FRAMEWORK FOR A PERFORMANCE MANAGEMENT SYSTEM FOR MUNICIPALITIES

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ABSTRACT

It is imperative that all municipalities conform to their Integrated Development Plan (IDP) framework and develop a performance management system with specific and realistic measures. It is critical that the plan gets the support it requires from the top management. With a high-quality performance management process in place and the ability to develop a clear understanding of the environment, both internal and external, the municipality should be in a better position to respond efficiently and effectively to address the needs of their constituency. If there is a lack of strategic approach to the plan, then implementation will be difficult and problems and pressure will mount both inside the organisation and from outside.

Performance management is multidimensional in nature. Any comprehensive performance management system should reflect this nature. This paper investigated the establishment of a framework for the development and implementation of a performance management system for a public institution more specifically a municipality. It seems, however, that the lack of an overarching performance management framework to manage, inputs, outputs and outcomes still hampers the broader South African Public Service.

In its 'State of the Public Service Report' (2002), the Public Service Commission recommended that a performance management evaluation framework for the public service should be developed. Such a framework should comprise a number of components and provide best practice guidelines for performance budgeting and management and the promotion of monitoring and evaluation as a standard management practice. This paper is an attempt to highlight some of the critical considerations for such a framework. Guidelines are included to facilitate the development of a performance management system for a municipality.

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FRAMEWORK FOR A PERFORMANCE MANAGEMENT SYSTEM FOR MUNICIPALITIES

CHAPTER 1: INTRODUCTION

1.1 Orientation and problem statement

It could be argued that, in South Africa, the deprivation and injustices of the past contributed to increased pressure on local government to achieve tangible outcomes in terms of improved services. (In this study the term 'municipality' will be used for local government, because municipalities, *per se,* is addressed). According to the Constitution of South Africa, Act no. 108 of 1996, the provision of water, electricity, health and education are part of the responsibilities of municipalities. Through the challenge of providing services, it is in the public interest that municipalities should perform their assigned duties and roles efficiently and effectively.

This view is supported by the Local Government Municipal Systems Act no. 32 of 2000, which guides and leads the development of a new era for municipalities in South Africa. The main aim of this act is to provide the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities and to ensure universal access to essential services that are affordable to all (South Africa, 2000:2).

A municipality, through appropriate systems, processes and procedures as established in Chapter 4 of the Local Government Municipal Systems Act no. 32 of 2000, must involve the local community in the development, implementation and review of the municipality's performance and management systems. This involvement, in particular, is to allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality (South Africa, 2000:48).

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

To provide for these needs is a difficult task for the municipality, due to, inter alia, the poor performance of some municipal officials. Certain municipalities have in many areas suffered a

serious, if not total, collapse of credibility among the communities, which they serve (Anon, 1986:31). In this instance, performance improvement of officials may overcome some of the negative constraints on municipal level. Performance improvement may also strive to achieve a synergistic strategy, which will nurture a culture conducive to service excellence within the institutional context (Hilliard, 1995:24).

The purpose of performance management is to establish systems and methods that translate the strategic goals of a municipality into individual performance criteria terms. The management of human resources plays an important role in this regard. When selecting new personnel in a municipality involves 'getting the right people', then performance improvement and management means 'getting the people right' This includes the appraisal of individuals as well as planning and influencing their future performance through the setting of targets and to address their development in order to reach set targets (Harrison, 1993:248).

A basic, but comprehensive definition of performance management is that it is a systematic process by which a public institution (municipality) involves its employees, by improving effectiveness, in the accomplishment of institutional goals and targets. This means that the responsibility to perform is not only relevant for personnel, but a municipality also has the responsibility to perform. In this regard the management of a municipality must secure the implementation of an effective performance management system, which will guide personnel to perform according to set targets (Harrison, 1993:248).

This is easier said than done. There are more and more indications that municipalities fail to reach their goals. The public hold municipal managers responsible for poor service delivery, while municipal managers respond by suggesting that employees do not do what is expected of them. When faced with such a challenge, it is often difficult to determine what the real causes for a municipality and its employees are for not performing satisfactorily (Van der Waldt, 2004: 219).

According to Van der Waldt (2004: 221), the following performance problems, with specific reference to human resources, which is one component of performance management, are experienced in public institutions (such as municipalities):

- New employees, who are expected to perform well, no longer do so and are complete disappointments.
- A new employee who once performed well does not deliver quality work any more.
- Performance in whole departments decline over a period of time for no specific reason.
- There is a continuing repetition of needless errors by employees.

- Employees are antagonistic.
- Employees are unwilling to take responsibility.
- Employees are frequently absent or late.
- Employees have poor attitudes.

The question, however, is whether this negative observation is due to the poor performance of personnel only, or whether it is also due to a municipality that lacks the implementation and management of an effective performance management system.

To improve performance, the real problem must be identified and consequently rectified. Adjustments to improve performance should be based on regular feedback and review, since the aim of any performance management system should be continuous performance improvement by a municipality as well as its personnel. A major problem is that managers who experience low performance in their municipalities normally concentrate on human resources alone and want immediate improvement and change in the behaviour of employees. Changes should, however, take a whole system (of which a performance management system is a subsystem) into account and should be incremental and evolutionary rather than revolutionary (Harrison, 1993:249).

In many instances managers are confronted by the following unanswered questions:

- How should performance in the institution be measured?
- Do employees know what is expected of them?
- Are institutional and personnel objectives clear?
- What types of appraisals are best?
- What appraisal procedures are best?
- What can be expected from an institution and its personnel?
- How can good performance be rewarded to motivate employees?

To achieve performance results, systems and processes must be applied correctly. Improving overall performance in the public sector thus requires innovative managerial practices and more creative approaches to performance management. An adversarial relationship between management and subordinates must be replaced by a consensual relationship (Khoza, 1994:6).

Performance management is used to define techniques and methods to achieve an improvement in the productivity and quality of the relationship between inputs, activities, outputs and outcomes

in public service organisations. This can be achieved through effective performance management (Henry *et al.*, 1997:101).

A major problem is finding the correct way to change an ineffective system, through performance management, to improve the employees' level of effectiveness. A culture of improving performance must be cultivated in an institution. Current legislation suggests that performance management is high on the agenda of the Government. Legislation provides guidelines to establish a performance management system and to improve the performance of employees in institutions. An understanding of what performance management is all about and what legislation prescribes may allow municipal managers to analyse performance problems, take corrective measures and design a work environment and management systems in which high performance will prevail and current behaviour be modified.

With this as background, the following key research question can be asked: What guidelines can be found in theory and current legislation to establish and implement a performance management system that is applicable to municipalities?

The following research questions can then be asked:

- What is the nature of performance management and performance assessment?
- What are the statutory and regulatory requirements for performance management systems on municipal government level?
- What aspects should be included in a framework for performance management in municipalities?
- What aspects should be taken into account to implement a performance management system?

1.2 Objectives of the study

The main objectives of the study are:

- to determine the nature of performance management and performance assessment;
- to analyse the statutory and regulatory requirements for performance management systems on municipal government level;
- to establish a framework for a performance management system for municipalities, taking theory and legislation as point of departure; and
- to determine what aspects should be taken into account to implement a performance management system.

1.3 Central theoretical statement

Section 38 of the Local Government Municipal Systems Act no. 32 of 2000 states that a municipality must establish a performance management system that is in line with its resources, unique circumstances, priorities, objectives, indicators and targets as part of its integrated development plan.

Performance management is a new requirement for municipalities in South Africa and councillors, managers and officials must develop and implement a performance management system in terms of the requirements of legislation (Van der Waldt, 2004:338).

1.4 Research methodology

1.4.1 Literature study

A literature study was undertaken to determine what performance management is all about and how performance can be assessed and improved to enhance the sustainability of local government service delivery.

Books, periodicals, legislation and Government reports were consulted. Computer searches for relevant material were undertaken in the library of the North-West University (Potchefstroom Campus).

1.4.2 Databases consulted

The following databases were consulted:

- Catalogue of books: Ferdinand Postma Library (NWU, Potchefstroom Campus);
- EBSCO Academic Search Elite;
- Catalogue of theses and dissertations of South African Universities;
- Sabinet; and
- Nexus.

1.4.3 Empirical method of investigation

This study is based on qualitative research. Qualitative research encompasses several approaches. Firstly, it focuses on phenomena that occur in natural settings, i.e. is in the real world. Secondly, it concentrates on studying those phenomena in all its complexity (Leady and Omrod, 2001:147).

Qualitative research serves, inter alia, the following purposes (Leady and Omrod, 2001:147):

- It can reveal the nature of certain situations, settings, processes or systems, such as a performance management system as addressed in this study;
- it enables the researcher to get insight into the nature of a specific phenomenon and allows the researcher to discover the problems that exist within such a phenomenon; and
- it allows the researcher to test the validity of certain assumptions and come to a conclusion regarding a central theoretical statement.

The design that will be followed is basically an analysis of performance management. A content analysis is a detailed examination of the contents of a particular body of material. In this study the emphasis falls on an analysis of what performance management is and what information legislation produces/determines in this regard. With this information, specific guidelines will be presented to give municipal managers a framework to use for improving performance management in their various institutions.

The principle purpose of this study, then, is to begin with the analysis of existing data, analysing it and compiling a framework or guidelines accordingly. The framework or guidelines are thus "grounded" on a body of existing data, with the purpose of developing a literature expression of the results in chapters 4 and 5.

1.5 Structure of the study

The study attempts to establish a performance management system for municipalities. Because of the limited extend of a mini-dissertation, an in-depth analysis is not possible and only the more important aspects will be addressed.

The first chapter will give an orientation of the study and the problem statement will be highlighted. The objective of the study will also be indicated and a theoretical statement formulated. The second chapter will address the theoretical point of departure of performance management. The third chapter will analyse the statutory and legislative guidelines regarding performance management. This discussion will form an important part towards the discussion of a framework for a performance management system (chapter 4). Chapter five will give guidelines that municipalities can follow to implement a performance management system. Chapter six will be a summary of the study and will link the contents of the study with the objectives and central theoretical statement.

CHAPTER 2: PERFORMANCE MANAGEMENT: A THEORETICAL FRAMEWORK

2.1 Introduction

As municipalities in South Africa are moving from their transitional phase since 1994 to one of consolidation and implementation, they are faced with a range of new challenges. There is, in particular, an increased responsibility on municipalities to deliver quality service and promote overall development in their areas of jurisdiction. The new role of municipalities is underpinned by a transformed planning and system framework that places emphasis on prioritisation, alignment to critical development needs, monitoring and measurement of achievements (South Africa, 2000:38).

Within the above-mentioned framework, the role of performance management is a critical mechanism to ensure that developmental local government is able to translate the White Paper on Local Government and subsequent legislation into practice that delivers results. The White Paper on Local Government identifies performance management as one of the tools, which must be implemented by municipalities. It is part of its developmental mandate as indicated in the Constitution of the Republic of South Africa (Act no. 108 of 1996). The developmental role of local government requires municipalities to work in collaboration with local communities in order to find sustainable ways of meeting the community's needs and improving their quality of life (South Africa, 2000:6).

Performance management, if used effectively and efficiently by municipalities as specified by Chapter 6 of Local Government Municipal Systems Act no. 32 of 2000, can enable municipalities to measure and monitor as well as report their activities to citizens. In this way accountability can be ensured.

In view of the above, this chapter aims to elaborate on what service delivery is and how performance management can assist a municipality to deliver better services to its community. It will describe the definitions of performance management, with its different concepts, in order to gain a clear understanding of the phenomenon. The latter part will emphasise the principles of performance management. This theoretical discussion, with the analysis of relevant legislation as discussed in the next chapter, will pave the way to establish a broad framework for a performance management system for municipalities.

2.2 Service delivery and the public

Du Toit and Van der Waldt (1999:22) state that ample proof exists that service delivery to citizens originated thousands of years before the birth of Christ. Because people were prepared to live in

close proximity of each other and were willing to be subjected to a form of governing body, it gave rise to service delivery. One should identify whether there are any basic criteria that guide the identification of the needs that the delivery of services must satisfy. In other words: How do the different tiers of government know what the needs of their individual constituents are?

Government is expected to render certain products and/or services to society. Municipalities are at the level of government that is closest to the communities and they make decisions on, and have legislative powers over, matters relating to service delivery. Therefore, municipalities are expected to render services to society, because individuals cannot meet all of their own needs (Van der Elst, 2003:142).

Originally, services delivered were collective and basic, e.g. defending the community and members of the community against aggression and turmoil. As communities grew and became more sophisticated, so their need for more and better services increased. It became increasingly difficult for some of their needs to be met. According to Du Toit and Van der Waldt (1999:24), this problem stemmed from the increased restrictions placed on growing communities with more needs to satisfy and from trying to maintain an orderly community. In order to deliver the services that a society requires to maintain and improve its welfare, municipalities, together with other government institutions, require organisational structures and suitably qualified people. These structures must be organised in such a way that their staff is supported to deliver the services it is responsible for (Du Toit et al., 2001:90).

To achieve the above-mentioned, public institutions have to find ways to adhere to the will of all the people in the country. A relation of trust between government structures and the people should be ensured. This trust, according to Van Zyl (in Bayat & Meyer, 1994:153), requires:

- the two-way flow of information: up- and downwards instead of only downwards;
- internal self-control and not externally-imposed controls;
- a democratic instead of an autocratic management style;
- the sharing of power and not the coercion of power;
- commitment and political will instead of alienation;
- innovation instead of fear and failure; and
- workable, cost-effective structures instead of red-tape institutions.

This list indicates the challenge that municipal officials have to face. In this way, municipal officials are in the process of learning from the multitude of signals received from the rapidly changing

environment and developing positive strategies to meet the needs of the people. These strategies are not mutually exclusive, but normally pull in different directions. They could be accommodated if some government agencies, with assistance from the private or voluntary sectors, are commissioned to deliver uniform services, while municipalities take responsibility for specific local needs within a framework set by national policy.

The White Paper on Local Government (2001) in South Africa does not distinguish between these strategies. The White Paper offers support to both views of the roles of municipalities. It argues the case for national set standards for municipal service delivery, monitored within a national framework for performance management (South Africa, 2000). This could be interpreted as signalling support for a centralist policy.

Performance management in municipalities is a legitimate concern for politicians and public officials at all levels of government (Foster & Plowden, 1996:55). Municipalities are recognised in the Constitution Act no. 108 of 1996 and subsequent legislation as independent spheres of government. It is in the public interest to ensure that municipalities perform their assigned roles efficiently and effectively (Van der Elst, 2003:85).

The White Paper calls for participatory democracy, respecting the nation's history of active participation at local government and community levels in the struggle to remove apartheid. This, by contrast, could be interpreted as support for a pluralist policy (Foster & Plowden, in Curtis 1999:261). This dual emphasis sets the scene for a rerun of the age-old centralisation and decentralisation dilemma in public management.

Foster and Plowden (1996:54), writing about the implementation of the new public management in Britain, trace one of several contradictions in the system in its emphasis on decentralising responsibilities for setting goals to specialist agencies and identified managers within them, while insisting upon centrally specified outputs. If the goal of the management intervention is to enhance municipal performance rather than control from the centre, performance management techniques could be adapted to foster participative democracy and to encourage growth through diversity. To differentiate between the two, the latter can therefore be called performance enhancement.

Performance enhancement would rely upon simple communication patterns and would draw on skills that are available at most local levels. Information would be networked rather than centralised. Diversity would be accepted as an essential feature of genuine local government. A performance enhancement system would establish media for mildly competitive demonstration of public management successes. Through this media, which might include newspaper releases,

bulletins and community radio, municipalities would be able to tell the public and each other about successes in:

- simple planning, reflecting negotiated agreements on land use;
- effective stake holding for representation and reconciliation; and
- good face-to-face political relations (Shepherd, 1998:270).

From the above mentioned, it is necessary to describe the fact that a performance management system is part of a broader system.

2.3 Performance management as part of a larger system

The Systems Theory is found over the whole spectrum of academic disciplines, in the natural sciences as well as the social sciences. It is the theory that explains phenomena and behaviour patterns by means of the study of the interrelationships between systems and subsystems in any entity, situation or institution/organisation (Van der Elst, 2003:38-39).

According to Du Toit and Van der Waldt (1999:64) a system consists of numerous interdependent subsystems, functioning as a whole with a definite purpose. This study focuses on the inputs, outputs and outcomes of performance management in an institution, more specifically a municipality. Outputs and outcomes not only take centre stage, but can also be usefully disaggregated into several subcomponents. Outputs include the quantity of a service and its quality, e.g. the speed of delivery and accessibility of provision.

Outcomes not only encompass the formal effectiveness of a service, but also its 'impact', which include both positive and negative side-effects (Le Grand, 1982:18). Moreover, outcomes include a central criterion for the evaluation of institutional performance and the management thereof in the public sector. A fundamental purpose of public services is to produce a distribution of resources, which is different from that produced by private markets. The public sector is expected to allocate services on criteria of need, rather than ability to pay (Le Grand, 1982:18). A second aspect of the systems theory is that it links inputs and outcomes as indicators of cost-effectiveness. This ties together the beginning and end of the service delivery process so that judgements about value for money can be made. In this way performance indicators can provide knowledge about the relationship between cost and effective service delivery.

The Systems Theory has, however, also limitations. They are the following:

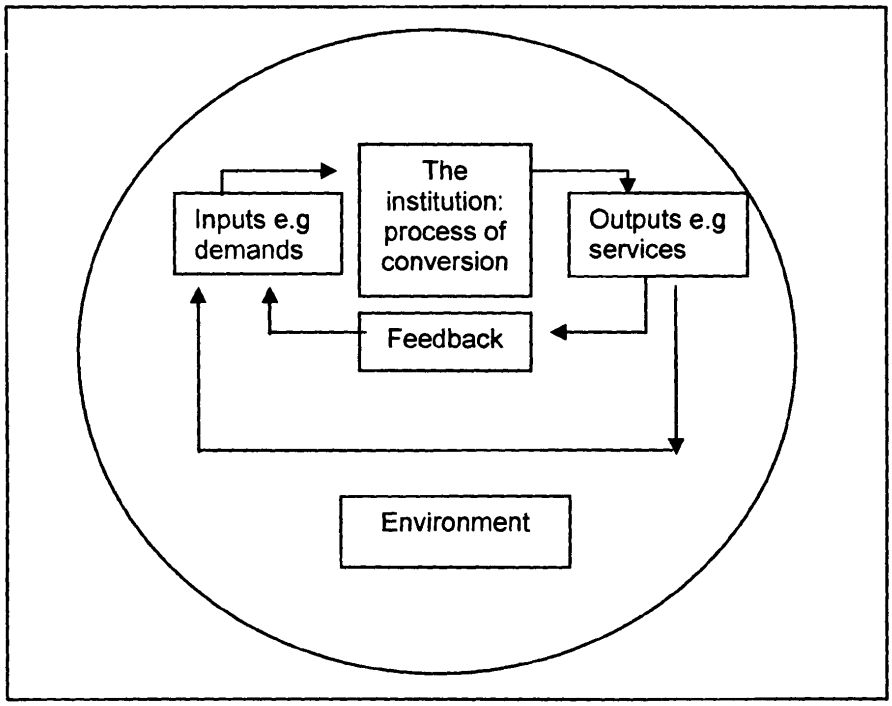
- The responsiveness of services to public preferences is not given sufficient weight. This is important to institutional success or failure, which should be at the heart of performance indicators. Services that are efficient and effective may be of little real value unless they meet

public demands. The concept of responsiveness, in turn, can be divided into two main components: the extent to which services match the preferences of 'direct consumers' and the wider community of local citizens. These criteria of performance can in turn be combined with data on resources expended to provide measures of cost per unit of responsiveness (Pollitt, 1988:18).

- The Systems Theory focuses narrowly on the role of municipalities as service providers. It is crucial that a set of performance indicators also recognises their role as institutions of democratic government. This can be achieved by adding indicators of democratic outcomes to the indicators of service outcomes (Boyne, 2002:17).

The Systems Theory can be depicted as follows:

Diagramme 2.1: The municipality as a system



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

From the above diagram the following are evident (Du Toit & Van Der Waldt, 1999:64), (Du Toit *et al.*, 2001:87-88):

- Needs and demands are fed from the community into the municipality. These needs may be found on cultural, social, economic, educational, health and other levels and may differ from region to region. Municipalities have to convert these needs and demands into output. These outputs need to improve a situation and satisfy needs as well as comply with demands.

- Municipalities may be regarded as a subsystem of the community, which is established to meet these specific needs and demands through the political systems and processes in governmental institutions. This conversion takes place by means of the implementation of specific governmental functions and structures. The conversion transforms the inputs into output, such as service delivery. The effects of the outputs should change the environment to satisfy the needs of the community at large. This implies that various administrative processes have to be carried out. In carrying out these processes, the normative administrative and management principles have to be taken into consideration. The conversion also requires knowledge drawn from other subject disciplines.
- The outputs are fed into the environment from where they came - the community with needs and demands. The community who have made known their demands can either be satisfied with the results of the outputs or dissatisfied with what they perceive the results may be. If they are dissatisfied, or become dissatisfied with the results, their needs and/or demands are again fed from the environment into the system for conversion.

The main aim of the municipalities is thus to render services, and it is therefore important for municipal officials to understand what the services the community is entitled to have, are and how to go about the process of delivering those needs. This is where performance management plays an important role to secure that effective and efficient services are delivered. It is part of the system and will secure that needs are addressed in an effective manner. The outputs of the municipality will, through better performances, address the needs of the community more satisfactorily.

With this as background, the phenomenon 'performance', in all its entities, will be discussed.

2.4 Defining key performance concepts

The measurement of performance in the public sector (and municipalities) is a relatively new approach and it forms an important part of performance management. Substantial literature on performance management has been developed since the late 1970s, encompassing terms such as performance measurement, performance indicators, performance appraisals and review, value for money and, more recently, quality. This literature has mirrored a parallel development in which the language of 'performance' has become an almost everyday feature of work in public sector institutions assurance (Holloway, 1999:238).

Performance management in public sector institutions is, however, different from the commercial counterpart in the private sector. There is no profit-maximising focus in the public sector; there is little potential for income generation and there is no clear bottom line against which performance

can be measured in public sector institutions, such as municipalities. With the above in mind, concepts relevant to this study will be defined. An in-depth discussion is not possible, due to the extent of a mini-dissertation, and only the more prominent concepts will be analysed.

2.4.1 The term 'performance'

According to Otley (1999:363), performance is a multidimensional construct that includes a variety of factors, including the measurement of performance of factors. Rogers (1994:21) argues that performance should be defined as the measurement of outcomes of work, because it provides the strongest linkage to the strategic goals of the institution or organisation, customer satisfaction and economic contributions.

Armstrong and Baron (1998:20) are of the opinion that if performance is not defined correctly, one will not be able to measure or manage it. Defining performance is a challenge to municipal (and public sector) managers because of the frequent misinterpretation of the concept.

It is important to determine whether the measurement objective is to assess the performance outcomes of an institution *per se*, or the performance/behaviour of its employees. Therefore, an organisation should distinguish between outcomes, results and outputs of an institution and the performance/behaviour of its employees. In any case, efficient processes and appropriate performance measurement devices should be in place (Rogers, 1994:21).

Campbell (1990:23) describes performance as the behaviour of employees and is of the opinion that it should be distinguished from the processes and outcomes of an institution, as system structures can contaminate the behaviour of an employer, which are outside the control of the performer. What is implied in Campbell's argument is that performance measurement can only focus on an individual's or group's final output if institutional processes and systems are controllable.

In contrast, Edis (1995:28) argues that performance is something that the employee must link to the performance and output of the institution; the employee's performance is part of the institution and he/she exists for the purpose of working for the institution.

The definitions implicate that acceptable performance embraces three interrelated variables, which are:

- the behaviour of employees;
- the performance of the institution and its employees; and
- the systems and processes that are in place to measure outputs and outcomes.

Bromwich (1990:15) supports this and argues that performance means both the behaviour of employees and the performance of an institution through its performance systems and processes, emanating in desirable outputs.

This study does not concentrate on the behaviour of employees and why they do not perform, as they should, but concentrates on the systems and processes that should be in place in a municipality to secure an environment conducive for employees to perform in. If these systems and processes are in place, it will lay the foundation for employees to work in a structured way to obtain desirable outputs. It will also guide managers to manage performance in a constructive manner.

2.4.2 Performance management

Isaac-Henry (1997:101) is of the opinion that performance management can be defined as integrated techniques and methods to achieve improvement in the productivity and quality of the relationship between inputs, activities, outputs and outcomes in public service organisations. It is also concerned with enhancing the value-adding process. It is this relationship between inputs, activities, outputs, outcomes (impacts of the service on the wide range of 'users') and the ways its productivity and quality might be improved which is the focus of this study. Performance management is an approach to management, which harnesses the endeavours of individual managers and workers towards an organisation's strategic goals. It defines goals and the outputs needed to achieve those goals; it gains the commitment of individuals or teams to achieve those outputs, and it monitors outcomes (Patel, 1994:34).

The National Association of Head Teachers (NAHT) in Mwita (2000:26) defines performance management as a process that links people and jobs to the strategy and objectives of the organisation. The emphasis of the NAHT is that through performance management, individual jobholders have greater clarity about what their organisation is trying to achieve, understand what is expected of them in their job, and are entitled to regular feedback on how well they are doing. They also have continuous support from their managers. In this way they have an opportunity to assess their overall performance achievements over a given period.

Edis (1995:29) concludes that performance management refers to any integrated, systematic approach to improve organisational performance in order to achieve corporate strategies and aims and to promote its mission and values. Performance management, then, implies a system that aims at improving results of people's efforts by linking these to the organisation's corporate objectives.

The new frameworks for transforming the public service and the new Public Service Regulations (2001b) in their totality represent a new approach to performance management and development. In this new thinking, effective performance management and development involves a focus on:

- what should be and is actually achieved in the public interest;
- building inclusive discussion and understanding to promote co-ordinated strategic thinking and action; and
- learning and ongoing development of the capacity to understand and serve the public interest (DPSA, 2001).

According to Fox and Uys (2001:105-106), performance management consists of the following three elements of a system process with sequential logic that is able to predict the future plan (a view at the past will predict what will happen in the future):

- Performance planning, which forms part of the overall strategic planning of an institution with a view to allowing employees to perform optimally in order to reach organisational goals. In general, it means ensuring that employees are aware of performance standards, exactly how their performance in relation to those standards will be measured and what the results of such measurements could be. Furthermore, it has some bearing on career planning in that employees should understand at what levels to perform in order to advance in their careers.
- Performance monitoring, which has to do with day-to-day supervision of performance, recording actual performance on the job and pre-empting performance problems.
- Performance appraisals, which comprises the application of a system of measuring performance. There are many such systems available, none of them perfect.

Performance management, in simple terms, can therefore be defined as the means through which an employee's performance can be improved by linking it with a municipality's objectives in such a way that it strives to achieve these objectives and goals.

With the above in mind, and with an understanding as to what performance management is, it becomes necessary to define what performance measurement entails.

2.4.3 Performance measurement

As mentioned, performance measurement, within the context of performance management, became an important issue in government institutions in the late 1970s (Bolt & Robert, 1997:4).

Performance measurement is seen as an administrative control mechanism to assign accountability, both externally and internally (Stewart & Carpenter-Hunin, 2001:37). The attribution

of accountability is a function of performance measurement. Performance measurement should also be considered to be a feedback loop to improve institutional performance, not just as a mechanism for assigning praise or blame (Carmen & Conrad, 2000:90).

Performance measurement should serve to enhance employee understanding of the municipality's core business and commitment to achieve core business goals. Performance measurement is not a single tool or practice. Rather, it is a cluster of tools with a common foundation that is applied to different practices, such as policy analysis and performance appraisal (Cox, 2001:162).

The goal of performance measurement is to establish a baseline of activity (benchmark) by which future activities and, in particular, change in activity can be evaluated and judged. Measuring institutional performance should be an outward looking process, i.e. one that is focused on mission (Cox, 2001:162).

The shift from evaluation as a tool to affirm the status quo to one that encouraged new directions was introduced in Total Quality Management (TQM). Performance measures should follow the same approach: they must change with each evaluation cycle. If not, one might question whether or not progress is in fact being made. Poor performance is assumed to be the result of prevalent 'non performance culture'. There are no perceptions inherent in the method that allow for structural obstacles to improvement, such as unfunded commitments or unresolved allocations of responsibility.

Any municipality would benefit from clarifying goals and monitoring progresses. It is the prescribed formula for controlling performance that presents the difficulties. Performance measurement has to be seen as a method or set of techniques. It is time consuming and must be managed from one or more centres of power. It needs data, which must be collected and used. It needs a major management intervention to set up the information systems needed to monitor, supervise and establish the appraisal system which, in turn, is supposed to ensure an effective, decentralised, flexible workforce. How this is done makes the difference between a successful strategy and a paralysing burden of additional administration (Cox, 2001:162).

2.4.4 Aspects that should be measured

According to De Bruijn (2002:582) there are a number of advantages and disadvantages associated with performance measurement. They are, for instance, the following:

2.4.4.1 Advantages of performance measurement

- Performance measurement brings transparency;

- it is an incentive for output; and
- it is an elegant way of shaping accountability.

2.4.4.2 Disadvantages of performance measurement

- Performance measurement prompts game playing;
- it adds to internal bureaucracy;
- it blocks innovations and ambitions;
- it focuses excessively on the clearly defined;
- it kills systems responsibilities; and
- it punishes good performance.

The following process was designed by the Canadian Government (March, 1995) as a tool for measuring performance. This process consists of three elements that will indicate how an organisation can measure its performance.

Table 2.1: Overview: A process of measuring performance

Steps	1	2	3	4	5
	Establish Profile	**Set operational goals/targets**	**Select key measures**	**Prepare date collection**	**Report performance**
Task	Agree on mission and objectives Define impacts: • Direct • Medium • Long Term	Activities/Outputs: • Planned quantities • Planned costs • Specifications • Time frames	Activity and output measures	Data Sources Means of collections	User(s) Content: • Resources • Reach • Results
	Define Reach: • Client • Intermediaries • Other stakeholders	Reach: • Planned quantities • Planned costs • Time frame	Reach measures	Frequency Responsibilities	Frequency Responsibilities
	Define activities and outputs	Impacts: • Planned quantities • Planned costs • Specifications	Impact measures	Systems: Available Needed	
		Time frame			
End Product	**Profile Document**	**Operational Plan**	**Listing of key indicators**	**Plan for data collections**	**Performance reports**

Adapted from official documentation by the Canadian Government (March, 1995)

A municipality, or any other organisation, should determine steps, tasks and an end product that should be reached. To drive the process of measurement, a profile of the municipality should be established, goals and targets put in place and key measurements selected.

The central idea behind performance measurement is a simple one: a public organisation formulates envisaged performance and indicates how performance can be measured by defining performance indicators. To be able to monitor and evaluate policy progress, performance and outcomes, it is detrimental to establish a set of key performance measures; performance indicators will also need to be put in place.

2.5 Developing performance indicators

Osborne & Gaebler (1992:2) points out the way in which municipalities should develop its performance systems and facilitate and ease implementation of services. Performance indicators

are important measures for municipalities to determine performance and the responsiveness of a municipality to meet local needs. These performance indicators provide managers with better information (Midwinter, 1994:37).

2.5.1 Developing performance indicators

In order for municipalities to be able to evaluate policy progress, performance and outcomes, it is important to establish a set of key performance measures and indicators to determine whether performance policies and management are achieving their objectives. Data must be collected to measure progress towards a certain goal that is a key aspect of performance management (Van der Waldt, 2004:53).

Osborne & Gaebler (1992:2) indicates the way in which municipalities should develop its performance policies and strategies in order to secure better service delivery. Performance indicators are important measuring 'tools' for municipalities to measure performance and the responsiveness of the authority to meet local needs. These performance indicators provide managers with better information in order to secure effective performance management.

According to academic and practitioner literature on performance indicators there are two models of organisational performance that are related, but not entirely consistent (Midwinter, 1994:37). Both contain a sequence of steps in a service production process. The first is described as the 'economy efficiency-effectiveness' (3E's) model and the second is the inputs, outputs and outcomes model.

The term 'economy' is frequently equated with the level of spending on a service, but is more accurately defined as the cost of procuring specific service inputs of given quality. This may appear to be the most straightforward and least controversial element of performance. However, the pursuit of economy encounters fundamental political issues. Labour, for example, is a large part of the cost of local services. It is not apparent that the wages of the local government workforce contributes to good performance. The economy is also of little value for gauging performance. High or low spending in itself reveals nothing about service standards or the success or failure of municipalities (Bouckaert, 1993:31).

The Municipal Systems Act no. 32 of 2000 empowers municipal officials to set general key performance indicators that need to be adopted by municipalities as they go about formulating their Integrated Development Planning, so that they are able to report when they compile their annual performance reports. The performance indicators are crucial to ensure that municipalities focus on and direct resources to the strategic priorities of government. The indicators set the

parameters for municipalities to determine their own indicators and the indicators also establish a basis for performance comparisons and benchmarking among municipalities.

The Local Government Municipality Planning and Performance Management Regulations (PMR), published in August 2001, prescribe six general key performance indicators. In terms of Section 43 of the PMR, the following indicators are prescribed:

- the percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- the percentage of households earning less than R1100 per month with access to free basic services;
- the percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's Integrated Development Plan (IDP);
- the number of jobs created through municipality's local, economic development initiatives including capital projects;
- the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan; and
- the percentage of a municipality's budget actually spent on implementing its workplace skills plan and financial viability.

From the discussion of performance indicators it is clear that 'efficiency' and 'effectiveness' are essential elements of a set of performance indicators for municipalities or any part of the public sector (Jackson, 1988:11). Jackson (1988:12) defines the term efficiency in two different ways: firstly as a technical efficiency, which refers to the cost per unit of output, e.g. collecting refuse, and secondly as an allocative efficiency that refers to the responsiveness of services to public preferences.

The term effectiveness can be interpreted in a number of ways, but is most commonly understood as referring to the achievement of the formal objectives of the services. Municipalities should strive to seek perfection in the rendering of services. Therefore, to render better services at all times, municipalities should compete with the private sector, thus using performance indicators, performance targets and standards as well as benchmarking. As they are very important and should be taken into consideration by the public institutions, they will be now be discussed (Jackson, 1988:11).

2.5.2 Using indicators

It is unlikely that a single set of indicators could satisfy both purposes mentioned in the previous section. The needs of internal managers and the different external stakeholders will vary, with the latter requiring less technical and more profile indicators. Moreover, different audiences may interpret the same indicators differently (Osborne & Gaebler, 1992:356-357).

Table 2.2 lists the uses and purpose of performance indicators according to type (that is inputs, processes, outputs, outcomes and composites).

Table 2.2: Indicators: Use and purpose

Type of indicators	Use and purpose
Input	• Measure input to process (amount of resources, etc) • Are typical cost related • Relevant to day-to-day operations • Of limited use to a national set of Key Performance Indicators unless comparisons in developing benchmarks are required.
Process	• Describe how well institutions use their resources in producing and rendering services. • Cover activities and operations that convert inputs into outputs. • An internal type of indicator. • Can be used to measure compliance with regard to existing national standards and requirements.
Output	• Refer to 'products' produced by processing Inputs (i.e. a number of houses) • Can be used to hold the institution accountable. • Particularly relevant to a national sets as they measure how well institutions (for example municipalities) are performing in terms of their service delivery mandate
Outcomes	• Measure the extent to which goals and objectives are being met. • Usually based on the results of different variables acting together. • Are important diagnostic tools? • They tend to 'log' behind output indicators since the outcomes of various outputs can only be measured after the outputs have been produced. • Difficult to measure because are influenced by external factors.
Composite	• Use to measure several indicators together to indicate overall performance; simplifying a long list of indicators and identify the complex relationship between them into one index. • Useful in identifying areas of poverty or deprivation, as well as summarising performance within specific areas. • Disadvantage is that certain specific problem areas can become hidden and often overlooked when aggregated into a single composite index (for example human development index, United Nations).

Adapted from Van der Waldt (2004, 56)

Benchmarking is an important activity when performance is measured. This will be discussed next.

2.5.3 Benchmarking as an indicator

Benchmarking is one of the public sector performance measurement concepts. It was first developed by Xerox Corporation in 1979, when severe quality and costs problems became visible in the face of the extremely low price of Canon copier machines (Horvath & Herter, 1992:4). This management tool to assist in performance measurement is used by a large number of United States companies, such as Motorola, Ford, Honeywell and Alcoa.

Horvath & Herter (1992:6) point out that a wide range of institutions that deliver public services use benchmarking as a tool for improving performance. On the whole, the aim of benchmarking is to identify competitive targets, which render the weak points of the benchmarking organisation visible, and to establish means of improvement (Horvath & Herter, 1992:5). In other words, the basic idea behind benchmarking is not to find out how much better others are doing, but rather how they manage to do better in certain areas.

Camp (1989:10) defines benchmarking as the continuous process of measuring products, services and practices against the toughest competitors or those companies recognised as industry leaders, and that it is the search for industry's best practices that will lead to superior performance.

Holloway *et al* (1999:2) is of the opinion that benchmarking is a continuous activity where key internal processes are adjusted, performance is monitored, new comparisons are made with the current best performers and further changes are explored. This is also where information about these key processes is obtained through a co-operative partnership with specific organisations and where there is an expectation of mutual benefit over a period of time.

Partnership Sourcing (1997:7) points out that benchmarking is a systematic approach to business improvement where the best practice is sought and implemented to improve a process beyond the benchmark performance. Alongside the above definitions, benchmarking activity can be categorised as either a process or results benchmarking. A further distinction preferred by the Society of Management Accountants of Canada (1995:16) is that of strategies, operational and functional benchmarking. This reflects the level of organisation where the benchmarking activity is carried out.

In the public sector, Davis (1998:260) distinguishes between compulsory and voluntary benchmarking. The critical characteristic of all types of benchmarking is the examination of

processes, as it is only through an understanding of the way in which inputs are transformed into outputs that the attainment of superior results can be pursued effectively.

A benchmarking 'culture', furthermore, is characterised by a desire to change processes as well as outputs, and the willingness to look externally for ideas. Camp (1995:15) states that benchmarking is an integral part of the planning and ongoing review process to ensure a focus on the external environment and to strengthen the use of information in developing plans. Benchmarking is used to improve the performance by understanding the methods and practices required to achieve world-class performance levels. The primary objective of benchmarking is to understand those practices that will provide a competitive advantage and target setting.

With the above in mind, and with an understanding of what performance management and indicators are, the following section aims to give a clear elaboration on specific performance principles that should be adhered to in order to establish guidelines for municipalities to secure effective performance management systems.

2.6 Performance management principles

According to Fox and Meyer (1995:101), the word 'principle' refers to the existence of formal, written procedures which prescribe specific courses of action to be taken under specific situations and which bureaucrats must follow without regard to personal preferences or special interests. Performance management principles in this study, therefore, refer to the rules that public managers have to respect and adhere to in the performance of their tasks.

A number of principles that can guide a municipality and its managers in developing and implementing a performance management system are identified in the Local Municipal Systems Act no. 32 of 2000, as well as in the Municipal Planning and Performance Management Regulations 2001. These principles are highlighted below.

Firstly, the performance management system should be embedded in the circumstances of the municipality. Performance management must be proportionate with its resources and suited to its circumstances. Most importantly, a performance management system must be in line with priorities, objectives, indicators and targets contained in the Integrated Development Plan (IDP). Integrated development planning enables municipalities to eliminate the fragmented planning and implementation processes of the past and to bring together and consider important sectors, e.g. transport; health; environment and safety (South Africa, 2000:7).

Secondly, it is important that municipalities take cognisance of Integrated Development Planning in order to ensure equitable and effective service delivery. This can help a municipality to develop a strategic policy and capacity, mobilise resources and target its own activities. This IDP is a

process through which a municipality can establish a rational budget and development programme for the short, medium and long term (South Africa, 1999:58).

Thirdly, the municipality must promote a culture of performance management among its politicians and within its administration. As such, it has a vital role to play in ensuring that human resources strategies support the direction of the institution by providing a basis for evaluating and improving individual and institutional performance against predefined strategies and objectives (Van der Waldt, 2001:189).

Fourthly, the municipality must administer its affairs in an economical, effective and accountable manner. The crisis of accountability includes mismanagement, which can be real, imagined, intentional or inadvertent (Sheldon, 1996:5). Enhancing accountability within a municipality can be formal, with public reports that include financial statements and performance reports.

Fifthly, the performance management system must be devised in such a way that it can serve as an early warning system for underperformance. Performance management is an ongoing communication process that involves both the performance manager and the employee. It involves:

- identifying and describing essential job functions, and relating them to the mission and goals of the institution;
- developing realistic and appropriate performance standards;
- giving and receiving feedback about performance;
- writing and communicating constructive performance appraisals; and
- planning education and development opportunities to sustain, improve or build on employee work performance.

In this way performance management provides an opportunity for the employee and performance manager to discuss development goals and jointly create a plan for achieving those goals (Harrison, 1993:248).

Lastly, the performance management system must link the performance of the municipality to community needs. The rationale for developing and implementing performance management systems within a municipality is driven primarily by the legislative requirement to introduce such systems. However, the rationale is not narrowly linked to issues of compliance, but is also linked to broader social and political developments. Some of them include an increasing demand from citizens for greater transparency and accountability regarding resource utilisation and service delivery (South Africa, 2000:39).

To establish a performance management system for a municipality, relevant legislation must be analysed to determine what government policy on performance management is. Without an analysis of legislation, the development of a performance management system is not possible. An analysis of relevant legislation will be undertaken in the next chapter.

2.7 Conclusion

The theoretical framework of this chapter emphasises the importance of performance management as a systems-based model for cultivating the culture within the public sector and municipalities. Performance management is a value-adding process, which links people and jobs to the strategy and objectives of the institution to secure efficient service delivery. A number of managerial planning, measurement and control techniques have been devised to facilitate this linkage. It is deducted that for performance management to function effectively, performance of employees must be linked to corporate objectives and it must be measured.

Performance management provides an important integrating framework, both academically and practically, to focus on optimisation of customer services. There is a need to link a performance management system with issues of policy, strategy, operations, assessment and information systems. Performance management reflects and correlates the aims of an organisation and the plans that have been developed to achieve those aims.

Performance management demands an approach that recognises the importance of a focus on both results and the means to achieve these results. These social, technical, cross-national cultural aspects of public management reforms make the study of performance management an important topic for academic research and a challenge to the practitioner.

The following chapter will focus on the statutory and regulatory framework for performance management in public institutions, including municipalities. The proposed phases of performance management, as well as the guidelines for the development and implementation of a performance management system will receive attention. The premise is that municipalities and its officials can improve service delivery through the implementation of a performance management system, which is based on theory and statutory and regulatory guidelines.

CHAPTER 3: STATUTORY AND REGULATORY REQUIREMENTS FOR PERFORMANCE MANAGEMENT IN MUNICIPALITIES

3.1 Introduction

Literature on performance management is recently starting to address issues of strategic linkages with performance in the municipal system (Atkinson, 1997:20). This is consistent with the literature on performance management in general (Kaplan & Norton, 1996:75; Fitzgerald & Moon, 1991:22; Ballantine & Modell, 1998:71). However, literature is still largely grounded in operational concepts of performance management. Research proves that institutions concentrate on measuring that which is easily measurable and in municipalities this approach results in a prejudice against measuring performance in terms of economy and efficiency, and to a lesser extent on effectiveness (Palmer, 1993:32).

In reviewing the development and use of performance measurement in the nited Kingdom (UK) local government, Ghobadian & Ashworth (1994:35) suggest specific performance measurement systems that are consistent with the principles underlying the balanced-scorecard approach to performance management. The two authors believe that an integrated, holistic performance measurement system is necessary to enhance performance in municipalities.

Managerial changes, instituted by the South African Government, are consistent with managerial changes in other countries, e.g. Australia, New Zealand, the UK, Canada and the United States of America (USA). Since the early 1990s the demand for a performance management system became clear (Dixon, 1998:164).

One of the exciting challenges facing the Government in South Africa is to enhance the process of transforming public service delivery. Not only the transformation from apartheid rule to democratic principles and a representative public sector are required, but also transformation and renewal, with a shift from the mere existence of representative public institutions to centres delivering quality public services (Kroukamp, 2001:22).

The public sector, at all tiers, continues to face changes at an accelerating rate. Drivers for change, such as the Public Finance Management Act, the Municipal Finance Management Act, the Local Government Municipal Systems Act and the White Paper on Transforming Public Service Delivery (1997), also known as the Batho Pele Principles, are amongst the most significant legislation in this regard. The recurring theme of these government initiatives is the need to demonstrate that performance is manageable.

There is therefore the need to describe the factors that guide the development of a performance management system for municipalities as prescribed by statutory and regulatory documents. A municipality must follow these prescriptions in order to enhance service delivery. The Constitution, Batho Pele principles, White Paper on the Transformation of the Public Service, Public Service Regulations, and Performance Management Guidelines are statutory and regulatory documents that will be discussed in this chapter as they deal with the principles relating to performance management.

3.2 The Constitution of the Republic of South Africa, Act no.108 of 1996

Section 2 of the Constitution of 1996 stipulates that 'this Constitution is the supreme law of the Republic; any law or conduct inconsistent with it is invalid, and the obligations imposed by it must be fulfilled'. This implies that there is no legal norm in the state higher than the Constitution. All components of the state are regulated by the Constitution and related legal norms. Public administration is one of the primary themes of the Constitution and in Section 197(1) it is stipulated: 'within public administration there is a public service for the Republic, which must function and be structured in terms of national legislation, and which must loyally execute the lawful policies of the government of the day'.

Section 195(1) of the 1996 Constitution serves as a reference point, guiding the conduct of all public officials in every sphere of government. The Section also provides that 'Public administration must be governed by the democratic values and principles enshrined in the Constitution.' These values are listed in Section 1 of the Constitution as human dignity, the achievement of equality and non-racialism. Section 195(1) further stipulates other principles that should improve public service delivery. Among the more important stipulations are the following:

- Services must be provided impartially, fairly, equitably and without bias. People's needs must be responded to and the public must be encouraged to participate in policy-making.
- Transparency must be fostered by providing the public with timely, accessible and accurate information.
- Public administration must be development-oriented.

These stipulations underline the importance of effective and efficient performance by public officials and a system that will enhance performance management. Other legislation complements this notion and the more relevant legislation in this regard will be analysed to determine what is stated regarding performance and performance management *per se*.

3.3 White Paper on the Transformation of the Public Service, 1995

In line with the Constitutional principles, as listed above, the White Paper on the Transformation of the Public Service (WPTPS) has as its principal aim the transformation of the South African Public Service into a coherent, representative, competent and democratic instrument for executing government policies and meeting the needs of the people.

The WPTPS requires of Government to make service delivery a priority. Chapter 2 of the WPTPS requires Government to identify, among other things:

- plans for staffing, human resource development and organisational capacity building, tailored to service delivery needs; and
- the development, particularly through training, of a culture of customer care and to have approaches to service delivery that are sensitive to issues of race, gender and disability.

These plans, including capacity building, by implication mean that government institutions should address means that will improve the performance of such institutions and their officials to deliver efficient services.

3.4 White Paper on the Transformation of Public Service Delivery, 1997

In developing societies, such as South Africa, there are times when the state manifests itself merely in terms of democratisation. It is, however, confronted with a number of constraints. The developmental state is subjected to a number of pressures, including a strong civil society, which is an important element for democracy. It is also subjected to strong forces of globalisation and corruption (Mokgoro, 2003:5).

In making these observations, one recognises the paradoxes of reform, as it also grapples with issues of efficient and effective performance inputs to enhance better service delivery. A successful process of reform requires a strong state. Municipalities are primarily a vehicle for service delivery, which raises questions of capacity, administrative ability and efficient performance management. It is also argued that the evolution of the intergovernmental system in South Africa ought to entail a strong provincial centre and a strong municipal sphere. The idea is that municipalities should become an implementation agent of central government and that they should perform in an acceptable manner (Mokgoro, 2003:6).

An assessment of public service reforms in municipalities inevitably raises the question of whether this necessarily means a review of managerial and administrative problems. There have been numerous investigations into the latter, including the Ncholo Commission and the Presidential Review Commission (PRC) (South Africa, 2002). The report of the latter commission stated that

public service reforms, including municipalities, go hand in hand with managerial problems. One issue that developed strongly is the notion of a strong development state where performance is enhanced (Mokgoro, 2003:6).

In October 1997, the South African Government, under the Department of Public Service and Administration, produced a White Paper on the Transformation of Public Service Delivery. This White Paper became known as the Batho-Pele White Paper. The word 'Batho-Pele' means 'people first'. This means that the people, as consumers or clients of government services, should receive first priority when it comes to service delivery. The principles provide a common policy framework and practical strategy that must be used as general guidelines and the performance of public institutions have to play an important role to achieve this (South Africa, 1997).

In the period 1999-2004, Government has become synonymous with delays, inefficiency and lack of customer service and bad attitudes. This relates to poor performance and performance management by public institutions. The White Paper of Public Service Delivery sets out eight principles that regulate the behaviour of public servants and politicians. The policy also ensures the transformation of service delivery, resulting in a more satisfied public and client base (South Africa, 1997:10). Improving public service delivery matters not only to the individual users of services, but also to the whole community. To serve South Africans well, Government must organise itself around the needs of its citizens and must see to it that its institution perform satisfactorily (South Africa, 2000:12).

The principles must be applied in accordance with each department's unique needs and circumstances. The Batho-Pele Principles has a framework with two primary functions:

- the delivery of services to citizens who are treated as customers or clients; and
- the possibility for citizens to hold individual public officials accountable for poor performance. This implicates also poor performance of municipalities and it makes the implementation of a performance management system important.

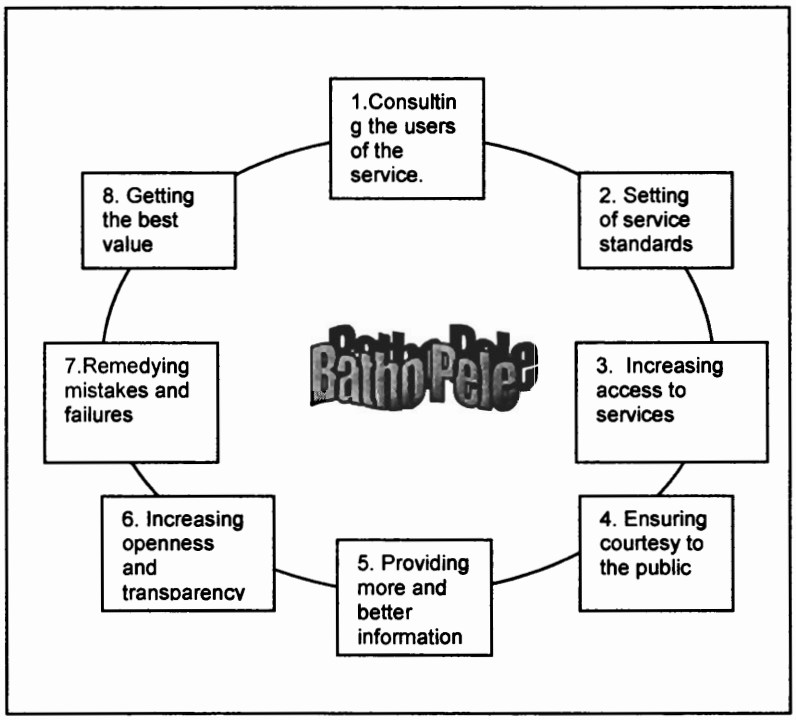
The energy and commitment of municipal officials can be channelled to introduce more 'customer-focused' ways of executing their functions and doing their work. In this way good performance management is encouraged, as municipal officials come in contact with citizens on a daily basis. The mentioned principles are the following (South Africa, 1997):

- consultation with the citizens;
- service standards;
- equal access to services;

- courtesy to citizens;
- information;
- openness and transparency;
- redress; and
- value for money.

These principles will be discussed according to the following diagram:

Diagram 3.1: The Batho-Pele Principles



(South Africa, 1997)

3.4.1 Consultation with the citizens

Citizens (communities) should be consulted about the level and quality of the public service they receive and, however possible should be given a choice about the services that are offered. Consultation gives citizens the opportunity to influence decisions about public services by providing objective evidence, which determines service delivery priorities. The existence of local communities, with their respective needs, is a challenge to ensure that municipalities are run according to the principles of good governance and that the expectations of the citizens of towns,

cities and rural areas are met (Frohock, 1979:56). Whether these expectations are realistic or not, constructive interaction between municipalities and their communities should be encouraged to ensure that all stakeholders are at least informed about the expectations of the community and the ability of councillors to deliver services.

This, in fact, means that the resistance type of participation will have to be replaced by a new system that results in the citizens taking ownership for the improvement of the lives of the people. Therefore, as municipalities are transformed into being more representative and legitimate, another South African reality that has to be addressed is the fact that local communities will also have to be reoriented and educated (Frohock, 1979:60). Their involvement cannot be limited to playing the traditional watchdog role, enforcing professional government and administration. In future the *raison d'être* of citizens will also depend heavily on their ability to utilise the energy of their members for sustainable development in local communities.

3.4.2 Service Standards

Service standards are commitments to provide a specified level and quality of service to individual customers at any given point in time. Citizens should be informed of the level and quality of public service they should receive, taken the capacity of the municipality into account, so that they are aware of what to expect (South Africa, 1997:25-28). Standards must also be precise and measurable, so that users can judge for themselves whether or not they are receiving that which was promised. The main aim behind the setting of standards is to measure performance, therefore enabling the public to hold national, provincial and local departments to account for their performance.

Citizen charters were developed to improve the delivery of services. Charters are official frameworks for assessing and awarding quality in the public sector. Charters address macro-quality as a generic system concept, which applies to the public service-citizen relationship (Bouckaert, 1992:1-24). The essential idea behind charters is to increase the quality of life in society and to pay more attention to the needs of the citizens. The ultimate purpose is to renew citizen trust, not only in public services, but also in the government. Belgium, France, the United Kingdom and Portugal have considerable experience of designing and developing distinctive and operational charters (Bouckaert, 1995:188), (Kouzmin *et al.*, 1997:19-42).

3.4.3 Equal access to services

All citizens should have equal access to the services that they are entitled to. They must also have a free choice of services. Municipalities have to avail services to the people. Citizens are

taxpayers and it therefore remains the sole discretion of a municipality to see that needs are provided effectively and efficiently to them (South Africa, 1997:18).

3.4.4 Courtesy to citizens

Citizens should be treated with courtesy and consideration. The concept of courtesy goes much wider than asking municipal servants to smile politely and say 'please' and 'thank you', although these courtesies are certainly required. This principle is one of the fundamental duties of public servants; it specifies that public servants should treat members of the public as customers who are entitled to receive the highest standards of service (South Africa, 1997:19).

Having a friendly approach, public servants who treat the public with respect help to enhance the quality of the interface between a municipality and its 'customers'. The report of the Department of Social Development called *'Mothers and Fathers of the Nation: The Forgotten People - The Ministerial Report on Abuse, Neglect and Ill-treatment of Older Persons'* provided shocking information on the way public officials and communities ill-treat the elderly, showing unparalleled disrespect (Service Delivery Review, 2000:36-37).

3.4.5 Information

Because municipalities are the lowest level of government and the closest system of government to citizens, they serve an educative role by informing citizens at micro level about statecraft. They teach citizens about the funding and cost of public services, the vast variety of public services available, and the democratic process on a diminutive scale. It is here that the citizen can possibly gain first hand knowledge. Municipalities should also educate or inform citizens on what is expected of them in terms of the environment, pollution, by-laws, and the need for payment of essential services, as well as how to respect the residential rights of others (Cloete, 1993:51).

3.4.6 Openness and transparency

Openness and transparency are the hallmarks of a democratic government and are fundamental to the public service transformation process (South Africa, 1997:21). Citizens should be informed of the way in which municipalities are run and about who the people in charge are, how well they perform, how much public services cost and the resources that are consumed. Administration must be open for public scrutiny. Municipal staff, particular on senior level, should at all times be available for perusal. Reports to citizens must be publicised widely and submitted to legislators.

3.4.7 Redress

There is usually a chasm between the citizen and municipal government. Citizens find this gulf difficult to span, because their member of parliament is relatively unknown to them. In contrast, a

strong system of local government endears these representatives to the electorate. Due to its relative smaller scale, local government can and should respond quickly to local needs (Kendall, 1991:88). Its adaptability, suppleness and response time ought to be faster than when a citizen approaches central government about a matter relating to services (Heymans & Totemeyer 1998:19).

Most citizens feel frustrated by the bureaucratic red tape they encounter when they approach a municipality on a mundane matter. At this level, an enquiry can take weeks to resolve. However, because municipalities are in close contact with citizens, there are not only increased expectations, but also visible results that prove that matters are being attended to promptly (Heymans & Totemeyer 1998:21).

3.4.8 Value for money

When citizens pay income tax, they have little or no control over the way in which the money is spent. Furthermore, there is usually no *quid pro quo* relationship between taxes paid and benefits received. In fact, it can happen that citizens who pay the most tax receive the least social welfare benefits. However, at municipal level the situation is somewhat different. The municipality is required to be as financially self-sufficient as possible and to raise its own revenue, although this ideal is not always attainable in a Third World country with a relatively large and poor population (Craythorne, 1990:361).

Despite the latter constraint, the local citizens must normally pay for the units of electricity they have used, the water consumed, sewerage costs, garbage removal and any additional services. Should there be no consumption, the user would only have to pay for availability, if applicable. In other words, the consumers pay only for the services that they utilise, whereas with income tax a large portion is redistributed to subsidise other services (Kendall, 1991:12).

If consumers are dissatisfied with a municipal service, they may approach the local authority directly. They would be able to pursue the matter until they are satisfied that they have received value for money. They may even withhold or delay payment to coerce the authorities to take action. Sometimes the correct channels of communication are somewhat blurred; consequently citizens become frustrated and apathetic. In situations like this, the municipality has to do something to redress citizens' complaints. In order to do that, it needs guidelines that will help and find means to improve performance in local government (Kendall, 1991:12).

In summary, the question is whether municipalities do have the capacity to deliver the asked services and whether the performance of municipalities and their personnel deliver performance outsets that will meet the challenge.

3.5 Performance Management Regulations, 2001

These regulations stipulate that government institutions should manage performance in a consultative, supportive and non-discriminatory manner in order to enhance organisational effectiveness and accountability for use of resources and the achievement of results.

Performance management processes should link to broad and consistent plans for staff development and align with strategic goals. The primary orientation of performance management should be developmental, but should allow for effective response to consistent inadequate performance, and for recognising outstanding performance.

Performance management procedures should minimise the administrative burden on supervisors, while maintaining transparency and administrative justice. It educates managers on the monitoring of the performance exercise and performance assessment that outlines the instruments to be utilised during the process. Lastly, the focus is more on the incentives for good performance, suggestions, improvements and innovations. For the above to be achieved there should be guidelines in place to be used for better performance management in a municipality.

3.6 Performance Management Guidelines for Municipalities

Municipalities have to find means of confronting the legacy of underdevelopment and poverty in their local areas (South Africa, 2000:38). The White Paper on Local Government (2001) recognises integrated development planning, performance management and community participation as crucial mechanisms to achieve this. These mechanisms reinforce each other to bring about change, transformation and improved service delivery at local government level. Communities will be involved in governance matters, including planning, implementation and performance monitoring and review (South Africa, 2001:2).

In this particular way, communities would be empowered to identify their needs, set performance indicators and targets and thereby hold municipalities accountable for their performance in service delivery. With communities engaging municipalities from an informed position, it can only result in municipalities planning better and strategically while improving the way in which they work for accelerated service delivery. This defines the place of performance management as a tool for change in local government transformation.

Performance Management Guidelines (2001), developed by the Department of Provincial and Local Government (DPLG), seek to assist councillors, managers, officials and municipal stakeholders in developing and implementing a performance management system in terms of the requirements of the legislation. The Municipal Systems Act no. 32 of 2000 requires municipalities to:

- develop a performance management system;
- set targets, monitor and review performance based on indicators linked to their integrated development plan;
- publish an annual report on performance for the councillors, staff, public and other spheres of government;
- incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government;
- conduct an internal audit on performance before it is done by the Auditor-General); and
- involve the community in setting indicators and targets and reviewing municipal performance (South Africa, 2001:6).

The mentioned legislations that are relevant to performance management will, with the knowledge gained in chapter 2, create a framework for the development of a performance management system. This framework, which is only a broad one, will be discussed in the next chapter.

3.7 Conclusion

Various Acts and regulatory guidelines in South Africa signal the intention to establish a performance management system for the local sphere of government. The Municipal Systems Act 2000 stipulates that a municipality council must administer its affairs in an economical, effective, efficient and accountable manner, and must for this purpose:

- give effect to its Integrated Development Plan (IDP);
- give effect to its transformation programmes;
- establish a performance management system commensurate with its resources and best suited to its circumstances; and
- promote a culture of performance management among its members, committees and functionaries, as well as its administration.

The White Paper on Transforming Service Delivery (Batho Pele) notes that the development of a service-orientated culture requires the active participation of the wider community. Municipalities need constant feedback from service users if they are to improve their operations. Local partners can be mobilised to assist in building a service culture. For example, local businesses or non-governmental organisations may assist with the funding of a help line, providing information about specific services, identifying service gaps or conducting a customer survey. The White Paper on

Local Government supports the above by involving communities in developing municipal key performance indicators that can increase the accountability of the municipality.

It is imperative that all municipalities conform to their IDP framework and develop a performance management system with specific and realistic measures. With a high-quality performance management process and the ability to develop a clear understanding of the environment, both internal and external, the municipality should be in a better position to respond efficiently to address the needs of their constituency.

In the next chapter the emphasis will be set on the establishment of a policy framework for the development and implementation of a performance management system for municipalities in South Africa.

CHAPTER 4: TOWARDS DEVELOPING A FRAMEWORK FOR A PERFORMANCE MANAGEMENT SYSTEM

4.1 Introduction

A framework for undertaking performance measurements is an essential process of analysing the data provided by the monitoring system in order to assess performance. This requires that municipalities determine the aspects that they are going to look at and the criteria that they are going to use to measure performance. Such a framework will assess whether:

- the policy and strategy are correct;
- resources are spent appropriately;
- internal processes yield results; and
- the results make an impact on society.

Effective measurement should be clear on the time that information was obtained, on where it was obtained, and on its validity. The data should also be reliable, clear and accurate. It is important that municipal managers should continuously analyse the performance system and the results it is generating. They are best placed, having an in-depth understanding of their sector, to analyse whether targets are being met and will be met in the future, what the contributing factors to the level of performance are, and what remedial action need to be taken. This will constitute a preliminary analysis.

It is also useful to have a corporate analysis done by the mayoral committee or executive committee for performance. This analysis should examine performance across the municipality in terms of all its priorities. It has to reflect on whether performance targets are being met in the organisation, on trends and patterns with respect to the meeting of targets and on the reasons for targets not being met.

This level of analysis should reveal whether broader factors are limiting performance, e.g. labour relations problems, community conflict in particular areas and poor maintenance of vehicles across the organisation.

The following framework for a performance management system is by no means regarded as a comprehensive one, but will give municipalities an indication of what is necessary to develop such a framework.

4.2 Performance management as a system

At first glance, performance management is a change in the culture of an institution, such as a municipality, but it is also a change in employee behaviour. It should be aligned with all the other systems implemented in a municipality. A performance management system should be implemented because a municipality wants to satisfy the needs of its community and therefore wants to make the municipality more effective (Van der Waldt, 2004:286). The following was discussed in chapter 2, and this is a modification in order to explain how a municipality can be a subsystem.

4.2.1 Service delivery and the public

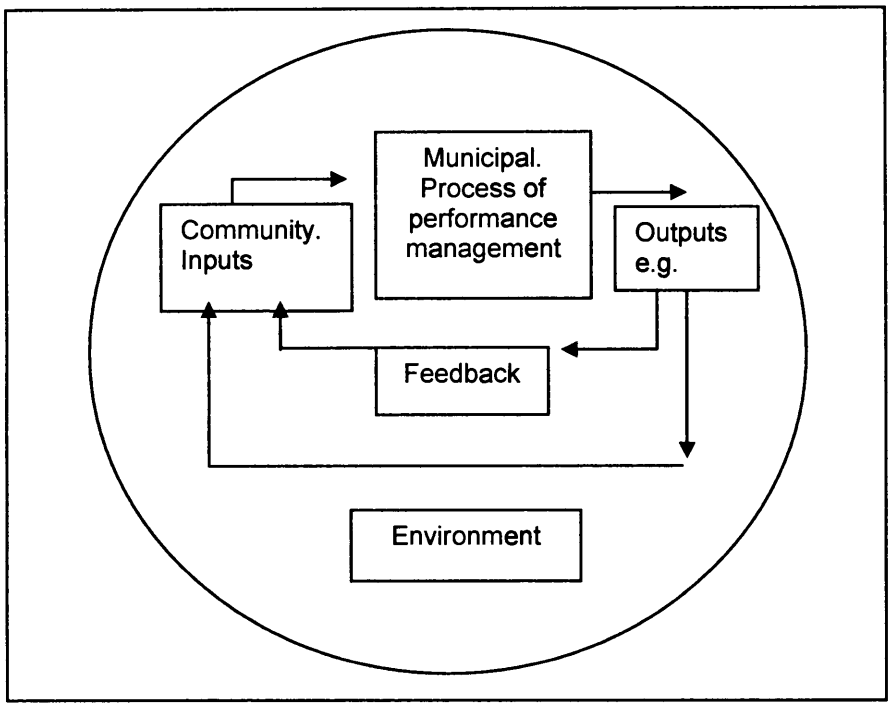
A relationship of trust between a municipality and its community should be ensured. This trust, according to Van Zyl (in Bayat & Meyer, 1994:153), requires the following:

- the sharing of power with communities and not the coercion of power;
- the two-way flow of information between the municipality and the community;
- internal self-control and not externally-imposed controls;
- a democratic management style to take the views and needs of the community into account, instead of an autocratic management style;
- commitment and political will to serve communities, instead of alienation;
- innovation instead of fear and failure; and
- workable, cost-effective structures instead of red-tape institutions.

The Systems Theory focuses narrowly on the role of municipalities as service providers. It is crucial that a set of performance indicators would also recognise the role of municipalities as institutions of democratic government. This could be achieved by adding indicators of democratic outcomes to the indicators of service outcomes (Boyne, 2002:17).

The municipality must therefore be regarded as part of the system and performance management as a subsystem in the municipality. This can be depicted as follows:

Diagramme 4.1: The municipality as a system and performance management as a subsystem



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

From the above diagram the following are evident (Du Toit & Van der Waldt, 1999:64), (Du Toit *et al.*, 2001:87-88):

- Needs and demands are fed from the community into the municipality. These needs may be found on cultural, social, economic, educational, health and other levels. Municipalities have to convert these needs and demands into performance output. These outputs need to improve a situation and satisfy needs as well as comply with demands.
- This conversion takes place by means of the implementation of an effective performance management system. The conversion transforms the inputs into output, such as service delivery.

- The outputs are fed into the environment from where they came - the community with needs and demands. The community who have made known their demands can either be satisfied with the results of the outputs or dissatisfied with what they perceive the results to be.

The main aim of the municipalities is thus to render effective services. It is therefore important for municipalities to understand what the services that the community is entitled to have, are and how to go about the process of delivering those needs. This is where performance management plays an important role to secure that effective and efficient services are delivered (Du Toit *et al.*, 2001:87-88).

With this in mind, a performance management system should be designed.

4.3 Basic steps in designing a performance management system

When developing a framework/system for performance management, the following steps are important (Van der Waldt, 2004:288):

4.3.1 Select the process and build support

The first step is to select the process to benchmark and build support from both upper and middle management in order to gain the appropriate resources and foster the spirit of participation required in an effective benchmarking initiative.

Selecting the process means determining which processes or issues are critical to the goals of the organisation and whether benchmarking is the appropriate method to determine the efficiency of the process. Not targeting a specific process to examine or attain management support will almost certainly mean that the benchmarking attempt will fall short of its goals. In this initial step it is important to develop an action plan to focus efforts and keep information organised.

4.3.2 Determine the current performance

Before benchmarking one institution against another to discover how they achieve high levels of service excellence or performance, one must understand one's own performance. An initial self-assessment should include questions to determine whether the process has been flowcharted and redundancies or inefficiencies have been targeted. Process mapping will facilitate a thorough understanding of any process. It is necessary to document the inputs, activities, and outputs of the process and identify key performance measures for the process.

The determining of the state of the current environment is of crucial importance. Too often companies embark upon benchmarking efforts because they want to achieve the known results of similar institutions. This is misguided, because benchmarking is institution and issue/service

specific. Without a clear understanding of the environment and the impact of specific processes on overall institutional performance, benchmarking will fail to yield meaningful results.

4.3.3 Determine where performance should be

The first part of step three, determining the way it should be,' is choosing potential benchmark partners. They are public institutions that are successfully executing the process.

Determining the way it should be' is when a municipality begins to focus on examining the process from an external perspective, conducting secondary research to supplement internal exploratory efforts and discovering which criteria are important. This understanding will lead one to the most appropriate benchmark partners.

4.3.4 Determine the performance gap

Consider where a municipality should be and subtract where it is at the present point in time – the difference is the performance gap. The larger the gap, the higher the priority would be to narrow it. In this step, a municipality must consider a host of issues and try to analyse them logically. Examine, for example, a process from a cost, quality, time and productivity perspective, with the understanding that strength in one area does not necessarily indicate strength across the board.

For performance gaps to be useful, they must be logically identified, organised and categorised. This means in part that the causal factor behind the gap should be attributed to people, processes, technology or cultural influences. In addition, each gap should be ranked, based on a priority indicator.

4.3.5 Design an action plan

There are several ways to ensure that benchmarking efforts produce positive results. One way is to use a goal-oriented, attainable and detailed action plan to plot the improvement course. An action-plan template should include a description of the overall action plan, detailing each specific action step and each problem the actions are targeted to solve.

The action plan should also describe the chronological steps to implementation, defining requirements and specifications, and allotting an appropriate time frame for implementation. The action should identify those accountable for implementation and describe rewards if their efforts are on time or ahead of schedule. Most important, perhaps, is to ensure that all key parties, including management, process owners and those affected by the proposed change buy into the action plan.

4.3.6 Continuous improvement initiates

As there is no end to learning and no such thing as accumulating enough knowledge, benchmarking is not an activity that a municipality should do only once. Rather, it is part of an ongoing, continuous improvement effort that is vital for organisations seeking to achieve and maintain competitive advantage in the new economy. The secret to long-term success is to keep business processes effective and efficient through continuous monitoring and measuring.

The new economy is an opportunity to embrace change. Using benchmarking as a tool for continuous improvement is one way to determine whether the institution is doing everything it can to meet the challenges inherent in the global, intensely competitive, environment.

The discussion in this chapter forms the basis of developing a framework for performance management in municipalities. It will guide municipalities to implement performance management systems. Before this can be done, an analysis of current statutory and regulatory guidelines on performance management is necessary, because performance management legislation is the primary guide to establish a performance management framework.

4.4 Developing a policy for the system

This policy for the performance management system should guide development and implementation of the system and the aims of the system should be clear. The following should be addressed in the policy (Van der Waldt, 2004: 292):

- the purpose of the system and the objectives the municipality wants to achieve with the system;
- the specific model that the municipality wants to use to link its performance with its goals; and
- the features of the system.

To determine the purpose, model and features of the performance management system, the following aspects must be clarified (Van der Waldt, 2004: 293):

- Are the goals of the municipality clear, observable and measurable?
- Are these in line with community needs?
- Are the efforts to reach these goals routine or complex?
- What services must be delivered by the municipality?
- Are these services long-term or short-term engagements?
- What is the degree of complexity and diversity of the services?

- What is the capacity within the municipality to address community needs?

Detailed plans are required to get answers to these questions. The plans should be linked to the budget.

4.4.1 Developing a plan to design a performance management system

A specific plan must be developed to secure an effective performance management system. This plan must fall within the broader policy developed by the municipality (Van der Waldt, 2004:288), (Camp, 1989:10):

- Develop an action plan to indicate what goals are important to achieve. This means that the needs of the community must be prioritised and clearly indicated.
- Determine whether the available resources in the municipality can adhere to these prioritised needs.
- Determine the current level of performance in the municipality.
- Use benchmarking as a tool to determine how community needs are satisfied and what role a perform management system plays in the process. Through benchmarking a municipality will be able to determine weak points in their own performance management system as well as in their service delivery actions.
- Determine where the municipality wants to be regarding effective service delivery. Benchmarking against other municipalities will give a clear indication of what outcomes should be regarding service delivery.
- Determine the performance gap. Consider where the municipality should be and subtract from where it is at a given point in time. Set clear goals.
- Develop a detailed plan to reach the goals. Specific and chronological steps should be established to detail each specific action. This plan must identify those accountable for implementing the steps and time schedules should be attached for the implementation thereof.

4.4.2 Setting specific key performance indicators

According to the Performance Management Guide (DPLG, 2001), KPIs are measurements that indicate to municipalities whether progress is being made in achieving its goals. They essentially describe the performance dimension that is considered a key factor in measuring performance. There are different types of indicators, i.e. input, output, outcome, process, composite and baseline. The process of setting indicators may be a sensitive one; it is therefore important that

the political leadership and communities are centrally involved. Communities can be involved by various means, including participation in structures established by the council, consultations and public hearings.

It is important to start on a small scale, using output indicators in the beginning. Municipalities need to avoid the temptation to set indicators for areas that easily lend themselves to measurements. This is important, and the reason Government decided to develop national indicators. These indicators have to be incorporated into the municipal indicators. Another important factor in choosing an indicator is whether data is available for its measurement in a municipal area. A municipality needs to be clear about the data it is currently collecting and which data it will have the capacity to collect in the near future (DPLG, 2001).

4.4.3 Setting specific performance measures

At this stage a municipality should have clear objectives for its IDP and should have identified appropriate indicators. Targets are simply the goals or milestones that the municipality intends to reach in various time frames. Performance targets are the planned level of performance or the milestones an organisation sets for itself for each indicator identified. Targets are usually expressed in terms of quantity or time.

A municipality must identify baseline measurements. A baseline measurement is the measurement of the chosen indicator at the start of the period. If performance is likened to a race, the baseline is the starting point and the target the finishing line. In setting targets it is important to know how a municipality is performing at the current moment. This step also tests whether in fact the chosen indicator is measurable and whether there are any problems associated with it. It is important to know the date when a baseline measurement was relevant. For example, if a municipality cannot measure its baseline at the current moment, and has to rely on data from the last census, a municipality should clearly note that its baseline measurement is relevant to the date of the last census (Van der Waldt, 2004:346).

A municipality may then look at all the indicators set, and identify targets for each objective. The targets need to be realistic, measurable and be commensurate with available resources and capacity. Council must then make a contractual commitment to achieve these targets within time frames agreed upon and notify all stakeholders of the targets and time frames. This stage relates to the identification of priorities and setting of objectives, indicators and targets as part of the IDP process.

4.4.4 Conducting regular performance reviews

Performance review is a process during which the municipality, after implementing its performance management system, measures its own performance, and assesses whether or not it is doing the right thing, and doing it right or better. There are a number of ways to conduct performance reviews. The first one is to look at whether the current level of performance is better than that of the previous year, using baseline indicators. The assessment is important, because the municipality can only know whether its performance is improving by comparing it with past performances.

Secondly, the municipality must constantly compare its performance with that of similar organisations. This is important, because a municipality should know whether it is doing well in relation to others similar municipalities. This may be done by way of a benchmarking exercise.

Thirdly, the municipality must investigate on a regular basis what the users of the municipality's services think of (what their perceptions are of) the performance of the municipality across a range of services. This is crucial, because municipalities are only as good as the people served by municipalities think they are. It may be done by way of customer surveys or other community feedback mechanisms.

This review approach is consistent with the 'best-value' review framework of challenge, compare, consult and compete. The framework calls the municipality to challenge the current level of performance, compare it to others, consult with customers and/or communities and find ways of competing with others to provide best value in service delivery.

The next chapter will focus on the implementation of a performance management system.

4.5 Conclusion

Performance management focuses on the future. It places great emphasis on:

- setting key accountabilities;
- agreeing to future objectives in key accountability areas;
- agreeing to measures and standards to be attained; and
- assigning time scales and priorities.

The various elements of a performance management system are independent. Adjustments should be based on regular feedback and review, since the aim of any performance management system should be continuous performance improvement. While changes are likely to be incremental and evolutionary rather than revolutionary, performance management is likely to

become increasingly important in terms of helping public institutions to achieve their strategic goals.

This broader meaning of performance management has put more focus on effectiveness of systems and processes in municipalities. The systems and processes must be applied correctly in order to achieve results. All the results across the institution must continue to be aligned in order to achieve the overall result desired by the institution. This is imperative for its survival. Only then it can be said that the institution and its various parts are performing satisfactorily.

Performance management is thus a multidimensional aspect. It can only be a success if the development of such a system is a well thought-out design and the implementation process is in place.

CHAPTER 5: PHASES AND STEPS IN IMPLEMENTING A PERFORMANCE MANAGEMENT SYSTEM

5.1 Introduction

The National Government in South Africa realises that it needs to support municipalities to ensure successful implementation of their performance management programmes. As part of the broader support framework, the Department of Provincial and Local Government (DPLG) developed a guide in 2001a to enable municipal practitioners to implement a performance management system. The guide intended to serve as a set of simple, user-friendly, non-prescriptive guidelines to assist municipalities in developing and implementing their legislative required performance management system. It is designed to enable the development and implementation of such a system within the resource constraints, suited to the particular circumstances and in line with the priorities, objectives, indicators and targets contained in a municipality's Integrated Development Plan (IDP).

The guide is aimed at municipal councillors, managers, officials and community-based organisations as well as members of the public. Whilst it presents guidelines on the development and implementation of an organisational performance management system, it also highlights some of the linkages to an employee or personnel performance management system, although the latter is not focused on in this study.

Performance management is a specialised field with marked differences in the way concepts are interpreted and applied. The guide, therefore, seeks to assist councillors, managers, officials and local government stakeholders in developing and implementing a performance management system in terms of the requirements of the legislation (Van der Waldt, 2004:338).

The guide proposes three phases, each with its accompanying steps, which municipalities should embark upon to implement a performance management system.

5.2 Implementing a performance management system

According to the Concise Oxford Dictionary (1964:910) the word 'phase' means 'first change' or 'development'. In this context it will mean the changes that municipal managers must implement to better performance in municipalities in order to improve service delivery. The Performance Management Guidelines for Municipalities published the Department of Provincial and Local Government in 2000 guidelines that should be followed to achieve the aforementioned. The following phases can be identified (South Africa, 2000):

5.2.1 Phase 1: Starting the performance management process

This phase involves clarifying and delegating roles and responsibilities, setting up internal institutional arrangements as well as a framework for managing the change process. It can be divided into specific steps:

5.2.1.1 Step 1: Delegation of responsibilities

The Municipal Systems Act places responsibility on a municipal council to adopt a performance management system, while holding the executive committee or executive mayor responsible for the development of the system. The executive committee or executive mayor may assign duties or responsibilities to the municipal manager in this regard, but remains accountable for the development of the performance management system. The municipal manager may delegate the responsibility to another senior manager. It is important, therefore, that the council, within its policy framework on delegation, assigns responsibilities accordingly (South Africa, 2001a: 7).

5.2.1.2 Step 2: Setting up internal institutional arrangements

A municipality may establish a project team, led by a senior manager, to establish internal institutional arrangements for developing a performance management system for the municipality. It would be preferable that the senior manager and the project team are the same people involved in or responsible for the Integrated Development Planning process. The team must report to the municipal manager, who will be accountable to the executive mayor or the executive committee as well as the council. The project team would be responsible for:

- preparing the organisation culture for performance management issues;
- facilitating the development of the system; and
- supporting the organisation in implementing the performance management system.

5.2.1.3 Step 3: Managing the change process

When introducing a performance management system, it is important that the municipality is prepared for change. Reaching a common understanding of performance management is crucial. The most serious stumbling block in the way of making performance management work arises out of different understandings of why the municipality is in need of it and what the outcome of it will be. All stakeholders in a municipality will thus need to come to a common understanding of performance management.

This is an important preparatory component of the process of change, requiring officials to be aware and to understand and accept why performance management is needed and what the principles to govern its development and use will be (South Africa, 2001a:8). It may be important

for the leadership to inform the organisation that performance management will ensure the accountability of the municipality to citizens and communities, and the accountability of employees to the municipality. This will help the municipality to understand change according to democratic principles and the fact that public participation is encouraged through communication of performance information (Guidelines for Municipalities, 2001a: 12).

This preparatory component is necessary for ensuring the smooth introduction of a performance management system that could help reduce problems in implementation.

5.2.2 Phase 2: Developing a performance management system

The Municipal Systems Act no. 32 of 2000 and the National Regulations on Municipal Planning and Performance Management (2001b) provide the framework for establishing a performance management system. This framework provides guidance in terms of the way in which the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed.

Developing a performance management system is a crucial phase in the process. It involves the development of a framework within which performance management processes will take place. It also involves answering the following questions:

- When does performance management start?
- What are the components of a performance management system?
- Who will manage performance?
- When will performance be monitored, measured and reviewed?
- What aspects of performance will be managed?
- How do personnel respond to good and poor performance?
- What institutional arrangements have to be established to make performance management work? (Performance Management and Development Guide, 2001a: 10).

In this instance the project team needs to plan the management of the process for developing the system within the framework of legislation. This should include the identification of stakeholders and the establishment of structures to facilitate the development of the system. The project team also has to do an assessment of the way in which planning, implementation and monitoring happens within the municipality, as well as identify gaps in terms of new integrated planning and performance management requirements (South Africa, 2001b: 10).

The following steps can be identified in developing a performance management system:

5.2.2.1 Step 1: Identification of stakeholders

It is important for each municipality to complete the exercise on identifying the stakeholders for its performance management system. While there is a common stakeholder category for all municipalities, it is important that municipalities disaggregate these categories until it is useful for their municipality. The following are the categories for stakeholders:

- Citizens and communities, including: civics, community-based organisations, ward committees, non-governmental organisations, businesses and organised business.
- Councillors, including the mayor, executive committee, standing and/or portfolio committees and council.
- Officials, including the municipal manager, management team, line management, employees and organised labour.
- Partners, including public partners, private partners and service providers (South Africa, 2001:16

Each of these categories of stakeholders plays a different role in developing, implementing and using the performance management system. While some stakeholders will play minor roles when compared to others, their roles should be acknowledged and planned for. Some of the stakeholders' roles will be discussed below.

- Supervisors

Supervisors will review the performance of employees reporting directly to them. The guidelines on how to conduct these reviews often vary from municipality to municipality, as it depends on the type of employee performance management system a municipality chooses to adopt.

- Managers

The managers should also make reviews on performance of their respective areas on a regular basis. This should be done at least monthly, and these reviews should at least cover all the organisational priorities respective to these sectors and functions.

- Portfolio committees

These committees will need to manage the performance of sectors and functions respective to their portfolios. While it is important that they should at least review performance of organisational priorities that lie within their portfolio, it is advisable that they should review additional sectoral priorities determined by them. In order to build the role played by standing or portfolio committees,

while ensuring that their role remains strategic and not operational, it is recommended that they should review performance on a monthly basis (South Africa, 2001b: 33).

- Executive management

It is important that the municipal manager and his/her management team should review performance more often than, and prior to, the meetings of the executive or mayoral committee. This should happen as follows:

- Performance need to be reviewed more often in order for them to intervene promptly on operational matters where poor performance or risks occur.
- Performance should be reviewed before reporting to politicians so that they can prepare, control the quality of performance reports submitted to the councillors and the public, and ensure that adequate response strategies are proposed in cases of poor performance.
- Executive of mayoral committee

This committee should play the most significant role in reviewing the performance of the administration, as the system should be designed to allow this committee to strategically drive and manage performance in the municipality. Reviews at this level should remain strategic so that councillors are not restrained by operational discussions. The municipal manager should remain accountable for reporting on performance at this level, even if he/she delegates this responsibility to other officials.

- Municipal council

Council should review the performance of the municipality, its committees and the administration. For this to be practical, the review will need to take place at a particularly strategic and high level.

- The public

Citizens and communities should be afforded the opportunity to review the performance of the municipality and their public representatives in the period between elections. It is legislatively required that the public be involved in reviewing municipal performance, at least annually (South Africa, 2001:34).

Focus has been on the way in which stakeholders can assess performance in a municipality; therefore it is important that structures are created for stakeholder's participation. The structures created will facilitate the meaningful participation of stakeholders in the development of the system. The municipality, in terms of its own circumstances, should determine the nature of the structure. Municipalities should also consider the Integrated Development Planning, as a

performance management system must be in line with the Integrated Development Planning, or at least linked to it.

The White Paper on Local Government highlights the following ways in which Integrated Development Planning will promote developmental government:

- They enable municipalities to align and direct their financial and institutional resources toward agreed policy objectives and programmes.
- They are vital tools to ensure the integration of local government activities with other spheres of development planning at provincial, national and international levels by serving as a basis for communication and interaction.
- They serve as a basis for engagement between a municipality and citizens at local level, and with various stakeholders and interest groups. Participatory and accountable government only has meaning if it is related to concrete issues, plans and resources allocations (South Africa, 2001a: 41).

5.2.2.2 Step 2: Developing a system

The Municipal Systems Act no. 32 of 2000 requires, as mentioned, municipalities to develop a performance management system suitable for their own circumstances. Therefore, working with the stakeholders, the project team needs to develop and propose a performance management system.

A performance management system implies a framework that describes and represents the way in which the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting will happen and be organised and managed, while determining the roles of different role-players (South Africa, 2001a: 12). The performance management system should also comply with all the requirements of the Municipal Systems Act no. 32 of 2000.

It must demonstrate how it is going to be operated and managed, from the planning stage up to the stages of performance review and reporting. It must also clarify the processes of implementing the system within the framework of the Integrated Development Planning process. Therefore, after the performance management system has been compiled, the project team should prepare the final draft for submission to the municipal council. The council should adopt the system when it is satisfied that the process was handled in accordance with the legislation and that the proposed system complies with the requirements of the law, especially the regulations governing the nature

of the system. Having adopted the system, the municipality can mandate the project team to facilitate the implementation thereof.

5.2.3 Phase 3: Implementing a performance management system

The team, which may be the same as the Integrated Development team, should develop an implementation strategy for implementing a performance management system. The strategy should be linked to the Integrated Development Planning implementation framework and should entail planning, implementation, monitoring and review. The steps to achieve this will be discussed next.

5.2.3.1 Step 1: Planning for performance

Planning is a basic management function which helps institutions to keep up with change and which management can use to determine in advance what the institution should achieve. Plans are usually prepared to give guidelines to managers for what they are going to do in the municipality (Van der Waldt & Du Toit 1997:181). Planning is a basic process, involving every manager to some extent. The higher the post in the hierarchy, the more significant the extent of planning is and the greater its impact. The purpose of a plan is to facilitate the achievement of an institution's purpose, mission and objectives. Planning is therefore aimed at determining future circumstances and identifying the measures needed to realise them. It also involves choices or alternatives; in other words, making decisions to realise future circumstances (Van der Waldt & Du Toit, 1997:182).

Planning contributes to the effective handling of change. It permits the municipal manager to anticipate and prepare for change, as well as - to some extent - shape such change. Planning contributes to the smoothing out of the transitional phase experienced during changes from one situation to another (Fox *et al.,* 1991:49). It also provides direction and contributes to the development of a sense of purpose for the municipality. Plans supply information about what is to be achieved, when it will be achieved and who the responsible person(s) for the necessary action in this regard will be. Planning focuses on objectives of the organisation (Fox *et al.*, 1991:49).

Planning, therefore, provides a unifying framework through which decisions throughout the organisation can be assessed. This enables various organisational units to ensure that their planning decisions are consistent with the overall goals and objectives of the municipality as well as with those of other organisational units (Fox *et al.*, 1991:49). Planning provides opportunities for increased participation through proper training. Through planning, situations are avoided where events are allowed to happen in a haphazard and disorderly way. It allows various options and

possible results to be foreseen. With this foresight, it is possible to involve the public and employees to participate in generating and selecting possible options (Fox *et al.*, 1991:49).

Planning facilitates control and provides the means to evaluate whether activities conform to expected standards. From the plan, objectives and standards are set. Performance can be measured relative to these objectives and standards and deviations can be identified and corrected (Fox *et al.*, 1991:52).

Botes (1994:35-36) highlights the following reasons why there always is a need for municipal managers to do planning in terms of performance management:

- The significant changes in the technological and scientific worlds: Technology develops at an alarming rate, which necessitates urgent planning to meet the demands of the future. Specialisation in various fields of technology has brought about major changes in the administration of government departments.
- Changing structures of governments: When constitutions change, this also necessitates changes in the administrative arm of government. This makes planning essential. A municipality, which is a complex entity and runs on a systems approach, requires of its managers to properly co-ordinate their functions in order to successfully reach the institutional goals.
- Rapid changes in the work environment: The environment in which municipal officials work is always changing. At times changes are so rapid that municipal managers are required to use their discretionary powers and act without delay to render the necessary services. This calls for public managers to be alert and constantly planning.
- Economic and financial pressures: When implementing programs, municipalities should always strive to be as efficient as possible. Funds are scarce and this necessitates proper planning. During times of a recession or even depression, plans should be devised to curb financial losses and unnecessary spending (Botes, 1994:37).
- The Integrated Development Planning process and the performance management process should appear to be seamlessly integrated. Integrated development planning fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluating the Integrated Development Planning process (South Africa, 2001b:16).

5.2.3.2 Step 2: Priority setting

Integrated Development Planning should deliver the following products:

- an assessment of development in the municipal area, identifying development challenges, marginalised and vulnerable citizens and communities;
- a set of internal transformation strategies, priorities and objectives, which, if achieved, would enable the delivery and realisation of a development vision;
- a financial plan and medium term income and expenditure framework that are aligned with the priorities of the municipality; and
- a spatial development framework, disaster management plans as well as the operational strategies (South Africa, 2001b:34).

5.2.3.3 Step 3: Setting objectives

All components of the Integrated Development Plan (IDP), whether strategies or priority areas, need to be translated into a set of clear and tangible objectives. This is a crucial step in ensuring that there is clarity on the IDP and that suitable indicators are found. The construction of a clear and concise statement of objectives is needed. The statement requires a tangible, measurable and unambiguous commitment to be made. It is often useful to have a clear time frame attached to this commitment in the objective statement. In setting objectives, a municipality needs to:

- review the precise wording and intention of the objective;
- carefully consider the results desired (focused on outputs, impact and outcomes);
- avoid overly broad result statements; and
- be clear on the scope and nature of change desired.

The Performance Management Guidelines for Municipalities, as established by the Department of Provincial and Local Government in 2000 and which are presented as guidelines that should be followed to establish a performance management system, play an important role in the effective functioning of municipalities. As mentioned in chapter 1, it seems that municipalities find it difficult to establish a performance management system. The next chapter will focus on a framework for the establishing of a performance management system in municipalities.

5.3 Conclusion

In this chapter the emphasis was on implementing a performance management system for municipalities in South Africa. The guideline document issued by the Department of Provincial and Local Government (DPLG) was used as the point of departure. Local government has a key role to play in enabling people to receive this entitlement through arrangements that reflect local circumstances and that empower local communities. Municipalities, through their respective

councils, play a significant role and have a responsibility to respond to local needs and circumstances, and mostly provide the leadership that helps to create and support thriving communities.

The National Government in South Africa realises that it needs to support municipalities to ensure successful implementation of their performance management programmes. As part of the broader support framework, the Department of Provincial and Local Government (DPLG) developed a guide in 2001 to enable municipal practitioners to implement a performance management system. The guidelines, to assist municipalities in implementing their performance management systems, were used at the foundation of this chapter. The guide was designed to enable the development and implementation of such a system within the resource constraints, suited to the particular circumstances and in line with the priorities, objectives, indicators and targets contained in a municipality's Integrated Development Plan (IDP).

With these guidelines in place, municipal councillors, managers, officials and community-based organisations will have a better idea of how to implement a performance management system. The guide also highlights the linkages to an employee or personnel performance management system, although the latter is not the focus of this study.

Performance management is a specialised field; with marked differences in the way concepts are interpreted and applied. This chapter will assist councillors, managers, officials and local government stakeholders in implementing a performance management system in terms of the requirements of the legislation.

CHAPTER 6: SUMMARY AND RECOMMENDATIONS

6.1 Summary

The belief that the answers to performance management in the public sector must not be sought in sophisticated strategies, structures, controls and systems in the first place, carries widespread support. All public servants know, and very early on in their career learn, that they must function within the framework of rules and procedures designed to ensure accountability to their departmental head in the last instance, and to their immediate superiors in the second instance. Many of these regulations are tiresome and not conducive to the delegation of powers and the exercise of discretion, and thereby act as a disincentive to performance management.

The objectives of this study were to establish a framework for a performance management system for municipalities, taking theory and legislation as point of departure.

In chapter 1 an orientation and problem statement, the objectives of the study, the central theoretical statements, the research methodology and procedures as well as provisional divisions of the chapters were highlighted.

To operationalise the main objective, chapter 2 dealt with describing and defining performance management within its theoretical and statutory framework. From this chapter it can be deducted that performance management is a process for measuring outputs in the shape of delivered performance, compared with expectations expressed as objectives. In this respect, it focuses on targets, standards and performance measures, as well as performance indicators. It is also concerned with inputs – the knowledge, skills and capabilities required to produce the expected results. It is by defining these inputs requirements, and assessing the extent to which the expected levels of performance have been achieved by using skills and capabilities effectively, that developmental needs are identified.

Chapter 3 focused mainly on the necessary statutory and regulatory requirements that a municipality can use for guidance in order to achieve its goals and objectives through better performance. It provides a framework in which managers can support their team members rather than dictate to them, and its impact on results will be much more significant if it is regarded as a transformational rather than an appraisal process.

Plumptre (1991:31) is of the opinion that the issue which most profoundly affects performance and productivity in government is the apparent inability of governments to delegate in such a way that officials feel that they have the tools required to perform their jobs effectively and are enabled to make adequate use of their own judgement and initiative.

Above all, what makes the individual departments perform in the complex and very demanding environment in which they operate, is their personnel and not sophisticated strategic plans, programmes and techniques, etc. A number of problem areas have been identified from the previous chapter in respect of productivity and performance management. A brief exposition is subsequently given of factors that could cause a decline in performance. To begin with, the following were identified as having a detrimental effect on performance:

- poor leadership;
- rapid technological progress;
- increased complexity of work; and
- poor labour relations (Metcalfe & Richards, 1990:14).

The above list shows that it is necessary for municipalities to evaluate its service delivery programmes. The answer, in the broadest sense, is that municipalities need to determine whether or not they are meeting the previously established goals and objectives of a specific programme at a specific time. Evaluation should not only lead to the discovery of better policy programmes to accomplish existing objectives, but to alteration of the objectives themselves.

Chapter 4 focused on a broad framework whose aspects should be addressed when developing a performance management system. A municipality needs a clear management framework within which service delivery should be carried out to ensure value for money. In a municipality, a management framework, performance management and budgeting should be integrated and linked to both strategic planning and service delivery. Actual performance should be evaluated independently and objectively against plans, and reported for continuous improvement.

A framework for undertaking performance measurements is an essential process of analysing the data, provided by the monitoring system, in order to assess performance. This requires that municipalities determine the aspects, which they are going to look at, and the criteria, which they are going to use to measure performance.

Effective measurement should be clear on the time that information was obtained, on where it was obtained, and on whether it is valid, reliable, clear and accurate. It is important that municipal managers should continuously analyse the performance system and the results it is generating. They are best placed, having an in-depth understanding of their sector, to analyse whether targets are being met and will be met in the future, what the contributing factors to the level of performance are, and what remedial action needs to be taken.

Chapter 5 described the broader guidelines, based on the Department of Provincial and Local Government (DPLG) guidelines of 2001, for enabling municipal practitioners to implement a performance management system. The guidelines serve as a set of simple, user-friendly, non-prescriptive guidelines to assist municipalities in developing and implementing their legislatively required performance management system. It is designed to enable the development and implementation of such a system within the resource constraints, suited to the particular circumstances and in line with the priorities, objectives, indicators and targets contained in a municipality's Integrated Development Plan (IDP). This chapter is a summary of the study.

6.2 Objectives with the study

The following research questions were asked in chapter one:

- What is the nature of performance management and performance assessment?
- What are the statutory and regulatory requirements for performance management systems on municipal governmental level?
- What aspects should be included in a framework for performance management in municipalities?
- What aspects should be taken into account to implement a performance management system?

From these questions the following objectives were formulated:

- to determine the nature of performance management and performance assessment;
- to analyse the statutory and regulatory requirements for performance management systems on municipal governmental level;
- to establish a framework for a performance management system for municipalities, taking theory and legislation as point of departure; and
- to determine what aspects should be taken into account to implement a performance management system.

In this study the objectives have been reached in that the nature of performance management has been determined. The point of departure was a theoretical study within the limits of a mini-dissertation. The statutory and regulatory requirements of performance management were clearly indicated. A broad framework of what a performance management framework and system should look like has been established and the guidelines to implement such a system have been analysed.

6.3 Central theoretical statement

The central theoretical statement was as follows, as indicated in chapter1:

1. Section 38 of the Local Government Municipal Systems Act no. 32 of 2000 states that a municipality must establish a performance management system that is in line with its resources, unique circumstances, priorities, objectives, indicators and targets as part of its Integrated Development Plan.
2. Performance management is a new requirement for municipalities in South Africa and councillors, managers and officials must develop and implement a performance management system in terms of the requirements of legislation (Van der Waldt, 2004:338).

The central theoretical statement that was made seems to be correct in that:

- legislation states clearly that a municipality must establish a performance management system that is in line with its resources, unique circumstances, priorities, objectives, indicators and targets; and
- performance management is a new requirement for municipalities and councillors, managers and officials must develop and implement a performance management system in terms of the requirements of legislation.

With this in mind, it can be stated that this study reached its objectives.

6.4 Conclusion

After interpretation of the relevant information, it becomes obvious that there is a framework for a performance management system for municipalities in South Africa.

In contemplation of its definition, namely that performance management is used to define techniques and methods to achieve an improvement in the productivity and quality of the relationship between inputs, activities, outputs and outcomes in public service organisations (Henry *et al.*, 1997:101), it is significant that municipalities adhere to the regulatory framework of a performance management system as they endeavour to render effective and better services to communities. Even though municipalities adhere to the statutory regulations, it is also evident that they still need to work more on understanding and putting the right framework into place.

There are no quick fixes in performance management. The process often fails, because it is difficult to make it work. It also takes time and continuous effort to support the process and to ensure that everyone believes in and executes it. Whatever is done must fit the circumstances of the organisation. The following, however, are some guidelines based on what local municipalities that have successfully introduced performance management systems, are doing:

- They base performance management on a thorough analysis of the needs of the organisation in the light of the environment in which it operates.
- They take steps to understand what the organisation is and needs to be in its performance culture.
- They base the performance management process on principles that are relevant to the identified needs and are accepted by all concerned. A key principle is that performance management should always operate fairly, ensuring that top management 'drives' performance management but line managers and employees 'own' it, remembering that it is the process that is important, not the system, focusing on development, not on pay, monitoring, evaluating and providing support and, above all, always remembering that the ultimate keys to success are thorough and effective communications, involvement and training for all.

From the above and also supported by the value of this study, public managers will gain a full understanding of the organisation's mission, i.e. to set targets and standards for their team and to delegate work, freeing themselves to concentrate on strategic planning and continuous improvement and development of their operations and work teams.

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