pyramid, Source: Public Record Office Victoria (2010:8) .... 24

Figure 3-1: Contrasting form-orientated and meaning-orientated content analysis Source: 
Merkl-Davies et al (2014:11) .................................................................................................. 30

Figure 4-1: Performance level histogram .................................................................................. 46

Figure 4-2: Remuneration components contribution to total remuneration package ............... 47

Figure 4-3: Basic salary histogram .......................................................................................... 48

Figure 4-4: Percentage movement in basic salary line ............................................................. 49

Figure 4-5: Performance level movement and percentage movement in basic salary line graph ......................................................................................................................... 49

Figure 4-6: Other cash benefits histogram ................................................................................ 50

Figure 4-7: Percentage movement in other cash benefits line ............................................... 51

Figure 4-8: Performance level movement and percentage movement in other cash benefits line graph ......................................................................................................................... 52

Figure 4-9: Performance incentive histogram .......................................................................... 53

Figure 4-10: Percentage movement in performance incentive line .......................................... 54

Figure 4-11: Performance level movement in performance incentive and percentage movement in other cash benefits line graph ........................................................................................................... 55

Figure 4-12: Total remuneration package histogram ................................................................. 56

Figure 4-13: Percentage movement in total remuneration line ............................................... 57

Figure 4-14: Performance level movement in percentage and percentage movement in total remuneration package graph ........................................................................................................... 58
CHAPTER 1: INTRODUCTION

1.1 Background to the research area

Remuneration given to Chief Executive Officers of organisations has become a very topical issue and is the subject of many debates. This is especially the case in the South African public sector where these leaders of organisations are seen as public servants who are charged with delivering basic services to the people of the country. A recent survey conducted among South African business owners, indicated that most business owners felt that CEOs of large public enterprises were earning too much money. (SAPA, 2012)

The area of executive remuneration is also topical due to the significant wage gap between high and low income earners, which is said to be among the highest in the world. Due to the focus of executive pay from all angles of the public, CEOs of organisations have identified a need for them to review their organisation’s pay for performance models. (Magana & Temkin, 2014)

In this study I will focus on the public sector, with a specific emphasis on a South African water board. Water boards are classified as State Owned Entities and are listed under schedule 3 Part B, National Government business enterprises in the Public Finance Management Act (PFMA). (National Treasury, 2013: 6-8)

The Water Services Act (108 of 1997) classifies Water boards as Water Service Institutions which provide water to a water services authority which is in turn responsible for the provision of water to the public. The Water Services Act mandates a water board to provide water services to other water service institutions within its area. In order to enable this, the Water Services Act mandates a Water Board to appoint a Chief Executive for a renewable period, determine their duties, conditions of services as well as remuneration.

It is therefore evident that the functions of Water Boards are critical to the survival of communities through their functions as mandated by the Water Services Act. It is therefore critical that the CEOs are charged with the provision of this service perform as required and are remunerated appropriately.
1.2 **Problem Statement**

Theunissen (2010:38) states that the remuneration of CEOs has been a topical issue, with respondents to public polls consistently showing that CEO remuneration was believed to be out of control. There are also concerns that there is a widening gap between executive remuneration and remuneration of other employees. Scholtz and Smit (2012: 22) conclude that there is a strong relationship between executive remuneration and some elements of company performance indicators. Sun et al (2013: 252) found that the firm efficiency measure has a positive and significant relationship with total CEO compensation; whilst the revenue efficiency has a positive relationship with CEO cash compensation; cost efficiency has a positive relationship with incentive compensation.

Oberholzer (2012: 1064) found that some results in previous studies conducted relating to the relationship between CEO remuneration and company size and/or performance measures indicated that there was no positive relationship between these variables; whilst other studies indicated strong, statistically significant positive relationships with some performance/ size measures. Oberholzer (2012:1064) further concludes that no specific pattern relating to this relationship can be identified from the studies. The scholars present conflicting viewpoints regarding the nature of the relationship between CEO remuneration and company performance. Whilst other scholars established a positive relationship, others did not.

What is not in dispute from the literature is the existence of a relationship between the variables. What is in dispute is the nature of this relationship. The problem statement to be addressed is to ascertain the nature of the relationship between CEO remuneration and organisational performance in a water board in South Africa. Does CEO remuneration shift in the same direction as organisational performance and vice versa in this water board?
1.3 Objectives

1.3.1 Main Objective

The main objective of the study is to assess the relationship between organisational performance and CEO remuneration.

1.3.2 Secondary Objectives

- Assess actual organisational performance of a water board based on shareholder’s compact’s expected performance.
- Establish and analyse a trend in CEO remuneration over a period of 5 financial years for the water board.
- Establish and analyse a trend in organisational performance over a period of 5 years for the water board.

1.4 Motivation of topic actuality

According to the CSIR, South Africa is a semi-arid and water scarce country which has an average rainfall of 490mm per annum; this represents less than half the world average rainfall. Only 9% of this is being converted into river runoff. There has been a decreasing trend in rainfall patterns from east to west and this varies highly within and between years with recurrent droughts.

According to Naidu-Hoffmeester (2014), South Africa’s water resources are described as being under severe pressure, the article sites a “mismatch between water supply and water demand, the theft of water resources, a deteriorating infrastructure, the loss of essential skills, a strangling educational pipeline, management failure and deterioration in the quality of water are all potential threats and key concerns.” (Hoofmeester - Naidu, R, 2014)

In an article posted on the Water Project’s website entitled, Water in Crisis – South Africa; there are also other reasons that can be attributable to the shortage of water in South Africa. These include climate change, which has affected water supplies in the country. There are also more and more people migrating to cities from villages. This continues to put significant pressure on cities to keep up with the increase in demand for water whilst neglecting the water supply systems in the rural areas.
Given that we are a water scarce country, water boards play a vital role in balancing the supply as well as the demand for water in the country. It is therefore crucial that those charged with governance, specifically CEO of these water boards, are able to meet their performance targets so as to deliver this critical service. Given that these CEOs are seen as public servants, their remuneration should also be seen as the spending of public funds and should therefore be seen to bear fruits and be linked to the performance.

1.5 Research design/method

1.5.1 Literature review

A literature review was conducted to determine the role of the CEO in an organisation look at the determinants of CEO remuneration and to also investigate the organisational performance management literature. Sources that will be accessed during this review are academic journals from NWU’s library, academic journals and articles posted in the internet and searched through Google. Government publications such as those published by National Treasury as well as applicable legal acts will also be accessed during the literature review. These will be sourced via the websites such as those of the National Treasury and the Department of Water and Sanitation. In addition to the literature review conducted under this chapter, a more in-depth literature review will be conducted in the following chapter, which will include additional topics not covered under this chapter.

1.5.2 Empirical research

- The research population comprises of all water boards in South Africa. These are listed under Schedule 3 part B of the PFMA as National Government Business Enterprises.

- The listing contains 13 water boards. The research will be confined to only one water board, selected through a form of purposive sampling and sufficiently motivated for. The research will be confined to the 5 financial years ending 2013.
The research method to be applied will be exploratory in nature, examining what has been reported in the annual report as CEO remuneration and employ an interpretive technique to compare to organisational performance, as reported in the annual report.

1.6 Literature review

In determining the literature regarding the research area, I will look at organisational performance management, the role of the CEO in an organisation and the determinants of CEO remuneration.

1.6.1 The role of the CEO

The term CEO refers to the Chief Executive Officer of an organisation. Sterling Resources summarise functions of a CEO as follows: “The Chief Executive Officer (“CEO”) is responsible for leading the development and execution of the Company’s long term strategy with a view to creating shareholder value. The CEO’s leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company’s long and short term plans. The CEO acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management. The CEO also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public. “

The CEO is the one that is charged with executive authority and is the crucial link between the organisation’s non-executive board of directors and the organisation’s executives. The CEO is also thrust into a leadership role and is the focal point of leadership and development initiatives within an organisation. They are viewed by internal as well as external members of the organisation as the custodian of the organisation.

1.6.2 Determinants of CEO remuneration

In analysing the determinants of CEO remuneration, Guo (2013: 5420) found that there was a positive relationship between firm size and the organisation’s earning capacity while there was a negative relationship with liability capacity.
In an empirical study of CEO cash compensation determinants, Gu and Kim (2009: 995) found that the airline industry’s CEO cash compensation was positively correlated with the size and revenue efficiency of an airline firm whereas growth, debt use, profitability and stock performance were irrelevant to the compensation.

Frydman & Jenter (2012: 6) state that remuneration packages offered to CEOs comprise five basic components which are salary, bonus, pay-outs from long term incentive plans, restricted options grants and restricted stock grants. Over and above this, CEOs often receive contributions to defined benefit pension plans and severance packages, should they depart. They further state that “both managerial power and competitive market forces are important determinants of CEO pay and that neither approach alone is fully consistent with the available evidence.”

Tariq (2010: 21) observed that there was a “statically insignificant and negative relationship between CEO pay and the performance of the company. The compensation of the chief executive officer is an increasing function of the size of the firm i.e. the larger the firm the larger would be the compensation.”

In a study of Australian CEO remuneration and performance, Merhebi et al (2006: 495) found that the determinants of CEO remuneration depended on firm size as well as firm performance. This was also in line with evidence from other Pacific basin countries. They also documented a significant positive relationship between CEO remuneration and firm performance. In another study based on UK public listed companies, Farmer (2013: 94) found that there was a significant relationship between CEO compensation and company performance. In yet another study focusing on CEO compensation within the hospitality industry, Karadag and Madanoglu (2008:173) concluded that there was a positive relationship between stock returns as well as CEO remuneration; meaning that company performance influenced CEO remuneration. Shaw (2011: 82) found that in the South African financial services industry, there was a moderate to strong relationship between CEO remuneration and organisational performance. He does however note that there was a worrying decline in this relationship.
Findings from the abovementioned literature provide somewhat mixed views regarding CEO remuneration as well as company performance. Whilst some findings conclude that performance is not a determinant of CEO remuneration, the major determinants, according to some of the findings appear to be firm size, managerial power, competitive market forces as well as the organisation’s earning capacity. There are however other studies, also cited in the literature review, that conclude that firm performance is indeed one of the determinants of CEO remuneration. It will thus be interesting to observe the actual findings from the research as the literature review proves inconclusive on this area.

1.6.3 Organisational Performance Management

The roots of Performance management can be traced back to the use of Cost benefit analysis in the 1960s, to management by objectives in the 1960s and 1970s and to output budgeting in the 1960s. These initiatives were however seen and adopted as once off and were thus viewed as experimental in nature. By the 1980s, many performance management systems had been created and implemented in the Public Sector. Performance measures that had been developed from accounting and costing systems had been criticised for their lack of strategic integration as well as being short sighted and non-holistic and only internally focused. One of the most prominent frameworks to be developed, which sought to address this disparity, was the balanced scorecard. (Salem, 2003: 4)

Carton, (2004: 44 - 55) described the five perspectives of organisational performance as accounting, balanced scorecard, strategic management, entrepreneurship and microeconomics perspectives and described each perspective as follows:

1.6.3.1 Accounting Perspective

In utilising accounting as a measure of organisational performance, accounting scholars utilise historic financial information to measure organisational performance. Accounting Standards have been developed to ensure that the information contained in the financial statements of organisations is both meaningful and comparable over time and across organisations. (Carton 2004: 45)
After intensive accounting research, Carton (2004: 46) proposes several conclusions pertaining to the accounting literature perspective as a measure of organisational performance; these are detailed below as follows:

“First, the accounting profession, through the application of Generally Accepted Accounting Principles ("GAAP") consistently applied, produces financial reports that are materially accurate, comparable across organisations in similar industries and represent the execution on opportunities to date. Second, accounting reports provide important information about value creation that has been realised and retained in the company in the past. However, because of the accounting profession’s conservative approach to recognition of gains, these same reports do not capture information about future opportunities that the organisation has created but not executed upon. In other words, the accounting perspective of organisational performance is based upon past effects of managerial decision making and specifically excludes the expected future effects. Finally, since the accounting profession develops its rules to provide information for all users of financial statements, including equity providers, creditors, and regulatory bodies, it takes a multi-constituency and multi-dimensional view of performance.”

1.6.3.2 The Balanced Scorecard Perspective

Carton (2004: 48) proposes that effective organisational performance should be measured using the balanced scorecard approach. Performance measures should not entirely be based on financial indicators as these indicators are as a result of critical operational indicators. A combination of financial as well as operational measures is required to measure performance. Carton (2004:48 - 49) summarised the balanced scorecard approach as follows:

“Accordingly, the balanced scorecard is a multi-disciplinary view of organisational performance. Balanced scorecard measures include market share, changes in intangible assets such as patents or human resources skills and abilities, customer satisfaction, product innovation, productivity, quality and stakeholder performance. Most of these measures require primary data from management in the form of their assessment of their own performance, which may lead to questions of the validity of the responses. The primary advantage to using operational measures in conjunction with financial performance measures is when they provide information about opportunities
that have been created but not yet financially realised. Since GAAP does not permit companies to recognize the expected value of new discoveries until the benefits are actually realised, accounting-based measures do not capture this information on organisational performance. One critical weakness of the balanced scorecard approach is that it utilises operational measures that are unique to each organisation. While practical for implementation by organisation insiders, this limits the utility to researchers since it is situational specific and not situational generic. Accordingly, generalisation across companies is only possible when the balanced scorecard variables utilised are applicable to the entire population of interest. However, since a balanced scorecard approach is most effective when it is tailored to the specific circumstances of each organisation, it is generally impractical in a research application."

1.6.3.3  Strategic Management Perspective

There are two key aspects in organisational performance in the strategic management perspective; these are the stakeholders for whom the organisation performs as well as the dimensions which should be measured.

"It is fair to conclude from the perspectives of individual authors, that the strategic management perspective of organisational performance is generally multi-constituency and multi-dimensional. Any multi-constituency approach to defining organisational performance is problematic, since across companies the perspective of performance will not be uniform.

Without a reasonable expectation that perceptions of performance are relatively similar across organisations, researchers will have a difficult time selecting measures of organisational performance that are generalisable.

If the interpretation of overall organisational performance is idiosyncratic to each organisation, then cross-sectional studies of organisations may not be practical." Carton (2004: 49)

1.6.3.4  Entrepreneurship perspective

This perspective is very similar to the strategic management perspective, in that it is also both multi-constituency and multi-dimensional in nature. Carton (2004: 53)
1.6.3.5 Microeconomics perspective

The Micro-economics perspective argues that owners of productive assets associate with an organisation for the purposes of extracting economic gain. These owners will invest in an organisation as long as the return generated by the organisations sufficiently compensates the owners of economic assets relative to the risk associated with the investment. In order for owners of economic assets to continue with their association with the organisation, the value created by the organisation has to be greater than or equal to the expected or required return. Based on this perspective, organisational performance is seen as the linkage between the required value sought for the use of the assets and actual value created by the use of the assets. Organisations that earn less than required or expected return will lose productive assets and will thus be unable to fund growth while those that deliver returns equal or greater than required or expected returns, will be able to attract additional resources to fund increased demand and therefore growth. Carton (2004: 53 – 54)

According to the National treasury, SOEs are vehicles through which government or the Executive delivers on services. Targets set by various government departments should incorporate service delivery targets of SOEs that report to those government departments or Executive Authorities. These should be documented as agreements between the SOE and the Executive Authority on targets (KPIs) in the annual shareholder’s compacts. National Treasury (2005: 5)

The key framework that will be utilised to measure organisational performance with respect to water boards is the shareholder’s compact. National Treasury regulations make it a legal requirement on public entities and their executive authorities to enter into a shareholder’s compact. National Treasury further described the shareholder’s compact as the basis of performance delivery. This is as published by the National Treasury on their website in a document called draft guideline framework for corporate planning and shareholder compact, applicable to schedule 2, 3B and 3D Major Public Entities. National Treasury (2002: 2)

1.7 Hypothesis

This research is exploratory in nature and as a result, no hypothesis will be tested.
1.8 Overview

1.8.1 Chapter 1

Introduction

This chapter will introduce the research topic as well as the research question to be answered by the specific research.

1.8.2 Chapter 2

Literature review

The objective of this chapter will be to provide a picture of current literature involving the research topic. It will provide an academic base for the research and perhaps what to expect from the research based on prior research.

1.8.3 Chapter 3

Research Method

This chapter will describe the research method to be applied. It will also include literature to support the specific method selected. The population, size and characteristics will also be described in this chapter. The research tools will also be described here as well as any interpretive tools that will be used to describe the research findings.

1.8.4 Chapter 4

Research Results

This chapter will describe the findings of the research and outline the results. Details of any anomalies or any interesting and unexpected results will also be described in this chapter. This chapter will also look at the research findings in conjunction with the literature review.
Conclusion

This chapter will summarise the research findings and then draw relevant conclusions on those findings. It will then compare the research findings to the objectives of the study to determine if these have been achieved.
CHAPTER 2: PERFORMANCE MANAGEMENT

2.1 Introduction

In Chapter 1, the introduction of the research project, the Chief Executive Officer’s role within an organisation; determinants of CEO remuneration and the basic concepts relating to organisational performance management as well as an introduction to the Shareholder Compact, were discussed. This part of the literature review will cover Performance Management in detail as well as the Balanced Scorecard and the Key Performance Indicators. This chapter will also look at performance management from a National Treasury perspective as well as detail the shareholder compact framework.

2.2 Performance Management

Tardivo and Viassone (2010: 99) state that the concept of performance management entails the management of performance, where the term performance is widely understood to mean the degree to which a system realises the objectives it aims at. Tardivo and Viassone (2010: 99) have arrived at three main conclusions that can be deduced from this definition:

- Objectives have to be clearly defined, otherwise it becomes difficult to select coherent indices and to measure performance of a system;
- Performance management is correlated to productive factors in order to reach perceived objectives;
- Performance management systems can be affected in different contexts in different objectives and by different individuals.

Singh (2012: 99) states that performance management is being considered as a critical HR sub-system which may substantially contribute to organisational growth and effectiveness.

It has been seen as a complex system in which managers work with their subordinates to set expectations, measure and review results and reward performance. The aim of this is to ultimately improve organisational success. This process has consequences for both individuals and organisations.

The key success factor in determining the effectiveness of a performance management system, like any other system, is how it is designed and implemented.
Dewettinck & Van Dijk (2013: 806) describes performance management as the measurement and measurement of employee performance aimed at increasing organisational effectiveness. The Performance Management system has evolved through the decades from a system whereby a line manager discusses the subordinate’s annual performance to a system where continuous feedback is provided through the performance management system. Performance management systems typically involves a number of performance standards and methods to measure and evaluate performance based on those standards; also included are the tools necessary to improve performance such as recognition and reward structures as well as feedback.

Rashidi (2015:210) describes performance management systems as those that define measurements and develop performance in the most suitable and effective way to that will enhance the organisation’s effectiveness. The system however requires that managers participate in a continuous process of planning, coaching, assessing and reviewing. The role of management is therefore critical in the execution of performance management; the process is interactive and requires the employees to be engaged in the process of setting goals that are congruent with the organisational objectives in order to improve employee performance, motivation and commitment to the organisation.

To highlight the importance of performance management, Brooks and Coleman (2003: 29) stated the following: “Performance measurement is of increasing interest to managers due to the changing nature of work, increasing competition, specific improvement initiatives like six sigma and strategic planning, national and international awards; changing organisational roles, changing external demands and the power of information technology.”
2.3 Evolution of Performance Management

Rashidi (2015: 211) notes that the role of performance management in an organisation has been emphasised because it measures performance in the best way which will lead to an increase in the organisation’s productivity and improve the effectiveness of employees.

Rashidi (2015: 211) states that there are four different phases of performance management systems; these are described below in chronological sequence:

• **First phase:** Muchinsky stated that by 1900s, industrial engineers would design the first formal performance management system that is related to the principles of “scientific management”. From 1914 to 1918, during World War I, for evaluating the performance of Army Officers, their abilities were considered. It was the start point of using PMS in the government and industry. In 1922, scales were used to measure the performance of employees but the scales could not exactly explain the exact stage of performance measurement.

• **Second phase:** Flanagan discussed that in 1954, a critical incident technique which completely focused on behaviour and Management by objectives was used by Peter Drucker in the organisations as the most useful device to define specific goals. Smith and Kendall stated that both managers and employees knew what employees had to achieve but this method was really time consuming. Because of this drawback, organisations moved toward Behaviourally Anchored Rating scales in which each scale focused on different job dimensions with different rating scales. In the early 1960s, a performance appraisal system was applied in the organisations in which the assessment of employees was based on loyalty, punctuality, etc but the reports were completely confidential. Also, employees did not receive proper feedback on their performance and managers and employees did not have direct communications with each other. This could be regarded as the essential disadvantage of the appraisal system when the focus was on quantifiable behavioural job performance. In early 1970s, employees received the formal written feedback on their performance which helped them identify their weaknesses. Besides, in this phase, productivity and quantifiable achievements of employees were considered. In this phase, the assessment was more control-oriented, rather than development-oriented.
According to EOCC, the regular guideline for the procedures of employee selection would be published in 1979, which would be really useful to develop performance management systems by the usage of job related data.

• **Third phase:** Hedge, Borman and Birkeland stated that in the early 1990, 360 degree feedback was used in organisations to give feedback and evaluate special issues such as, team work, employee engagement, etc. Spencer argued that from 1990 to 2000, the evaluation of the employees was completely based on competencies, including skills, abilities, personality traits, critical thinking, learning, developing, etc.

• **Fourth phase:** Today's performance management system emphasises the outcomes of employees' performance and the way they achieved the results. This system totally considers the area of employees' development (developmental oriented).

In this phase, employees and supervisors have direct communications with each other in a continuous manner regarding the performance, the areas that employees' performances need training and improvement and setting new goals and strategies for the organisation.

Next is a discussion on one of the performance management tools that are widely used in practice today. This is the Balanced Scorecard.

### 2.4 The Balanced Scorecard

One of the most popular performance management tools is the balanced scorecard. The Balanced Scorecard Institute defines the balanced scorecard as strategic planning and management system used across a wide range of industries, such as business and industry, government and non-profit organisations. It is a tool used to align business activities to the vision and strategy of the organisation; improve internal and external communication and monitor organisational performance against strategic goals.
According to the Balanced Scorecard Institute, the scorecard was developed by Drs Robert Kaplan and David Norton as a performance management framework with the intention of adding non-financial performance measures to traditional financial performance metrics; this would provide management and stakeholders with a more balanced view of the performance of the organisation.

The balance scorecard has been designed to take four perspectives into account with which to view an organisation’s performance. These are the Learning and Growth Perspective; The Business Process Perspective; The Customer Perspective and the Financial Perspective. Below is a basic discussion of each of the perspectives as listed by the Balanced Scorecard Institute:

### 2.4.1 The Learning and Growth Perspective

This perspective takes into account employee training and corporate cultural attitudes related to both the improvement of both the individual and the organisation. In organisations that are knowledge-worker based, people, who are the only repository of knowledge, are the source. It is therefore critical for people to be in a continuous learning mode, especially because of the rapid change in technology. Learning should be seen as being more than training but should incorporate elements such as mentorship and coaching within organisation. This perspective also includes ease of communication among employees that allow them to readily obtain assistance when needed.

### 2.4.2 The Business Process Perspective

This perspective focuses on an organisation's internal processes. These types of metrics allow management to know how well their business are running and whether their products and services adhere to customer requirements. It is critical that these metrics be developed by process owners who know and understand the processes best.
2.4.3 The Customer Perspective

Recent management philosophy has increasingly shown the importance of a customer focused organisation, where customer satisfaction is critical to the organisation. This perspective is critical in that where customers are not satisfied, they are likely to take their business elsewhere; where an organisation displays poor performance on this indicator, it is a possible indication of future decline; although financial performance might look good. When developing the metrics for this perspective, customers should be analysed according to customer types as well as the processes for which products and services are being provided to the those customers.

2.4.4 The Financial Perspective

The financial perspective remains an important pillar in measuring and managing organisational performance. Organisations should seek to centralise and automate the processing of financial data so as not to create an unbalanced situation where this perspective is deemed to be more critical than other perspectives. Managers do retain the responsibility to provide accurate, reliable financial data for performance management purposes.

Figure 1 below illustrates the 4 perspectives of the Balanced Scorecard Perspective.
2.4.5 Arguments for and against the balanced scorecard

Basuony (2014: 15) held that the major advantage of the balanced scorecard was that it was able to put strategy, structure and vision at the centre of management’s focus. The balanced scorecard emphasised an integration of financial as well as no financial performance measures, which keeps management focused on the business in its entirety and helps to bridge the gap between current performance and long term strategy. Steinheim (2014: 88) researched that both consultants and organisations who used the balanced scorecard perceived it to be useful. These individuals also stated that they considered the use of the balanced scorecard to be good practice as it balanced shareholder and stakeholder demands. The balanced scorecard also helped organisations with managerial focus due the sense of balance it provided.

Khomba (2013: 424) found that the balanced scorecard played a key role in helping businesses to make long term holistic management decisions. He also noted that it emphasised the maximisation of shareholder return at the expense of other equally important stakeholders. The model does not emphasise, or completely ignores such stakeholders as competitors, suppliers, lenders, government, the local community and
the natural environment. Waruhiu (2014: 117) mentions that while the balanced scorecard makes an effort to accommodate human, information and organisational capital in its learning and growth perspective, it is obvious that emphasis given to intellectual capital is shallow and the attention given to enterprise risk management is not at all sufficient. In an environment that is dynamic and where risks emerge daily, it is crucial to have a proactive method of identifying, analysing and crafting risk mitigation and management strategies. The balanced scorecard would require a design that takes this dynamism and risk environment into account.

Awadallah & Allam (2015: 98) indicates that the balanced scorecard as a concept has no clearly defined relationship with organisational performance; it excludes key stakeholders and does not define key success factors necessary for identifying KPIs. The balanced scorecard’s four perspectives limit the organisation’s view whilst its focus in resources to achieve its goals results in the underutilisation of the organisation’s potential beyond its balanced scorecard targets. These limitations, among others have led some organisations to abandon the balanced scorecard in favour of an alternative known as the Performance Prism. Although the balanced scorecard remains popular and widely applicable among organisations (Sudnickas and Šakočius (2009: 41)), the approach is not without its limitations, as described in the preceding paragraphs. It is clear that what is required from an organisation point of view is to find a way of integrating those stakeholders that are not part of the balanced scorecard approach. These are stakeholders such as competitors, suppliers, lenders, government, the local community and the natural environment. It also needs to incorporate the intellectual capital as well as enterprise risk management. The balanced scorecard remains a useful and valuable tool, it does however require enhancing.

2.5 Strategy Maps

The Balanced Scorecard Institute describes strategy maps as communication tools used to indicate how value is created for the organisation. These maps show a logical, step-by-step connection between strategic objectives displayed in the form of a cause-and-effect chain. Mozaffari et al (2013: 1041) describe a strategy map as a primary factor to assess the performance in different organisational activities.
Quezada et al (2013: 133) describe the strategy map as a “representation of the cause-effect relationships between strategic objectives of a Balanced Scorecard (BSC).”

It is these causal linkages between these perspectives on the Balanced Scorecard that led to the creation of the strategy map. According to Kaplan (2010: 21), currently, all Balanced Scorecard projects build a strategy map of their strategic objectives first before selecting metrics for each objective. Figure 2 below is an illustration of Strategy Map.

![Figure 2-2: Strategy Map, Source: Kaplan (2010:22)](image)

It is therefore evident from the literature that strategy maps assist organisations to link the balanced scorecard to the organisation’s strategic objectives. This visualisation of the link assists management to determine critical links between organisational strategy and KPI’s necessary to realise the strategic objectives through the balanced scorecard.
2.6 Extending the Balanced Scorecard to Non-Profit and Public Sector Enterprises (NPSEs)

Kaplan (2010: 23) notes the extension of the Balanced Scorecard to Non-Profit and Public Sector Enterprises. The Balanced Scorecard was initially developed for private sector enterprises. It was however soon extended to NPSEs. Like most organisations, before the implementation of the Balanced Scorecard, NPSEs focused on financial measures. It is clear that financial measures do not provide an accurate reflection of the performance of NPSEs. Their success factors need to be measured in terms of benefits they provide to their stakeholders; their benefits are not always monetary in nature; like generating a suitable return on investments for shareholder of private sector enterprises.

The Balanced Scorecard then presents NPSEs with an opportunity to select coherent non-financial measures that are suitable to them. NPSEs are not profit driven and can therefore not use the standard architecture of the Balanced Scorecard. They will need to modify the architecture and include perspectives indicating their social impact and mission, such as poverty alleviation for example. (Kaplan 2010: 23)

After having discussed the Balanced Scorecard and its different perspectives, it then becomes necessary to move to the next level of performance management, that is what is to be measured in each of the four perspectives of the Balanced Scorecard. This entails the development of Key Performance Indicators or KPIs.

2.7 Key Performance Indicators

Cox et al (2003: 142) describe Key Performance Indicators as methods used by management to evaluate the performance of an employee for a particular task. They usually compare the actual and estimated performance in terms effectiveness, efficiency and quality. According to Balsas (2004: 104), an indicator is a measure or a set of measures that describe a complex social, economic or physical reality and the measure is one data point that acts as a gauge as to how well or poorly we are doing with respect to an indicator.
Another definition of a Key Performance Indicator (KPI) provided by the Public Record Office Victoria (2010: 6), states:

“Key Performance Indicators (KPIs) are quantitative and qualitative measures used to review an organisation's progress against its goals. These are broken down and set as targets for achievement by departments and individuals. The achievement of these targets is reviewed at regular intervals.”

The Public office of Victoria (2010: 8) also state the criticality of aligning these organisational KPIs to its strategy in that they allow an organisation to define and measure progress towards an organisation’s goals and objectives. KPIs are therefore a measurement tool. After defining strategic measures, these are then translated into operational measures for implementation and measurement on the ground.

2.7.1 Characteristics of KPIs

The following are characteristics of KPIs according to the Public Record Office Victoria (2010: 7):

“• Relevant to and consistent with the specific agency’s vision, strategy and objectives;
• Focused on agency wide strategic value rather than non-critical local business outcomes – selection of the wrong KPI can result in counterproductive behaviour and sub optimised outcomes;
• Representative – appropriate to the agency together with its operational performance;
• Realistic – fits into the agency’s constraints and cost effective;
• Specific – clear and focused to avoid misinterpretation or ambiguity;
• Attainable – requires targets to be set that are observable, achievable, reasonable and credible under expected conditions as well as independently validated;
• Measurable – can be quantified/measured and may be either quantitative or qualitative;
• Used to identify trends – changes are infrequent, may be compared to other data over a reasonably long time and trends can be identified;
• Timely – achievable within the given timeframe;
• Understood – individuals and groups know how their behaviours and activities contribute to overall agency goals;
• Agreed – all contributors agree and share responsibility within the agency;
• Reported – regular reports are made available to all stakeholders and contributors;
• Governed – accountability and responsibility is defined and understood;
• Resourced – the program is cost effective and adequately resourced throughout its lifetime; and
• Assessed – regular assessment to ensure that they remain relevant.”

As stated, it is critical for these KPIs to be aligned to an organisation’s strategic direction so that what is measured is relevant to the organisation’s direction. The diagram below illustrates this alignment.

![Strategic Alignment Pyramid](image)

**Figure 2-3: Strategic Alignment Pyramid**, Source: Public Record Office Victoria (2010:8)

Given that Water Boards operate within the ambits of the public entities, it is necessary to then analyse the performance environment within the Public Sector.
2.8 Performance Management – A National Treasury Perspective

In South Africa, public institutions as well as government departments are guided by National Treasury with respect to their performance management framework. The National Treasury published a framework for strategic plans and annual plans in 2010 which is applicable to all national and provincial departments, constitutional institutions and public entities. Public entities include all those listed in Parts A and C of Schedule 3 of the Public Finance Management Act (1999) (PFMA). National Treasury (2010:1)

Water Boards in South Africa are listed as public entities in Schedule 3 of the PFMA, and would thus be expected to comply with the framework as published.

In terms of the framework by National Treasury (2010), public institutions are expected to develop strategic objectives which should clearly state what the institution intends doing to achieve its strategic outcomes orientated goals. Each objective should be set applying SMART principles and the institution should set a performance target that can be met during the term of the strategic plan. National Treasury requires that the baseline and targets be expressed in terms of numbers and where percentages are used, absolute numbers should also be presented.

The National Treasury also requires that institutions identify programme performance indicators in their Annual Performance Plans to track on going performance. These indicators by the National Treasury (2010: 15) should be “related to outputs, economy, efficiency and equity (note that effectiveness is assessed in relation to the achievement of the institution’s strategic outcomes oriented goals).” These programme performance indicators should also be reliable, well defined, verifiable, cost effective, appropriate and relevant. The critical aspect regarding these programme performance indicators is that they should be linked to national outcomes that are set by the Presidency.

In order to outline and formalise the relationship between a public entity, a water board in this case and its shareholder, the Department of Water and Sanitation in this case; a Shareholder Compact is necessary.
2.9 The Shareholder Compact

The Treasury Regulations, which is a schedule gazetted in 2005, states that the board of a public entity shall annually conclude a shareholder’s compact in consultation with its shareholder, which is a government department. “The shareholder’s compact must document the mandated key performance measures and indicators to be attained by the public entity as agreed between the accounting authority and the executive authority.” Treasury Regulations (2005: 86). Given that Treasury Regulations are issued in terms of the PFMA and are gazetted; this makes their application by those entities that are listed therein compulsory. It thus becomes a legislative requirement for those entities to comply with stipulations contained in the Treasury Regulations.

Though the National Treasury sets out the Framework for Strategic Plans and Annual Performance Plans (2010), there does not appear to be an official document that creates or indicates a link between the public entity’s strategic plans as well as their mandatory shareholder’s compact. The only document that makes an attempt to establish this link is a draft Guideline Framework for Corporate Planning and Shareholder’s Compact, which is a draft published in 2002 with the intention of assisting certain public entities to develop and manage their performance management framework. It appears that this draft document was never finalised as no final document can be found to this effect. The Treasury Regulations mandate that the shareholder compact be negotiated between the relevant public entity as well as the government department that acts as that public entity’s shareholder. (Treasury Regulations (2005: 86)).

For purposes of this research, the subject of the research, which is a water board that is a Schedule 3B listed entity in the PFMA of 1999 has issued its annual report for the financial year 2013/2014 which states that the water board does indeed conclude a shareholder’s compact in consultation with its shareholder on an annual basis. It is this shareholder’s compact that is used as the basis upon which the water board develops its KPIs and outlines its expected performance for the preceding financial year. The reported performance results stated in the water board’s audited annual report are the result of this agreement.
CHAPTER 3: RESEARCH DESIGN

3.1 Introduction

Chapter 3 will deal with the research method to be applied. The literature to support the specific method selected will be included. The population, size and characteristics of the sample to be tested will also be described in this chapter. The research tools will also be described here as well as any interpretive tools that will be used to describe the research findings.

The main objective of the study is to assess the relationship between organisational performance and CEO remuneration. The secondary objectives of the study are to assess the organisational performance of a water board based on the shareholder’s compact’s expected performance; establish and analyse a trend in CEO remuneration over a period of 5 financial years for the water board selected; establish and analyse organisational performance over a period of 5 years for the water board selected.

3.2 Research Methodology

Welman et al (2005:188) list four different types of research designs, namely;

3.2.1 Experimental research design

This form of research involves some form of intervention, where the participants are subjected to some form of interventions that they would otherwise not have been subjected to. The purpose of this method is to measure the influence the intervention has had on the dependent variable, which was the subject of the research. Walliman (2011: 11) states that experimental research design “attempts to isolate and control every relevant condition which determines the events investigated and then observes the effects when the conditions are manipulated. At its simplest, changes are made to an independent variable and the effects are observed on a dependent variable – i.e. cause and effect.”
3.2.2 Quasi-experimental research design

This research design differs from experimental design in that subjects cannot be randomly assigned to different groups. Although this method of research enables researchers to make conclusions about causal relationships with less conviction than experimental research, it allows conclusions to be drawn about relationships with more confidence than in pre-experimental research. Walliman (2011: 106) states that quasi-experimental designs are utilised where it is not possible to achieve the random selection of the experimental group. Walliman (2011: 106) however also states that the results of these designs are not as reliable as those of true experimental designs.

3.2.3 Non-experimental research

This method of research does not take into account random assignment of variables and planned interventions. One of more variables apart from the dependent variable, in this type of research can be the source of the variation that is observed in the dependent variable. Conclusions drawn from experimental research can therefore be made with greater confidence that those made with non-experimental research.

The three methods described above, according to Welman et al (2005: 78) constitute quantitative research. Tewksbury (2009: 39) describes quantitative research as being considered to be a more “scientific” approach to doing social science. Quantitative research focuses on utilising specific definitions and carefully operationalising what particular concepts and variables mean (Tewksbury (2009: 39). This research method is also known as the positivist approach, which is based on the logical positivism approach. This approach holds that research should be limited to what can be observed and measured objectively, where people other than the researcher agree on what is being observed. (Welman et al (2005: 6).

The other research method is the qualitative research method. This is described by Welman et al (2005:188) as “an array of interpretive techniques which seek to describe, decode and otherwise come to terms with the meaning of naturally occurring phenomena in the social world.”
This method of research is essentially a descriptive form of research. This method is contrary to the positivist research method which follows quantitative research and is also known as the anti-positivist approach. Walliman (2011: 108) states that qualitative research methods emphasise the relationship between variables without trying to quantify them, whereas quantitative research methods not only describe these relationships but also seeks to measure their extent.

According to this approach, “it is inappropriate to follow strict natural-scientific methods when collecting and interpreting data”. This method therefore holds that the natural-scientific methods are not applicable to the study of human behavioural sciences, where the human experience cannot be separated from the person experiencing it. Researchers who apply this method, attempt to study the phenomenon from a distance, in a detached and objective way.

This research is exploratory in nature and does not aim to objectively and definitively draw scientific conclusions as to whether there is a positive or negative relationship between the remuneration package of the CEO and the performance of their water board. Qualitative descriptive research method is thus the appropriate research method to be used for purposes of this research.

### 3.3 Research Approach

Merkl-Davies et al (cited by Carels, 2013: 35) make reference to the flexible text analysis approach which has its basis in interpretative epistemology. This method makes use of corporate narrative reports as a source of data. The corporate narrative reports are the annual or integrated report of the company or organisation under review. Norton Rose Fulbright describe narrative reporting as the reporting of non-financial information in the annual report which provides a meaningful picture of the company’s business, market position, strategy, performance and future prospects. Included in the narrative reports are the director’s report and director’s emoluments. The researcher then subjects these reports to review and identifies major themes and concepts (Carels 2013:35).
Merkl-Davies et al (2014:1) note that content analysis is the dominant approach that is used in corporate narrative reporting research, though there is little agreement regarding its definition and scope. Leedy and Ormond (cited by Carels, 2013: 35) define content analysis as a qualitative research method which entails the systematic examination of the contents of a particular body of material for the purposes of identifying patterns, themes or biases. Smith (cited by Carels, 2013: 36) defines content analysis as a “technique used to extract desired information from a body of material by systematically and objectively identifying specified characteristics of material.” Merkl-Davies et al (2014:11) distinguish between form orientated content analysis and meaning orientated content analysis. Table 1 below contrasts these forms of content analysis:

<table>
<thead>
<tr>
<th>Form-oriented (classical) content analysis</th>
<th>Meaning-oriented (interpretive) content analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manifest features of text (words, word / sentence / document length)</td>
<td>Latent features of text (constructs)</td>
</tr>
<tr>
<td>Predominantly quantitative</td>
<td>Predominantly qualitative</td>
</tr>
<tr>
<td>Words in isolation (context-independent)</td>
<td>Context/co-text (sentence, paragraph, text)</td>
</tr>
<tr>
<td>Computer-assisted analysis possible</td>
<td>Manual analysis</td>
</tr>
<tr>
<td>Word counts, scores, indices, statistical association tests</td>
<td>Meaning</td>
</tr>
<tr>
<td>Coding rules</td>
<td>No coding rules</td>
</tr>
<tr>
<td>Independent coding</td>
<td>Collaborative coding</td>
</tr>
<tr>
<td>Intercoder agreement to ensure reliability</td>
<td>Collaborative coding to arrive at compelling interpretation</td>
</tr>
<tr>
<td>Rigour</td>
<td>Trustworthiness</td>
</tr>
</tbody>
</table>

**Figure 3-1: Contrasting form-orientated and meaning-orientated content analysis**  

De Villiers (cited by Carels, 2013: 37) investigated the average disclosure of industrial and all mining companies in South Africa over a 9 year period. A checklist was used to analyse and code the content of the annual reports to determine a trend in environmental reporting over the period under review. De Villiers (cited by Carels, 2013: 37), as the researcher, did not count the number of sentences or words in the content that was the subject of the review, nor did the researcher evaluate the quality of the reporting. Similar to De Villiers’ study, the current study will not count the number of sentences or words in the content under review, nor will the quality of the reporting be evaluated. This then provides sufficient grounds for the research to be undertaken using the meaning-orientated or interpretive content analysis approach.
The interpretive content analysis approach will be used in this study to analyse the performance results of the water board as they appear in the annual report.

This portion of the report indicates the performance objective, the key performance indicator, the target as well as the performance results as was agreed in the Shareholder's Compact for that specific period under review. Under the performance results, it is listed whether the target set for the specific key performance indicator has been achieved or not. An analysis will be performed to determine how many key performance indicators have been agreed upon; which of these indicators have been successfully achieved against their respective target and which have not been achieved. A ratio will then be calculated where the total achieved will be divided by the total number of key performance indicators. This ratio will then be expressed as a percentage and will thus be used to indicate the performance level of the water board for a specific year.

The annual report will then be used to extract information that reflects the CEO’s remuneration; this remuneration is split into the basic salary, other cash benefits, performance incentive bonus as well as contributions to retirement, medical and life cover. This remuneration data will then be summarised and presented on a spreadsheet detailing each component of the remuneration as well as the total remuneration package.

This portion of the data is representative of qualitative data as it is in the form of numbers. Abramson (cited by Washington.edu) states that “content analysis can be fruitfully employed to examine virtually any type of communication.” It is through this that content analysis can then focus on either qualitative or quantitative aspects of data in communication messages.

3.4 Population size and sample

Welman et al (2005:52) describe a population as a study object which consists of individuals, groups, organisations, human products and events or the conditions to which they are exposed. The population is essentially all units of analysis about which the researcher wishes to make a conclusion.
William (2006) defines sampling as follows: “Sampling is the process of selecting units (eg, people, organisations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen.” There are three common methods of sampling that are used in research:

3.4.1 Purposive sampling

Mason 2002 and Tost 1986, (cited by Robinson 2014: 32) describe purposive sampling as “non-random ways of ensuring that particular categories of cases within a sampling universe are represented in the final sample of a project. The rationale for employing a purposive strategy is that the researcher assumes, based on their a-priori theoretical understanding of the topic being studied, that certain categories of individuals may have a unique, different or important perspective on the phenomenon in question and their presence in the sample should be ensured.” This is to say that items to be tested are selected on purpose from the population; this is on the assumption that the researcher has identified certain criteria that will be met by these samples. This is normally based on the researcher's prior experience with the samples.

3.4.2 Quota sampling

Singh & Masuku (2013: 129) describe quota sampling as a method where the population is first divided into different mutually exclusive segments. After this, the researcher applies judgement to select the subjects or units from within the segments based on a specified proportion. This method applies a non-random sample selection.

3.4.3 Snowball sampling

Faugier & Sargeant (cited by O'Connor et al 2013: 602) describe snowball sampling as a method of recruiting participants who might be difficult to reach by other means. This technique uses “social interaction between individuals, where a participant from within the target group will recruit other participants who share the same characteristics from their own network, until the desired sample size is reached.” O'Connor et al (2013: 602). This utilise the social connections of those who have already participated in the study to refer others to the study until the required sample is reached.
A form of purposive sampling was performed to select the water board that is to be the focus of the study. South Africa has 12 water boards that have been established through the Water Services Act (108 of 1997). These water boards represent the population from which the sample will be selected. According to the Department of Water and Sanitation (2013:19) the 12 water boards in South Africa provide a total volume of 2.46 billion cubic metres of water to the population, they operate fixed assets valued at R19.6 billion and have total operating costs of R5.46 billion per annum. These water boards also supply water to a total population of 28 million people in South Africa. One specific water board provided a total volume of 1.498 billion cubic metres of water in 2013; which amounts to 61% of total water output of all water boards combined.

This water board also managed fixed assets with a value of R10.3 billion in 2013; this amounts to 53% of the total value of fixed assets managed by all water boards combined. This water board also supplies water to over 12 million people in South Africa, which represents 43% of the population that is supplied by all water boards combined. This specific water board is then the largest water board in the country given its water output, the size of the infrastructure that it operates as well as the number of people it services. This is the water board that will be the subject of the study due to its size as compared to other water boards in South Africa.

### 3.5 Sources of data

The data used in the study is the performance for the year report that forms part of the board report in the annual reports of the water board. This data was used to extract performance data for the water board over the periods required. In order to extract the CEO remuneration, the board member’s and executive earnings report also contained in the board report in the annual reports were made use of. The annual reports were extracted from the website of the specific water board for all the periods subjected to the study.
3.6 Data collection and analysis

According to Elo and Kyngäs (cited by Carels, 2013:42), “there are no systematic rules for analysing data when applying the qualitative content analysis method”, as used in this study. Data was collected through the mediums described in the Sources of data section above.

Merkl-Davies et al (2014:11) state that because meaning-orientated content analysis is based on researcher judgement, as opposed to the application of coding rules, this form is far more subjective than form-orientated content analysis. When coding is developed, it is not done independently based on coding rules but is done collaboratively (Ahivia cited by Merkl-Davies et al, 2014:11). The coding instrument designed for this study took into account the performance results as indicated on the performance reports. The performance results are aligned to a key performance indicator which is derived from a performance objective or Initiative. The coding instrument is meant to differentiate between the performance results that were achieved from those that have not been achieved. Table 3.1 shows the basic coding instrument designed for the purposes of this study.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Description</th>
<th>Code symbol</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance results</td>
<td>Achieved</td>
<td>Y</td>
</tr>
<tr>
<td>Performance results</td>
<td>Not Achieved</td>
<td>N</td>
</tr>
<tr>
<td>Performance results</td>
<td>No result</td>
<td>N/A</td>
</tr>
</tbody>
</table>

| Table 2-1: Coding instrument |

The performance results data were extracted as is from the annual report and then transferred onto an excel spread sheet where the total number of performance indicators were counted, then the performance results were counted to obtain the total number of key performance indicators that were achieved versus the target set for that specific objective. The performance results were then indicated with the relevant symbol as per the coding instrument. Where no mention was made of the performance result, the code symbol N/A was issued to indicate this.
These measures where no results are indicated were then excluded from the calculation and were thus not part of the analysis.

A simple calculation was performed where the total number of key performance indicators achieved, indicated by the Y code symbol, were divided by the total key performance indicators excluding those that displayed the N/A code symbol. This then resulted in a percentage result which was representative of the performance level of the water board for a specific year. This process was repeated for financial years 2010 through to 2014, with the 2009 financial year being the base. The movement in the performance level of the water board year on year then represented the improvement or otherwise of the water board’s performance.

The annual report was also used to extract information that reflects the CEO’s remuneration; this remuneration was split into the basic salary, other cash benefits, performance incentive bonus as well as contributions to retirement, medical and life cover.

This remuneration data was extracted from the annual report and summarised on a spreadsheet detailing each component of the remuneration as well as the total remuneration package. A simple calculation was then performed where the movements, expressed as percentages for each remuneration component as well as for total remuneration were calculated. These movements were also summarised on an excel workbook in the form of tables for each year, starting from 2009 financial year as the base year through to 2014 financial year.

Visual tools in the form of line graphs as well as bar graphs were used to portray the relationships between, the movement in the performance level of the water board and the movement in the components of the remuneration of the CEO as well as the total remuneration per year, starting from 2009 financial year through to 2014 financial year. Bar graphs were drawn in excel to depict the levels of performance of the water board each year, starting from 2009 financial year through to 2014 financial year; then bar graphs each depicting the levels of CEO remuneration, per component were also drawn in excel. These bar graphs were also drawn to indicate years starting from the 2009 financial year through to 2014 financial year.
3.7 Data Management

The data extracted from the water board’s website in the form of annual reports was saved on a separate folder which was clearly marked and isolated to ensure that only data which was necessary for the study was included in the folder. The data that was selected was selected using the water board’s financial year, which ends on the 30 June each year. For the purposes of this study, financial years 2009 to 2014 were considered with the 2009 year being the base year. A single excel workbook was used to capture the data from the annual report. This workbook was saved in a separate folder and clearly marked with each financial year being captured on a different tab on the workbook. The visual tools were also drawn on the same workbook and saved on a single tab where they were clearly marked. The summary tables were developed on the same workbook, on a different tab and were clearly marked to ensure accuracy.

3.8 Validity and Reliability

Golafshani (2003:597) states that validity and reliability are concepts that are rooted in the positivist perspective; they would therefore need to be redefined for use in the naturalistic approach. Coetsee (cited by Carels, 2013: 46) states that: “validity in positivist research depends on the appropriateness of the development of the hypothesis, the research model, the research question and the research instrument together with the research data.” Creswell (cited by Carels, 2013: 46) describe validity as a process followed to check the accuracy of the findings by using certain procedures. Joppe (cited by Golafshani, 2003: 599) describes validity as measuring that which it was truly meant to measure. The nature of the research is not positivist; therefore a positivist approach to validity would not be appropriate. Leedy & Ormond (cited by Carels, 2013: 46) indicate that words such as “credibility, trustworthiness, conformability, verification and transferability” are used to make reference to validity in qualitative research.

Joppe (cited by Golafshani, 2003: 598) describe reliability as the extent to which results are consistent over time and are an accurate representation of the total population subjected to the study. Golafshani (2003: 598) further emphasises that reliability embodies the notion of repeatability of results or observations. In interpretative and text
analysis approaches to research the researcher serves as the measuring instrument (Carels (2013: 46)); reliability will therefore be achieved by means of an interactive process of proceeding back and forth between data and the analysis of the data (Merkl-Davies et al (cited by Carels, 2013: 46)). In order to increase the reliability of data, it is necessary to show the link between the results; by providing a detailed and transparent documented account of the data analysis, the data collection process, the analysis of prior literature and detailing the description of the findings and results, the details should be as many as possible and should allow the readers to assess the information and come to their own conclusion (Maroun (2012); Coetsee (2011), Elo & Kyngäs (cited by Carels, 2013: 46).

Shenton (2003: 63) states that in order for researchers to demonstrate credibility, an attempt is made to demonstrate that a true picture of the subject under scrutiny is being presented. In allowing for transferability, the researcher provides sufficient detail of the context of the fieldwork which will allow the reader to decide whether the prevailing environment is similar to another situation with which the reader is familiar and whether the findings can be applied to the other setting, justifiably. To try and meet the dependability criteria, the researcher should strive to enable a future researcher to repeat the study. In order to ensure that there is conformability, the researcher should take steps to demonstrate that the findings are as a result of the data collected and analysed and are not their own predispositions.

In qualitative content analysis research, validity and reliability are not achieved by applying the positivist research framework but by the appropriateness with which the research process is documented, explained and applied in order to create valid research output (Maroun (2012); Coetsee (2011) cited by Carels (2013: 47).
CHAPTER 4: RESEARCH RESULTS

4.1 Introduction

This chapter will focus on the findings of the research and outline the results. The first part of this chapter will focus on a discussion regarding performance results, focusing on the results of the performance objectives and their key performance indicators as reported in the annual reports. The trends in performance will also be outlined. The second part of the chapter will focus on CEO remuneration as reported in the annual reports and performance. The remuneration will be broken down into its various components and discussed individually, comparing each component to the water board’s performance level as well as discussing the findings for the total remuneration package. Trends in these components and major themes will also be discussed. The findings will then be summarised and discussed at the bottom of the chapter.

4.2 Performance Results

The water board has published its performance results in the annual reports for the financial years 2009 to 2014. These performance results are arrived at by measuring the water board’s performance against its targets as set and agreed with its shareholder, the Department of Water and Sanitation. This agreement is formalised in the Shareholder’s Compact which is entered into annually and between the water board and the shareholder. The Shareholder’s Compact is an annual document, thus key performance indicators as agreed therein are bound to differ year on year, based on the agreement between the shareholder and the water board.

For the 2009 financial year, which is the base year, the water board displays 11 Initiatives, with each initiative broken down into key performance indicators, with each key performance indicator having a target. Table 4.1 shows the performance results for the 2009 financial year, including the performance results, as allocated using the basic coding system discussed in Chapter 3.
The performance level for the 2009 financial year reveals an overall performance level of 73%, that is, 73% of the key performance indicators have been achieved during this year. The water board has been very effective in achieving the Reliability of service, Customer satisfaction, Product quality, Health and safety, Environmental management as well as their commercial equity Initiatives. These have a 100% performance level.

The Internal Audit Initiative has not been achieved; the performance level for this specific one is 0%, whilst the Employed equity Initiative shows a performance level of only 33%. What is interesting to observe is that no financial performance targets were set for this financial year. From a balanced scorecard point of view, one of the four perspectives has not been taken into account.

Table 4-1: Performance Level for 2009

<table>
<thead>
<tr>
<th>Number</th>
<th>Initiative</th>
<th>Key Performance Indicator</th>
<th>Performance Results</th>
<th>Initiative Performance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operational Performance</td>
<td>Total volume of water sold (ML)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Total volume of raw water sold (ML)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Water balance in bulk water distribution system</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Water balance in treatment system</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Water balance as a percentage of water produced</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Capital expenditure in new works</td>
<td>N 67%</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Internal audit report</td>
<td>Satisfactory</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Un satisfactory</td>
<td>N 0%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Reliability of service</td>
<td>Supply peak daily demand</td>
<td>Y 100%</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Customer satisfaction</td>
<td>Percentage of customers with service agreements</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>Average response time to complaints</td>
<td>Y 100%</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Product quality</td>
<td>SABS241:2001</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>% compliance SANS241 Class 1</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Class 2</td>
<td>Y 100%</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Financial credit ratings</td>
<td>Standard and poor's rating:</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>Fitch ratings</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Health and safety</td>
<td>Integrated SHE system</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>Disabling incident frequency rate</td>
<td>Y 100%</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Environmental management</td>
<td>ISO 14001 accreditation all sites</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td>ISO 17025</td>
<td>Y 100%</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Commercial equity</td>
<td>Procurement from PDIs</td>
<td>Y 100%</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Employment equity</td>
<td>ACI in management, professional and supervisory positions</td>
<td>Y 100%</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
<td>Women in management, professional and supervisory positions</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td></td>
<td>Persons with disabilities in total staff complement</td>
<td>N 33%</td>
<td></td>
</tr>
</tbody>
</table>

Performance level for 2009 73%
Table 4.2 indicates a summary of the performance results for the 2010 financial year.

<table>
<thead>
<tr>
<th>Performance objective</th>
<th>Key Performance Indicator</th>
<th>Performance Results</th>
<th>Performance objective performance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Financial</td>
<td>Net profit margin</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>2 Financial</td>
<td>Gross margin</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>3 Financial</td>
<td>Asset turnover</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>4 Financial</td>
<td>Return on assets</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>5 Financial</td>
<td>Debt equity</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>6 Financial</td>
<td>Current ratio</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>7 Financial</td>
<td>Manage costs within approved budget</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>8 Financial</td>
<td>Surplus targets met</td>
<td>Y</td>
<td>63%</td>
</tr>
<tr>
<td>9 Operational</td>
<td>Water lost as a percentage of total water produced</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>10 Operational</td>
<td>Number of days supply disrupted divided by total number of possible supply days</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>11 Operational</td>
<td>Capital expenditure</td>
<td>N</td>
<td>67%</td>
</tr>
<tr>
<td>12 Internal audit report</td>
<td>Number of repeat audit findings</td>
<td>N</td>
<td>0%</td>
</tr>
<tr>
<td>13 Bulk supply</td>
<td>Percentage of customers with bulk supply agreements</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>14 Product quality</td>
<td>Compliance SANS 241 Class 1</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>15 Product quality</td>
<td>Compliance SANS 241 Class 2</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>16 Financial and</td>
<td>Unqualified audit report</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>17 Financial and</td>
<td>Statutory submissions made on time</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>18 Financial and</td>
<td>Unqualified audit report</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>19 Optimal staff</td>
<td>Percentage of staff leaving</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>20 Commercial equity</td>
<td>Increase BBBEE spend</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>21 Employment equity</td>
<td>ACI in management, professional and supervisory positions</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>22 Employment equity</td>
<td>Women in management, professional and supervisory positions</td>
<td>N</td>
<td>50%</td>
</tr>
</tbody>
</table>

**Table 4-2: Performance level for 2010**

For the 2010 financial year, the water board has an overall performance level of 73%, which is similar to the overall performance level of the 2009 financial year. The water board has not increased its performance level as compared to the previous year; they have still only achieved 73% of their key performance indicator. The water board has an achievement level of 100% for the following performance objectives: Bulk supply agreements, product quality, financial and statutory reporting, compliance board member performance, optimal staff retention as well as commercial equity. Financial performance indicators have been added this year and a performance level of 63% has been achieved for these. Operational performance has received a performance level of 67%, which is on par with prior year performance, whilst the employment equity
The performance level has improved from 33% in 2009 to 50% during the 2010 financial year. The internal audit performance objective remains a challenge for the water board with a performance level of 0%, which is the same as the previous financial year.

Table 4.3 shows the summarised performance results for the 2011 financial year.

<table>
<thead>
<tr>
<th>Performance objective</th>
<th>Key Performance Indicator</th>
<th>Performance Results</th>
<th>Performance objective performance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Improved financial performance</td>
<td>Net profit margin</td>
<td>Y</td>
</tr>
<tr>
<td>2</td>
<td>Improved financial performance</td>
<td>Gross margin</td>
<td>Y</td>
</tr>
<tr>
<td>3</td>
<td>Improved financial performance</td>
<td>Asset turnover</td>
<td>Y</td>
</tr>
<tr>
<td>4</td>
<td>Improved financial performance</td>
<td>Return on assets</td>
<td>Y</td>
</tr>
<tr>
<td>5</td>
<td>Improved financial performance</td>
<td>Debt equity</td>
<td>Y</td>
</tr>
<tr>
<td>6</td>
<td>Improved financial performance</td>
<td>Current ratio</td>
<td>N</td>
</tr>
<tr>
<td>7</td>
<td>Manage costs within approved budget</td>
<td>Financial reports variance %</td>
<td>Y</td>
</tr>
<tr>
<td>8</td>
<td>Increased access to services</td>
<td>Capex spend: Potable water (Rm)</td>
<td>N</td>
</tr>
<tr>
<td>9</td>
<td>Increased access to services</td>
<td>Capex spend: Other (Rm)</td>
<td>N</td>
</tr>
<tr>
<td>10</td>
<td>Water losses</td>
<td>Water lost as a percentage of water produced</td>
<td>N</td>
</tr>
<tr>
<td>11</td>
<td>Reliability of service</td>
<td>Number of days supply disrupted divided by total number of possible supply days</td>
<td>Y</td>
</tr>
<tr>
<td>12</td>
<td>Positive internal audit report</td>
<td>Number of repeat audit findings</td>
<td>Y</td>
</tr>
<tr>
<td>13</td>
<td>Bulk supply contracts with municipalities/other customers</td>
<td>Municipalities and other customers with bulk supply agreements</td>
<td>Y</td>
</tr>
<tr>
<td>14</td>
<td>Water quality compliance</td>
<td>Compliance SANS 241 Class 1</td>
<td>Y</td>
</tr>
<tr>
<td>15</td>
<td>Water quality compliance</td>
<td>Compliance SANS 241 Class 2</td>
<td>Y</td>
</tr>
<tr>
<td>16</td>
<td>Financial reporting compliance</td>
<td>Unqualified external audit report</td>
<td>Y</td>
</tr>
<tr>
<td>17</td>
<td>Financial reporting compliance</td>
<td>Qualified external audit report</td>
<td>Y</td>
</tr>
<tr>
<td>18</td>
<td>Achieve statutory reporting compliance</td>
<td>Statutory submissions made on time</td>
<td>Y</td>
</tr>
<tr>
<td>19</td>
<td>Board member performance</td>
<td>Annual performance assessment</td>
<td>Y</td>
</tr>
<tr>
<td>20</td>
<td>Staff turnover</td>
<td>% of staff leaving</td>
<td>Y</td>
</tr>
<tr>
<td>21</td>
<td>Increase BBBEE spend</td>
<td>Percentage of spend increased</td>
<td>Y</td>
</tr>
<tr>
<td>22</td>
<td>Employment equity</td>
<td>ACI recruitment rate in management and technical positions</td>
<td>Y</td>
</tr>
<tr>
<td>23</td>
<td>Employment equity</td>
<td>Females recruitment rate in management and technical positions</td>
<td>Y</td>
</tr>
</tbody>
</table>

Performance level for 2011 83%

Table 4-3: Performance level for 2011

The water board has achieved an overall performance level of 83% for the 2011 financial year. This is an overall improvement in terms of performance as compare to the previous two years; this is an increase from 73% in both 2009 and 2010 to 83% of key performance indicators for the 2011 financial year. During the 2011 financial year, the water board achieved a 100% performance level for the following performance objectives: Manage costs within approved budget, reliability of service, positive internal audit report, bulk supply contracts with municipalities/other customers, water quality compliance, financial reporting compliance, achieve statutory reporting compliance,
board member performance, staff turnover, increased BBBEE spend as well as employment equity. Improved financial performance has improved from a performance level of 67% to 83% during the 2011 financial year, whilst increased access to services and water losses have performed poorly with a performance level of 0%.

Table 4.4 indicates the summary of performance results for the 2012 financial year.

<table>
<thead>
<tr>
<th>Performance objective</th>
<th>Key Performance Indicator</th>
<th>Performance Results</th>
<th>Performance objective performance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improved financial performance</td>
<td>Net profit margin</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Gross margin</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Debt equity</td>
<td>N</td>
<td>67%</td>
</tr>
<tr>
<td>4. Manage costs within approved budget</td>
<td>Variance from budget on overall operational expenditure</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>5. Increased access to services</td>
<td>Capital/projects expenditure (core business)</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>6. Water losses</td>
<td>Water lost as a percentage of water produced</td>
<td>N</td>
<td>0%</td>
</tr>
<tr>
<td>7. Reliability of service</td>
<td>Number of days supply disrupted divided by total number of possible supply days</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>8. Positive internal audit report</td>
<td>Number of repeat audit findings</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>9. Bulk supply contracts with municipalities/other customers</td>
<td>Municipalities contracted to Rand Water</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>10. Water quality compliance</td>
<td>Compliance SANS 241 Class 1</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Compliance SANS 241 Class 2</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>12. Financial reporting compliance</td>
<td>Unqualified external audit report</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Qualified external audit report</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>14. Achieve statutory reporting compliance</td>
<td>Statutory submissions made on time</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>15. Board member performance</td>
<td>Board members attendance of meetings</td>
<td>N</td>
<td>0%</td>
</tr>
<tr>
<td>16. Staff turnover</td>
<td>Percentage of staff leaving</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>17. Increase BBBEE spend</td>
<td>BEE spend as a percentage of budget</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>18. Employment equity</td>
<td>ACI recruitment rate in management and technical positions</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Females recruitment rate in management and technical positions</td>
<td>Y</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Table 4-4: Performance level for 2012**

During the 2012 financial year, the water board achieved an overall performance level of 84%. This is a very slight improvement from the 2011 financial year, where the overall performance was 83%. During this year, the water board achieved a performance level of 100% for the key performance indicators in the following performance objectives: manage costs within approved budget, increased access to services, reliability of services, positive internal audit report, bulk supply contracts with municipalities/other customers, water quality compliance, financial reporting compliance, achieve statutory reporting compliance, staff turnover, increased BBBEE spend as well as employment equity.
Improved financial performance levels have regressed from 83% in the prior year to 67%, whilst water losses and board member performance display a performance level of 0%.

Table 4.5 indicates the summary of performance results for the 2013 financial year.

<table>
<thead>
<tr>
<th>Performance objective</th>
<th>Key Performance Indicator</th>
<th>Performance Results</th>
<th>Performance objective performance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Improve financial</td>
<td>Net income margin (primary activities)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>2 performance</td>
<td>Net income margin (secondary activities)</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Gross margin (primary activities)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Gross margin (secondary activities)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Debt equity</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Return on assets</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Debtors days</td>
<td>N</td>
<td>71%</td>
</tr>
<tr>
<td>8 Manage costs within</td>
<td>No over expenditure/losses</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>9 Capital expenditure</td>
<td>Percentage variance of overall project expenditure against target</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>10</td>
<td>Percentage variance of overall project completion dates against target</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>11 Engagement in</td>
<td>Total turnover (Rm)</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>secondary activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Increased access to</td>
<td>Capital expenditure spend or number of expansion projects</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Non-revenue water</td>
<td>Water lost as a percentage of water produced</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>14 Reliability of service</td>
<td>Number of days supply disrupted divided by total number of supply days</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>15 Effective internal controls</td>
<td>No repeat and unresolved audit findings</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>and risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Bulk supply agreements</td>
<td>Municipalities/other customers with bulk supply agreements</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>concluded with</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>municipalities/other customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>17 Water quality</td>
<td>Compliance SANS 241 Class 1</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>18 compliance</td>
<td>Compliance SANS 241 Class 2</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>19 Financial reporting</td>
<td>Unqualified external audit report</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>20 compliance</td>
<td>Qualified external audit report</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>21 Achieve statutory reporting compliance</td>
<td>Statutory submissions made on time</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>22 Board member</td>
<td>Annual attendance</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td></td>
<td>attendance</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>23 Staff turnover</td>
<td>Percentage of staff leaving</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>24 Increase BBBEE spend</td>
<td>Percentage of spend increased and increased new entrants</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>25 Good governance</td>
<td>Breaches of materiality and significance framework</td>
<td>Y</td>
<td>100%</td>
</tr>
<tr>
<td>26 Corporate social responsibility</td>
<td>Percentage spent on corporate social responsibility initiatives</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>27 Training and skills</td>
<td>Total number of graduates enrolled by the Rand Water Academy</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>development</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>28 Jobs created</td>
<td>Number of permanent and contract staff (direct)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Number of temporary (indirect) RWF and RW contractors</td>
<td>Y</td>
<td>100%</td>
</tr>
</tbody>
</table>

Performance level for 2013: 89%

Table 4-5: Performance level for 2013
The overall performance level for the 2013 financial year is 89% which again shows an improvement from the previous year where the performance level was 84%. During this year, the water board had additional performance objectives added to its shareholder’s compact, which resulted in 29 key performance indicators in total. During this year, the water board achieved a performance level of 100% for all the key performance indicators with only the exception of the following: Improved financial performance of 71% and board member attendance of 0%.

Table 4.6 indicates the summary of performance results for the 2014 financial year.
During the 2014 financial year, which is the final year of the analysis, the water board achieved an overall performance level of 83%. During this year, the water board achieved a performance level of 100% for all the key performance indicators with only the exception of the following: Improved financial performance which was at 86%, capital expenditure which was at 50%, jobs created which was also at 50%.

<table>
<thead>
<tr>
<th>Performance objective</th>
<th>Key Performance Indicator</th>
<th>Performance Results</th>
<th>Performance objective</th>
<th>performance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water quality compliance</td>
<td>Compliance SANS 241 Class 1</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non revenue water</td>
<td>Water lost as a percentage of total water produced</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability of service</td>
<td>Number of days supply disrupted divided by total number of possible supply days</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial reporting</td>
<td>Unqualified external audit report</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff turnover</td>
<td>Percentage of staff leaving</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member attendance</td>
<td>Annual attendance</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective internal controls and risk management</td>
<td>No repeat on unresolved internal audit findings</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulk supply agreements</td>
<td>Municipalities/other customers with bulk supply</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>improve financial</td>
<td>Net income margin (primary activities)</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance</td>
<td>Net income margin (secondary activities)</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross margin (primary activities)</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross margin (secondary activities)</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt equity</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on assets</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors days</td>
<td>N</td>
<td>86%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase BBBEE spend</td>
<td>Percentage of spend increased and increased new entrants</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manage costs within the approved budget</td>
<td>No over expenditure/losses</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>Percentage variance of overall projects expenditure against target</td>
<td>N</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Increased access to services</td>
<td>Capital expenditure spend of number of expansion projects</td>
<td>N</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Engagement in secondary activities</td>
<td>Total turnover (Rm)</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve statutory reporting compliance</td>
<td>Statutory submissions made on time</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jobs created</td>
<td>Number of permanent and contract staff (direct)</td>
<td>N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate social responsibility initiatives</td>
<td>Percentage spent on corporate social responsibility initiatives</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training and skills development</td>
<td>Total number of graduates enrolled by the Rand Water Academy</td>
<td>N</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Good Governance</td>
<td>Breaches of materiality and significance framework</td>
<td>Y</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Corporate social responsibility initiatives</td>
<td>Number of identified Rural District Municipalities supported by Rand Water</td>
<td>Y</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Table 4-6: Performance level for 2014

Performance level for 2014: 83%
Increased access to services as well as training skills and development both achieved performance levels of 0%.

Figure 4.1 is a histogram depicting the performance levels of the water board from the 2009 to the 2014 financial years.

![Performance level histogram](image)

The performance level histogram shows that the performance of the water board has been fairly stable during the periods under review. The lowest levels were in 2009 and 2010, whilst the highest performance levels were in 2013.

4.3 CEO Remuneration

The remuneration package earned by the CEO of the water board is displayed in the Director’s Report portion of the annual report under the Rand Water Board Members and Executive Earnings. The CEO’s remuneration package is made of the following elements: Basic salary, other cash benefits, performance incentive and the contributions to retirement, medical and life cover. The discussion below will focus on the movement of each remuneration element separately as well as the movement in the combined package.
4.3.1 Contribution of each remuneration component

The CEO’s remuneration package comprises basic salary, other cash benefits, performance incentive and contributions to retirement, medical and life cover. The contribution to retirement, medical and life cover will not be part of the analysis due to the fact that no remuneration of this form was paid to the CEO during the period under review. Figure 4.2 displays the contribution that each of these components made to the total remuneration package of the CEO.

<table>
<thead>
<tr>
<th>Year</th>
<th>BS</th>
<th>OCB</th>
<th>PI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>91%</td>
<td>9%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>2010</td>
<td>73%</td>
<td>7%</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>2011</td>
<td>66%</td>
<td>11%</td>
<td>23%</td>
<td>100%</td>
</tr>
<tr>
<td>2012</td>
<td>53%</td>
<td>7%</td>
<td>40%</td>
<td>100%</td>
</tr>
<tr>
<td>2013</td>
<td>56%</td>
<td>5%</td>
<td>39%</td>
<td>100%</td>
</tr>
<tr>
<td>2014</td>
<td>54%</td>
<td>10%</td>
<td>37%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure 4-2: Remuneration components contribution to total remuneration package

Figure 4.2 shows that the basic salary component is the biggest contributor to the total remuneration package, though its contribution has declined between 2009 and 2012 before increasing slightly in 2013 and then reducing again slightly in 2014. The performance incentive is the second largest contributor; it has seen its contribution to the total remuneration package increase 2009 and 2012 and then decreasing slightly between 2013 and 2014.
4.3.2 Basic salary and performance

The CEO earned a basic salary of R 1,369 million per annum for the 2009 financial year. Figure 4.3 depicts the basic salary earned by the CEO over the financial years 2009 to 2014.

![Basic Salary Histogram](image)

**Figure 4-3: Basic salary histogram**

Figure 4.3 shows that the CEO’s basic salary does not remain constant and does also not show a constant increase year on year. It shows a significant jump from 2009 to 2010 and through to 2011.

Then in 2012 it decreases, only to once again increase in 2013 before decreasing again in 2014. Figure 4.4 indicates the percentage change in the basic salary year on year in the form of a line graph.
The lines on Graph 3 are neither linear nor do they follow any observable trend. This indicates that the CEO’s basic salary is quite volatile. Figure 4.5 displays the results of the percentage movement in the basic salary of the CEO along with the water board’s movement in the performance level over the 2009 to 2014 financial years.

**Figure 4-4: Percentage movement in basic salary line**

<table>
<thead>
<tr>
<th>% Movement in Basic salary</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
<td>35%</td>
<td>36%</td>
<td>-7%</td>
<td>27%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

**Figure 4-5: Performance level movement and percentage movement in basic salary line graph**
From the 2009 to the 2010 financial year, the performance level of the water board has remained flat with no movement, whereas the CEO’s basic salary has increased by 35% over the same time period. From the 2010 to the 2011 financial year, the water board’s performance level has improved by 14%, whereas the CEO’s basic salary has increased by 36% over the same time period. Between the 2011 and 2012 financial years, the performance level of the water board improved by 2%, whereas the CEO’s basic salary has declined by the 7% over the same time period. Between 2012 and the 2013 financial year, the performance level of the water board improved by 6%, the CEO’s basic salary increased by 27%. Between the 2013 and 2014 financial years, the water board’s performance level declined by 7% and the CEO’s basic salary also declined but by only 3%. Based on the analysis performed and the trends observed above, there is no observable evidence of a positive relationship between the water board’s performance and the other cash benefits component of the CEO’s remuneration.

4.3.3 Other cash benefits and performance

The CEO earned other cash benefits of R133 thousand per annum for the 2009 financial year. Figure 4.6 depicts the other cash benefits earned by the CEO over the financial years 2009 to 2014.

![Figure 4-6: Other cash benefits histogram](image-url)
Figure 4.6 shows that the other cash benefits afforded to the CEO do not remain constant and do also not move in a linear fashion. The other cash benefits show a slight increase in 2010 from the 2009 financial year before jumping significantly during the 2011 financial year and then declining during 2012 and 2013 before jumping up again during 2014. Figure 4.7 indicates the percentage change in the other cash benefits year on year, in the form of a line graph.

<table>
<thead>
<tr>
<th>% Movement in other cash benefits</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>27%</td>
<td>141%</td>
<td>-25%</td>
<td>-12%</td>
<td>89%</td>
</tr>
</tbody>
</table>

**Figure 4-7: Percentage movement in other cash benefits line**

Figure 4.7, which displays the percentage movement of the other cash benefits component of the CEO’s remuneration, does not display any observable trend. The other cash benefits increased by 27% from the 2009 to the 2010 financial year, then it increased by 141% from the 2010 to the 2011 financial year before decreasing by 25% between the 2011 to the 2012 financial year. This then continued to decline by a further 12% from 2012 to the 2013 financial year before increasing significantly by 89% from 2013 to the 2014 financial year. Figure 4.8 displays the results of the percentage movement in the other cash benefits component of the CEO remuneration along with the water board’s movement in the performance level over the 2009 to 2014 financial years.
From the 2009 to the 2010 financial year, the performance level of the water board has remained flat, with no movement; whereas the other cash benefits have increased by 27% over the same time period. From the 2010 to the 2011 financial year, the water board’s performance level has improved by 14%, whereas the other cash benefits have increased by 141% over the same time period. Between the 2011 and 2012 financial years, the performance level of the water board improved by 2%, whereas the other cash benefits have declined by 25% over the same time period. Between 2012 and the 2013 financial year, the performance level of the water board improved by 6%, the other cash benefits have declined by 12%. Between the 2013 and 2014 financial years, the water board’s performance level declined by 7% and the other cash benefits have increased by 89%.

4.3.4 Performance Incentive and performance

The CEO did not earn a performance incentive during the 2009 financial year; the performance incentive earned by the CEO during the 2010 financial year amounted to R511 thousand. Figure 4.9 depicts the performance incentive earned by the CEO over the financial years 2009 to 2014.
The graph depicted above as graph 7 shows that the performance incentive earned by the CEO do not remain constant and do also not move in a linear fashion. The performance incentive shows an increase in 2010 from the 2009 financial year before jumping significantly during the 2011 financial year and then continuing to increase during 2012 and 2013 before declining again during 2014. Figure 4.10 indicates the percentage change in the performance incentive year on year, in the form of a line graph.

**Figure 4-9 : Performance incentive histogram**

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance Incentive R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-</td>
</tr>
<tr>
<td>2010</td>
<td>511</td>
</tr>
<tr>
<td>2011</td>
<td>886</td>
</tr>
<tr>
<td>2012</td>
<td>1,791</td>
</tr>
<tr>
<td>2013</td>
<td>2,091</td>
</tr>
<tr>
<td>2014</td>
<td>1,942</td>
</tr>
</tbody>
</table>

The graph depicted above as graph 7 shows that the performance incentive earned by the CEO do not remain constant and do also not move in a linear fashion. The performance incentive shows an increase in 2010 from the 2009 financial year before jumping significantly during the 2011 financial year and then continuing to increase during 2012 and 2013 before declining again during 2014. Figure 4.10 indicates the percentage change in the performance incentive year on year, in the form of a line graph.
Figure 4.10, which displays the percentage movement of performance incentive component of the CEO’s remuneration, does not display any observable trend. No performance incentive was earned by the CEO during the 2009 financial year; hence the movements can only be calculated from the 2011 financial year onwards. The performance incentive increased by 73% from the 2010 to the 2011 financial year, then it increased by 102% from the 2011 to the 2012 financial year before increasing by 17% between the 2012 and 2013 financial year. This then declined by a 7% from 2013 to the 2014 financial year. Figure 4.11 displays the results of the percentage movement in the performance incentive component of the CEO remuneration along with the water board’s movement in the performance level over the 2009 to 2014 financial years.
No performance incentive was paid out to the CEO during the 2009 financial year; similarly there has been no movement in the water board’s performance levels from 2009 to 2010. From the 2010 to the 2011 financial year, the water board’s performance level has improved by 14%, whereas the performance incentive increased by 73% over the same time period. Between the 2011 and 2012 financial years, the performance level of the water board improved by 2%, whereas the performance incentive increased by 102% over the same time period. Between 2012 and the 2013 financial year, the performance level of the water board improved by 6%, the performance incentives increased by 17%. Between the 2013 and 2014 financial years, the water board’s performance level declined by 7% and the performance incentive has also declined by 7%.

Based on the findings, there is a positive relationship between the movement in the performance incentive and the movement in the water board’s performance level. From 2009 through to 2014, where the performance level movement is upwards, the performance incentive movement is also upwards and vice versa. Though it must be stressed that though a positive relationship is apparent between the two, the movements between the two are disproportional, in 2011, the performance incentive increased by 73% versus a 14% increase in the water board’s performance levels.

**Figure 4-11: Performance level movement in performance incentive and percentage movement in other cash benefits line graph**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIM</td>
<td>0%</td>
<td>0%</td>
<td>73%</td>
<td>102%</td>
<td>17%</td>
<td>-7%</td>
</tr>
<tr>
<td>PLM</td>
<td>0%</td>
<td>0%</td>
<td>14%</td>
<td>2%</td>
<td>6%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

PIM: Performance Incentive Movement; PLM: Performance Level Movement.
4.3.5 Total remuneration package and performance

The final part of the analysis focuses on the total remuneration package paid to the CEO for the financial years 2009 through to 2014. The CEO earned a total remuneration package of R1,502 million per annum for the 2009 financial year. Figure 4.12 depicts the total remuneration earned by the CEO over the financial years 2009 to 2014.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1,502</td>
</tr>
<tr>
<td>2010</td>
<td>2,523</td>
</tr>
<tr>
<td>2011</td>
<td>3,809</td>
</tr>
<tr>
<td>2012</td>
<td>4,431</td>
</tr>
<tr>
<td>2013</td>
<td>5,321</td>
</tr>
<tr>
<td>2014</td>
<td>5,312</td>
</tr>
</tbody>
</table>

Figure 4-12: Total remuneration package histogram

The graph depicted above as graph 10 shows that the total remuneration paid to the CEO appears to be following an upward trend from 2009 through to 2013 before levelling off in 2014. Figure 4.13 indicates the percentage change in the total remuneration package year on year, in the form of a line graph.
Figure 4.13: Percentage movement in total remuneration line

Figure 4.13, which displays the percentage movement of the total remuneration package of the CEO’ does not display any observable trend. The total remuneration increased by 68% from the 2009 to the 2010 financial year, then it increased by 51% from the 2010 to the 2011 financial year before increasing by 16% between the 2011 to the 2012 financial year. This then continued to increase by a further 20% from 2012 to the 2013 financial year before remaining constant by not moving at all between 2013 to the 2014 financial year. Figure 4.14 displays the results of the percentage movement in the total remuneration package of the CEO along with the water board’s movement in the performance level over the 2009 to 2014 financial years.
From the 2009 to the 2010 financial year, the performance level of the water board has remained flat with no movement, whereas the total remuneration increased by 68% over the same time period. From the 2010 to the 2011 financial year, the water board’s performance level has improved by 14%, whereas the total remuneration increased by 51% over the same time period. Between the 2011 and 2012 financial years, the performance level of the water board improved by 2%, whereas the total remuneration increased by the 16% over the same time period. Between 2012 and the 2013 financial year, the performance level of the water board improved by 6%, the total remuneration package increased by 20%. Between the 2013 and 2014 financial years, the water board’s performance level declined by 7% and the total remuneration remained flat, with no movement.

The findings, as displayed in the trend shown in figure 4.14 indicate that there is no positive relationship in the movement in the performance level of the water board and the movement in the total remuneration package of the CEO for the years 2009, 2010 and 2014. There is a positive relationship between these elements in the years 2011, 2012 and 2013. These findings are quite interesting in that there is not one relationship that is dominant that can provide a definitive conclusion for the total remuneration.
4.4 Summary

In the literature study performed in chapter 1, Tariq (2010: 21) indicated that there was a statistically insignificant as well as negative relationship between organisational performance and CEO remuneration. Merhebi et al (2006: 495) reported that the determinants of CEO remuneration depended on firm size as well as firm performance. They also indicated that there was a significant positive relationship between CEO remuneration and organisational performance. Farmer (2013: 94) found a significant relationship between CEO remuneration and company performance. Karadag and Madanoglu (2008:173) found a positive relationship between stock returns as well as CEO remuneration; which is an indication that organisational performance influenced CEO remuneration. Shaw (2011: 82) found that in the South African financial services industry there was a moderate to strong relationship between CEO remuneration and organisational performance. He does however note that there was a worrying decline in this relationship.

The literature review conducted provided mixed views regarding the relationship between organisational performance and CEO remuneration; though most identify a relationship between organisational performance and CEO remuneration. The strength of this relationship, whilst identified by some scholars, is not clearly articulated in the literature. Whilst some findings conclude that performance is not a determinant of CEO remuneration, the major determinants, according to some of the findings appear to be firm size, managerial power, competitive market forces as well as the organisation’s earning capacity.

The findings from the research conducted show that there is no positive relationship between the performance level of the water board with the CEO’s basic salary and other cash benefits. There is however a positive relationship between the performance level of the water board and the performance incentive paid to the CEO. The findings were however inconclusive when it came to the relationship between the performance level of the water board with the CEO’s total remuneration package. The findings are not surprising, given that the literature is somewhat inconclusive on this relationship.

The literature does not specifically single out this component of CEO remuneration as having a relationship with organisational performance.
CHAPTER 5: CONCLUSION

5.1 Basis for conclusion

The main objective of the study is to assess the relationship between organisational performance and CEO remuneration. The secondary objectives were to assess organisational performance of a water board based on shareholder’s compact’s expected performance; establish and analyse a trend in CEO remuneration over a period of 5 financial years and to establish and analyse organisational performance over a period of 5 years.

To achieve the primary and secondary objectives, a literature review was performed to determine the current academic position regarding the relationship between CEO remuneration and organisational performance. The literature also focused on the role of the CEO; organisational performance management; the evolution of performance management; the Balanced Scorecard; KPIs as well as performance management from a National Treasury perspective. Whilst some of the literature identified a positive relationship between CEO remuneration and organisational performance, other literature provided the opposite results.

In executing the research, the appropriate research methodology identified was the qualitative descriptive research method utilising the interpretative content analysis approach. The source of the data was published from the annual reports by the water board and made publicly available on the water board’s official website. The research conducted analysed the water board’s performance for each of the 5 financial years and produced a performance result for each year; this was done taking the performance result which was as a result of a target set and agreed with the water board in the Shareholder Compact. The CEO remuneration components were separated and analysed separately; the movement in the remuneration components was then compared to the performance level of the water board for that specific year and a trend analysis was performed.

The results from the research identified no positive relationship between the CEO’s basic salary and other cash benefits with the performance of the water board. There was a positive relationship between the performance incentive paid to the CEO and the
performance of the water board. There was however no positive relationship between the performance level of the water board and the total remuneration package paid to the CEO.

The problem statement which was stated in Chapter 1 of the research as to whether CEO remuneration shifts in the same direction as organisational performance; has been thoroughly investigated and appropriately concluded upon. Based on the research done and the results obtained, this study has met both its primary as well as secondary objectives.
REFERENCE LIST


