

**Strategic planning and budgeting alignment: The case of the South African Social Security Agency (SASSA)**

**ELIZABETH TSHOLOFELO MOKGOPE**

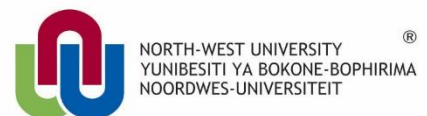
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at North-West University

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## **DECLARATION**

I, Elizabeth Tsholofelo Mokgope, hereby declare that the work contained in this mini-dissertation is my own original work and has not previously, in its entire or in part, been submitted at any university for a degree.

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E.T. MOKGOPE

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DATE

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## **ABSTRACT**

Strategic planning and budgeting are key performance management and measurement processes which need to be flexible and robust to enable the organisation to cope with the ever-increasing environmental and organisational challenges.

Strategic planning involves a structure or framework, a set of procedures (both formal and informal), and of course, content. Beyond these basic elements, the underlying assumptions about strategic planning are that the future can be anticipated, forecasted, managed or even controlled, and that the best way to do so is to have a formal and integrated plan in place. The process of planning itself may turn out to be more important than the results, and that process requires, as Mintzberg (1994:109) suggests, both analysis and synthesis. Planning simply introduces a formal “discipline” for conducting long-term thinking about an institution, and for recognising opportunities in and for minimising risks from the external and internal environments.

A budget (from old French *bougette*, purse) is generally a list of all planned expenses and revenues. It is a plan for saving and spending. A budget is an important concept in microeconomics, which uses a budget line to illustrate the trade-offs between two or more goods. In other terms, a budget is an organisational plan stated in monetary terms.

The study will provide an analysis of the strategic planning and budgeting process in South African Social Security (SASSA) and explore ways to eliminate possible strategy gaps that seem to hamper the implementation of the strategy. The primary objective of this research is to investigate a potential misalignment between the strategic planning and budgeting processes in SASSA. The study aims to discern whether a potential misalignment of the strategic planning and budgeting processes exists and then suggest a plan to align the processes by considering best practices. The study will address the following research problem: are the strategic planning and budgeting processes in SASSA aligned enough to place the organisation in a position in which it is

able to implement its mandate? The study further highlights strategies and recommendations to help improve the strategic planning and budgeting processes, if the research identifies any, and proposes procedural improvements.

## **KEY WORDS**

Budget alignment, Public Finance Management Act (PFMA), South African Social Security Agency (SASSA), Strategic planning.

## OPSOMMING

Strategiese beplanning en begroting is kern prestasiebestuur en prestasie evalueringsprosesse wat buigbaar en robuust moet wees sodat dit die organisasie in staat kan stel, om toenemende omgewings en organisatoriese uitdagings te kan hanteer.

Strategiese beplanning behels 'n struktuur of raamwerk, 'n stel prosedures (beide formeel en informeel) en natuurlik die inhoudelike. Ondersteunend tot hierdie basiese elemente, is die onderliggende aannames met betrekking tot strategiese beplanning, dat die toekoms verwag, voorspel, bestuur of selfs beheer kan word, en dat die beste manier waarop dit gedoen kan word, is om 'n formele en geïntegreerde plan in plek te hê. Die beplanningsproses mag bewys dat laasgenoemde selfs meer belangrik is as die resultate, en dat die proses, soos deur Mintzberg (1994:109) voorgestel, analiese en sintese vereis. Beplanning lê 'n formele dissipline bloot ter ondersteuning van die uitvoer van 'n langtermyn denkrigting met betrekking tot 'n instelling, asook vir die herkenning van geleenthede rondom die vermindering van risikos vanuit eksterne en interne omgewings.

'n Begroting (vanuit die ou Franse term *bougette*, beursie) is oor die algemeen 'n lys van al die beplande uitgawes en inkomstes. Dit verteenwoordig 'n plan vir besparing en besteding. 'n Begroting is 'n belangrike mikro-ekonomiese konsep, wat 'n begrotingslyn gebruik om die uitruilhandel tussen twee of meer goedere te illustreer. Met ander woorde, 'n begroting is 'n organisatoriese plan wat in monetêre terme uitgedruk word.

Hierdie studie voorsien 'n ontleding van die strategiese beplanning en begrotingsprosesse in die *South African Social Security Agency (SASSA)*, en verken ook maniere om moontlike strategie gapings wat die implementering van 'n strategie belemmer, uit die weg te ruim. Die primêre doel van hierdie navorsing is om 'n potensiële belyningsfout wat tussen die strategiese beplannings- en begrotingsprosesse in SASSA mag bestaan te ondersoek. Die studie het ten doel om tussen 'n potensiële

belyningsfout van die strategiese beplannings- en begrotingsprosesse te onderskei asook die daarstelling van 'n plan wat die prosesse kan belyn in die lig van suksesvolle praktyke. Die studie sal die volgende navorsingsprobleem aanspreek: Is die strategiese beplannings- en begrotingsprosesse in SASSA genoegsaam belyn om die organisasie in 'n posisie te plaas waarin laasgenoemde in staat is om sy mandaat te implementeer? Die studie lig verder ook strategieë, aanbevelings en proseduriële verbeterings toe wat sal bydra om die strategiese en beplanningsprosesse te verbeter, indien daar enige belyningsfoute uitgewys kan word.

## **SLEUTEL TERME**

Begrotingsbelyning, Openbare Finansiële Bestuurswet (PFMA), South African Social Security Agency (SASSA), Strategiese beplanning.



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## CHAPTER 1

### BACKGROUND, ORIENTATION AND PROBLEM STATEMENT

#### 1.1. ORIENTATION

According to Wall and Wall (1995:25), the practice of strategic planning originated in the military, with early models of formal strategic planning that “reflect the hierarchical values and linear systems of traditional organisations”. Wall and Wall (1995:25) further state that strategic planning was undertaken by an elite corps who functioned in the top structure of the organisation, and therefore, the structure of strategic planning was highly vertical and time-bound. Wall and Wall (1995:25) explain the process of strategic planning as follows: A certain period would be set aside to analyse the organisation’s situation, after which a course of action would be decided upon; such a process would result in a formal document; once the strategic planning process was completed, a separate, discreet process of implementing the strategic plan could commence.

Strategic planning in organisations originated in the 1950s and was hugely popular and widely implemented between the mid-1960s and the mid-1970s. People then considered this method as the answer to all their problems. During that period, corporate America was described as “obsessed” with strategic planning. Following the premeditated schedule “boom”, strategic planning was cast aside and abandoned for over a decade. The 1990s brought about a revival of strategic planning as a process with particular benefits in particular contexts (Mintzberg, 1994:50).

Young (2001:34) states that strategic planning’s origins *per se*, as used in the public sector, can be traced back to the late 1950s and early 1960s. The United States of America’s (USA) Department of Defence began to consider more effective and useful ways to plan for its long-term needs, while at the same time, achieving cost-effective results. The advent of the Planning Programming Budgeting System (PPBS) initiated

what was to blossom into a series of varying strategic planning and budgeting systems. The PPBS promised to do several things to improve federal governmental operations.

Some of these anticipated improvements included the following: the establishment of long-range planning goals and objectives; the examination of costs and benefits of these expected ends; a comparison and contrasting alternative activities to achieve agency goals and objectives; and, the establishment of multi-year projections for both executive and legislative consideration during annual budgets and appropriations (Young, 2001:35).

Christensen (2005:2) asserts that in the 1960s and 1970s, strategic planning was viewed by executives as the best way to ensure productivity in an organisation. The assumption was that every facet of potential value to decision-making and strategic planning could be measured and the results would indicate the best strategies that could be selected and followed. During the 1990s, strategic planning was remodelled and new approaches to strategic planning focused on growth through mergers/acquisitions and joint ventures. This era saw an increase in the generation of innovative ideas through decentralised strategic efforts within an organisation's emergent strategy, as well as the leveraging of core competencies to create strategic intent (Dostal, Cloete and Jaros, 2005:257-259).

Having outlined a brief history of strategic planning, it is equally important to examine the brief history of budgeting as well as statutory and legislative guidelines as the prescribed budgeting system in the South African public sector.

Considering budgeting within a public context, it is imperative, as a point of departure, to establish the exact guidelines against which the budgetary process is required to be implemented as prescribed by the Constitution of the Republic of South Africa, (RSA, 1996:25), as supreme law as it is written in Section 215 (1)(2)(3) that the budgets in the three spheres of government must be transparent; hold political office bearers and senior management accountable; ensure effective financial management. The budgets

which indicate sources of revenue and projected expenditure as well as how the budget is going to be financed must be tabled.

The first traceable legal definition of the term “budget” is contained in a French decree of 1862. This decree defines a budget as “a document which forecasts and authorises the annual receipts and expenditures of the State” (Stourm, 1917:2). Stourm (1917:3) further states that in most countries, the governmental budget is drafted at regular intervals by the executive, after which it is tabled in the legislature for review and approval before the beginning of the fiscal year to which it applies. From a procurement perspective, a budget can also be defined as a transaction governed by a contract in which the government requests a service provider to supply goods and services for a stated price (Patashnik, 1996:200).

According to the National Treasury Regulations, Part 3, Section 5, (RSA, 2001:15), the Accounting Officer of a public organisation must prepare a strategic plan for the Medium Term Expenditure Framework (MTEF) period commencing 1 April, for submission and approval by the relevant executive authority. A strategic plan, together with its annual performance plan, must be tabled 15 days after the Minister of Finance or Member of the Executive Committee (MEC) for Finance, has submitted the annual budget.

As stated in Section 53 of the Public Finance Management Act, Act No. 1 of 1999 (PFMA), (RSA, 1999:50), the accounting authority for a public entity (listed in Schedule 3), which is not a government business enterprise, must submit a budget of estimated revenue and expenditure for the up-coming financial year, for approval by the executive authority responsible for that public entity. The designated department needs to submit such a budget of estimated revenue and expenditure for that financial year at least six months before the start of the financial year in terms of Sub-section (2), or another period agreed upon between the authority and the public entity.

The National Treasury has revised Treasury Regulations 5 and 30 (RSA, 2001:1), issued in terms of the PFMA. This was done to provide the necessary legal basis for the

implementation of this framework and to support the implementation of the Framework for Managing Programme Performance Information (FMPPI).

The National Treasury Regulations (RSA, 2001:15) requires public institutions to:

- ❑ “Produce and table a Strategic Plan (SP) with a five-year planning horizon, outlining the planned sequencing of projects, the implementation of programmes and their associated resource implications, as well as other prescribed information.
- ❑ Produce and table an Annual Performance Plan (APP) which includes projections for a further two years consistent with the period for the MTEF, and showing annual and quarterly performance targets where appropriate, for the current financial year and the MTEF.
- ❑ Identify a core set of indicators needed to monitor institutional performance.
- ❑ Adopt a quarterly reporting system, including the submission of agreed information to executive authorities who include the Presidency or Premier’s Offices, the relevant treasury and Parliamentary portfolio committees. Public entities are encouraged to submit the reports to their executive authorities and responsible departments”.

Considering a brief outline of historical facts on strategic planning and statutory and legislative guidelines on public budgeting, the main objective of this mini-dissertation was to analyse and assess the current strategic planning and budgeting process within the South African Social Security Agency (SASSA). It further intends to establish best practices in strategic planning and budgeting.

Nine years ago, SASSA was established. The establishment of this public agency came as a result of the findings in the Mashaba court case. In this case, Mashaba took legal action against the state based on the discrepancies in social service delivery in the nine provinces located within the borders of the Republic of South Africa. The decision taken by the High Court in the case of “Mashaba vs. The President and the Minister of Social

Development” was that the court held the opinion that the assignment of the bulk of social assistance to provinces was invalid. Consequently, a decision was then taken to move the department of Social Assistance from provincial departments and to turn it into a national responsibility (Parliamentary Monitoring Group, 2004:11).

Through the advice of Dr Zola Skweyiya, a former Minister of Social Development, the South African Parliament took a decision to establish SASSA for the administration of social assistance on a national level. Legislation was passed in the form of the Social Security Agency Act, Act No. 9 of 2004, which sets out the mandate for the said Agency.

SASSA was established on 1 April 2006 in terms of the South African Social Security Agency Act, Act No. 13 of 2004 as amended. SASSA’s mandate is to administer the payments of grants to 16 million beneficiaries in the nine provinces located within the Republic of South Africa (SOCPEN System:2015). In accordance with the Strategic Plan, 2012/13 to 2014/15, one of the requirements of the SASSA is to ensure payment of the right social grant, to the right person, at the right time and place, NJALO! (Njalo, a Zulu word meaning “always”), (SASSA’s Strategic Plan, 2012/13 to 2016/17).

SASSA is a Schedule 3A public entity according to the stipulations outlined in the PFMA (RSA, 1999:74), as amended. SASSA is responsible for ensuring that government pays the right grant, to the right person, at a location which is most convenient for that person. The study will therefore focus on SASSA, which is made up of a headquarters in Pretoria (referred to as Head Office), as well as nine regional offices, namely, Eastern Cape, Free State, Gauteng, KwaZulu Natal, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape.

In order to establish a theoretical basis from which the term strategic planning is understood, it is crucial to examine the definitions of strategic planning. The next section will therefore explore strategic planning according to the viewpoint of different authors.

There are numerous definitions of strategic planning, and many different approaches can be employed in strategic planning. Guralnik (1986:11) asserts that most definitions focus on the alignment of an organisation with its future environment. Guralnik (1986:11) further states that such definitions are based on the premise that planning methods that are primarily rational, sequential and comprehensive will be yielded by the process. Olsen and Eadie (1982:23) define strategic planning as a decision-making tool from which actions that shape and guide what an organisation is, what it does and why it acts as it does are taken. Strategic planning usually requires broad-scale information gathering, generation and exploration of alternative courses of action and an emphasis on the future implications of near-term decisions (Olsen and Eadie, 1982:23).

Furthermore, strategic planning is based on the idea that leaders and managers of public and non-profit organisations should act as effective strategists if their organisations are to fulfil their missions, mandates and satisfy constituents in the years ahead (Bryson, 1995:ix). According to Young (2001:61-66), governments essentially agree that strategic planning is a process of developing a long-term plans to guide organisations such as a state agency, department or commission towards a clearly articulated mission, goals and objectives. Young (2001:61-66) further states that such planning is a process of assessing an organisation's present position, ascertaining the challenges and opportunities that present themselves, as well as determining which future destination is most desirable and how to get there.

Finally, Bryson (1995:15) defines strategic planning in a more comprehensive and political sense. Bryson (1995:15) states that strategic planning is an excellent method for an organisation, government or quasi-government to contend with fluctuating situations and circumstances that it may encounter. Bryson (1995:17) argues that strategic planning's main aim is "to think and act strategically". Halachmi (1993:125-126) points out that although strategic planning for public organisations has received much attention and has widespread advocacy, it does not have an impressive success record and that there are a few accounts of failures and the reasons for it. Nutt and Backoff (1993:209) contend that public organisations continue to import private sector

strategic management approaches that make assumptions. These are not valid for organisations with significant amounts of “public-ness”. Such assumptions in private firms include clear goals; profit or economic purpose; unlimited authority to act; limited responsibility for actions and oversight through market mechanisms (Nutt and Backoff, 1993:231).

Currently, Chapter 5 and 30 of the National Treasury Regulations (RSA, 2001:15:73) and Part 3B of the Public Service Regulations (RSA, 2013:8) set out the legal requirements for strategic plans. The two regulations state that a strategic plan should cover a period of at least five years. According to the two regulations, the following aspects should be considered: Although plans may have a longer timeframe, they should be revised at least every five years, and a new draft or revised strategic plan generally should be prepared for consideration early in the final year of the prior planning period; Departments are expected to table strategic plans of the first year within a month after the tabling of the budget; and public entities are encouraged to submit a strategic plan to the executive authorities and the responsible departments by the end of January prior to the start of the first financial year covered in the plan.

The Annual Performance Plan (APP) covers the upcoming financial year and the MTEF period (RSA, 2010:7). It should be noted that in years four and five of the Strategic Plan the Annual Performance Plan will fall outside the period covered by the Strategic Plan (RSA, 2010:7). Forward projections should nevertheless be provided (RSA, 2010:7). Departments should aim to submit their Annual Performance Plan within a month of the tabling of a budget in respect of the year to which it relates (RSA, 2010:7). Public entities must submit the plan to their executive authorities and the responsible departments by the end of January, prior to the start of the first financial year covered in the plan (RSA, 2010:7).

Chapter 6 of the Treasury Regulations (RSA, 2001:16) sets out the legal requirements for annual budgets. Section 53 of the PFMA (RSA, 1999:50) deals with the legal requirements for annual budgets, as well as the MTEF budgets of public entities. The



annual budget is developed within the framework of the Strategic Plan (SP), and must inform and be informed by its Annual Performance Plan (APP). In-year implementation and monitoring of the budget is conducted through the monthly financial reports, while year-end reporting is done through annual financial statements, which are included in the annual report.

Perry and Rainey (1988:182) emphasise that differences in environments, constraints, incentives and cultures limit the applicability of private sector ideas about mission and strategic direction to public organisations. Kovach and Mandell (1990:30) argue that the implementation of strategic plans is a critical element for public organisations. This is mainly because, unlike businesses, public organisations are to implement their strategic plans within a multi-dimensional system in which different role-players function.

In order to understand the nature of budgets, it is imperative to discuss various definitions of a budget. Therefore, in the next section, the definition of budget will be discussed by examining various authors' perspectives.

The budget is a document which "forecasts and authorises the annual receipts and expenditures of the state..." (Stourm, 1917:2). Stourm (1917:2) further states that in most countries, a government's budget is drafted at regular intervals by the executive and tabled in the legislature for review and approval. This is done before the beginning of the fiscal year to which the budget applies. In light of this, Otley (1999:370) observes, that budgeting has traditionally been the centre of most organisations' control mechanisms, as it is one of the few techniques capable of integrating the array of activities within an organisation into a single logical plan.

Bunce, Fraser and Woodcock (1995:253) recognise some positive aspects of budgeting, in that it combines the goals, plans and responsibilities of the organisation and, at the same time, achieves financial consistency for the enterprise. Furthermore, without an annual budget, it would be difficult to set targets for staff members, or to appraise and control performance effectively (Ekholm and Wallin, 2000:530). According

to Neely, Sutcliff and Heyns (2001:145), budgeting is time consuming, and too inflexible. In addition, the whole process is bureaucratically entangled and impedes the use of an organisation's full potential. It is therefore also counterproductive because it disempowers front-line staff, and encourages speculation and dysfunctional behaviour (Neely, *et al.*, 2001:145). Hope and Fraser (2001:67) indicates that planning and budgeting processes absorb between 20% to 30% of senior executives and financial managers' working time. Even though these authors mentioned the constraints of budgets, the use of budgeting is almost a universal practice (Bunce *et al.*, 1995:255). Bunce *et al.*, (1995:255) further reiterate that this is due to a budget's integration capabilities, which is a critical requirement within the public sector.

Against this backdrop, it is noted that strategic planning and budgeting processes are key to managing and measuring performance and therefore need to be flexible and robust to enable an organisation to survive amidst the ever increasing environmental and service delivery challenges.

Having outlined strategic planning and budgeting processes, it is important to outline the alignment of the two processes, seeing that they cannot be separated. Therefore, the next section will discuss how these processes are aligned.

Alignment is an organisation's capability to link planning, budgeting and citizenry value in a process that harmonises organisational activities and creates synergies between the units (Kaplan and Norton, 2006:123). Sabherwal and Chan (2001:11) point out that alignment between strategic planning and budgeting affects perceived business performance, but only in some organisations. As pointed out by Reich and Benbaset (1996:56), a few studies were done on the alignment of strategic planning and budgeting.

From the above perspectives, one can infer the importance for alignment with an organisation's objectives. This includes ensuring that the budgeting function supports organisational goals and activities at every level of the organisation.

The legislation that guides strategic planning and budgeting alignment in the South African Government is identified as the Framework for Strategic Plans and Annual Performance (RSA, 2010) developed by National Treasury. The Framework for Strategic Plans and Annual Performance defines the role of strategic and performance plans with regard to legislation, policies and programmes. The Framework also examines the distinction between different planning, budgeting, as well as monitoring and evaluation documents, and how these documents are related to, and support each other. Further applicable legislation is Chapters 5 and 30 of the Treasury Regulations (RSA, 2001:15,73) which outlines the legal requirements for strategic planning. In addition, Section 53 of the PFMA deals with the legal requirements for annual budgets and the MTEF budgets of public entities (RSA, 1999:50).

This study investigates the strategic planning and budgeting processes in SASSA and analyses these processes. It simultaneously explores ways to eliminate possible strategy gaps that may hamper the implementation of the strategy regarding any divergences that may be identified by the study. A case study was offered to display the natural evolution of strategic planning and budgeting processes within the institution, as well as a literature review conducted on general guidelines and best practices as employed by private institutions. The research study identified and provided recommendations and findings on how SASSA's strategic planning and budgeting is undertaken to enhance service delivery.

Against the background provided in the research orientation, the researcher outlines the problem statement. The problem statement serves to describe the problem relevant to this study. Therefore, the next section will identify the problem and provide an explanation of the context in which the problem exists.

## **1.2. PROBLEM STATEMENT**

Research begins with a clear, simple statement of the problem outlined in unambiguous terms to highlight the avenue for possible research (Leedy, 2005:50). As stated

previously, strategic planning and budgeting are key processes in the management and measurement of public performance. Therefore, these processes need to be flexible and robust to enable an organisation to cope with the continuous environmental and business challenges. In her overview in the Strategic Plan (SASSA's Strategic Plan 2012/13 to 2016/17:7), the Chief Executive Officer (CEO), Ms Virginia Petersen stated the following:

- ❑ "Standardisation and uniformity of business processes are still not in place, particularly at some of the local offices, although some business processes are indeed standardised across the nine Provinces within the Republic of South Africa.
- ❑ The lack of uniform business processes across the Agency does not only project a negative image of the Agency, but also results in the rendering of uneven levels of services".

The uneven levels of services causes SASSA to be in contravention of a High court order in the "Mashaba vs. The President and the Minister of Social Development". This order provides the grounds for SASSA's existence. SASSA was established according to an order in which the court held the opinion that there was uneven social service delivery across the nine Provinces located within the Republic of South Africa (Parliamentary Monitoring Group, 2004:11).

This section in the research discusses the background to the research problem as a way or means of conceptualising the basic research statement. This research is significant in that it highlights one of two of the core elements of finances and strategic planning within the public sector. In this sense, efficient, effective and economic management of resources need a proper long term plan to guide an organisation (Young, 2001:61-62) Firstly, it is important to note how and why SASSA was established and for what purposes.

SASSA is a service delivery entity in the public sector and is a Schedule 3A public entity, as indicated in the PFMA (RSA, 1999:50). SASSA's mandate is to ensure the provision of comprehensive social security services to help address vulnerability and poverty from within the Constitutional and Legislative Framework. SASSA has set itself the vision to be "a leader in the delivery of social security services" (SASSA's Strategic Plan 2012/13 – 2016/17). To meet the requirements of such a vision is not easy, given the current South African economic and political climate. There is no simple prescription that gives the right approach to achieve this vision. The Agency's main objective is: "to build a high-performance institution, which stands out by compliance with good governance principles, while striving for operational excellence through continued improvements in service delivery to beneficiaries" (SASSA, Strategic Plan 2012/13 – 2016/17).

Miller and Galeaz (2007:39) point out that leading organisations continue to look for an overall alignment between targets, the organisational strategy and value drivers. Without this connection, the budgeting and reporting process turns into a mere financial exercise instead of being an effective management tool to implement effective strategies (Miller and Galeaz, 2007:39).

The decentralised fiscal system included in the Constitution (RSA,1996:42) necessitates better integration of planning and budgeting processes across spheres of government and across sectors affected in the spirit of cooperative governance. The MTEF (RSA,1998:1) was initially piloted in Gauteng provincial departments and thereafter adopted for national and provincial governments in 1998. The MTEF Framework provided the outlines for integrating planning with budgeting at a macro-level across the spheres of government. The PFMA provided the framework for the integration of planning and budgeting at departmental and programme level.

The PFMA (RSA, 1999:1) is the legislative vehicle designed to give operational effect to sections 215 and 216 of the Constitution (RSA,1996:25-26) which outlines the principles of good fiscal governance. The PFMA, together with its supporting regulations, creates

a fiscal accountability framework in which five year strategic plans are cascaded down into annual performance plans. The regulations contain service delivery targets that are anticipated and that correspond with financial projections over the period of the MTEF.

A public organisation's ability to align its strategic plan and budget successfully depends on the legislative framework, departmental systems, structures, processes, leadership responses, organisational culture, information flows, as well as the interaction of these different factors (Denhart, 1985:121; Schick, 1998:212; Poister and Streib, 1999:305). These factors cumulatively shape the incentives which confront public managers (Schick, 1998:212).

A former Auditor-General (AG), Mr Terence Nombembe, gave important indications in his report for 2010/2011 which summarises the audit outcomes of National and Provincial departments and public entities within the South African public sector. Mr. Nombembe pointed out that 4 national and provincial departments (10%) improved on their 2009/10 audit outcomes, 6 national and provincial departments (15%) regressed and 21 national and provincial departments (54%) remained unchanged. He also indicated that 30 public entities (11%) improved, 55 public entities (20%) regressed and 179 public entities (66%) remained unchanged. SASSA's Audit Report (SASSA's Annual Report 2009/10) improved from a disclaimer (issued when the auditor is unable to express an opinion on the financial statements) to an unqualified audit opinion (issued by the auditor when the financial statements presented are free from material misstatements and are represented fairly and in accordance with the Generally Accepted Accounting Principles (GAAP) within the findings).

The AG, in his report on SASSA for 2010/2011 financial year (SASSA's Annual Report 2010/11) indicated the following: "during the audit of performance information, it was noted that some of the performance indicators were not aligned to targets set for the three year period. Therefore, the report on predetermined objectives leads to a qualified conclusion. This was mainly due to non-availability of data and staff members not fully

understanding the requirements of the predetermined framework for reporting objectives.”

Based on the aforementioned factual data, this study will address the following research problem: are the strategic planning and budgeting processes in SASSA aligned to place the organisation in a position in which it is able to implement its mandate? The study aims to explore the strategic planning and budgeting processes within SASSA to identify potential gaps in the alignment between the strategic planning and budgeting processes, and to make recommendations that may address the identified problem.

In addition to the focus on the problem statement, the researcher had to meet certain objectives which will be outlined in the next section.

### **1.3. RESEARCH OBJECTIVES**

The primary objective of this research is to investigate a potential misalignment between the strategic planning and budgeting processes in SASSA.

The study aims to discern whether a potential misalignment of the strategic planning and budgeting processes exists and then suggest a plan to align the processes by considering best practices. Further, the study highlights strategies and recommendations to help improve the strategic planning and budgeting processes.

The objectives that support this study are:

- ❑ To outline the principles and best practices associated with strategic planning by identifying the differences and techniques employed in strategic planning.
- ❑ To outline the principles and best practices associated with budgeting by means of a literature review.
- ❑ To determine statutory and regulatory guidelines that prescribe the strategic planning and budgeting in the South African Public Service.

- ❑ To determine how the strategic planning and budgeting processes should be aligned, with specific reference to SASSA, to enhance service delivery.
- ❑ To make recommendations on improving the alignment of strategic planning and budgeting processes.

In order to reach or achieve these objectives, the researcher had to answer the research questions related to this study.

#### **1.4. RESEARCH QUESTIONS**

The following questions support the research process:

- ❑ What are the principles and best practices associated with strategic planning?
- ❑ What are the principles and best practices associated with budgeting?
- ❑ Which statutory and legislative frameworks and regulations prescribe the processes for strategic planning and budgeting in the South African Public Service?
- ❑ How should strategic planning and budgeting processes be aligned with specific reference to SASSA?
- ❑ Which recommendations could be made to improve alignment of the strategic planning and budgeting processes?

In order to address these research questions and thus achieve the research objectives, the researcher outlines the central theoretical arguments related to this study in the next section.

#### **1.5. CENTRAL THEORETICAL STATEMENTS**

Kerlinger (1986:100) states that a central theoretical statement is equivalent to a hypothesis in quantitative research. Kerlinger (1986:100) furthermore states that in



qualitative research, researchers use theoretical statements to guide the research process. The research study formulates the following central theoretical statements:

- ❑ The Green Paper on National Strategic Planning (RSA, 2009:5) identifies institutional reforms for planning and coordination and describes the institutional linkages within and outside of government. This Green Paper further proposes structures to meet the mandate for better planning and coordination.
- ❑ According to Mclaughlin (1992:25), organisational planning is in general, the conscious determination of courses of action to achieve preconceived objectives. Mclaughlin (1992:25) asserts that organisational planning is based on what is known about the present organisational environment of an anticipated future. Therefore, Mclaughlin (1992:26) argues that rather than being a fixed document, a strategic plan must be flexible enough to change and suit the current environment. It must be constantly reassessed and adapted to a dynamic environment (Mclaughlin, 1992:27).
- ❑ In contrast to strategic planning, Wooldridge, Garvin and Miller, (2001:86), assert that budgeting underlines the prediction and quantification of the future in financial terms and the prediction of future needs for finance. Therefore, budgeting establishes a critical connection between organisational finance and strategic planning. Budgeting data are the most tangible causes for decisions that are considered by decision makers (Wooldridge *et al.*, 2001:87).
- ❑ Anthony (1965:258) states that there exists a definite link between budgeting and operational planning and between budgeting and strategic planning. However, operational planning, strategic planning and budgeting are three different concepts that display different characteristics. Operational planning is characterised as a wide diversity of practices in different organisations. Strategic planning is an irregular activity that takes place in the higher echelons of an organisation (Anthony, 1965:258).

- In addition, Otley and Pollanen (2000:490) explain that budgeting is an accounting-based system that shows a regular and routine pattern which is common to all organisations. Apart from the planning role of budgeting, numerous articles on management accounting constantly stress the multi-purpose role of budgeting in business – the so-called “conventional wisdom” as propagated by various textbooks. According to Sharan (1967;344) the budget as a fiscal document is used to distribute and redistribute services among the citizens. Wildasky(1974:4) defines a budget as a series of goals with ‘price tags’ attached to them. A budget is a collection of documents that refers to the financial condition of government including information about revenue, expenditure, activities, purposes and goals (Lee and Johnson, 1998:14). Budgeting is used in the practices of forecasting, planning, coordination, communication, control and motivation. In the past 25 years, considerable attention has been given, particularly to the role of management control of budgeting (Otley and Pollanen, 2000:490).

Legislative frameworks relevant to this study will be outlined below.

#### 1.5.1. Prescripts for strategic planning

Legislation, acts and frameworks that are applicable to this study are the following:

- **The South African Social Security Agency Act, 2004 (Act No. 9 of 2004)**

The South African Social Security Agency (SASSA) Act, Act No. 9 of 2004 provides for the establishment of SASSA as a schedule 3A public entity in terms of the PFMA (RSA, 1999:74). The principle aim of the Act is to make provision for the effective management, administration and payment of social assistance and service through the establishment of SASSA.

❑ **The Social Assistance Act, 2004 (Act No. 13 of 2004) as amended**

The Social Assistance Act, Act No. 13 of 2004 provides a national legislative framework for the provision of different types of social grants, social relief of distress, as well as the delivery of social assistance grants by a national Agency and for the establishment of an Inspectorate for Social Security.

❑ **The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended**

Section 51(1)(f) of the PFMA (RSA, 1999:47) states that the Accounting Authority is responsible for ensuring that public entities submit all reports, returns, notices and other information to Parliament and to the National Treasury, as may be required by this Act.

As stated in Section 53 of the PFMA (RSA, 1999:50):

(1) “The Accounting Authority for a public entity listed in Schedule 3, which is not a government business enterprise, must submit all reports to the executive authority responsible for that public entity, at least six months before the start of the financial year of the department designated in terms of Sub-Section,

(2) or another period agreed to between authority and the public entity, a budget of estimated revenue and expenditure for that financial year, as well as a strategic plan, for approval by the executive authority.

(3) The budget and the strategic plan must be submitted to the executive authority through the accounting officer for a department who are designated by the executive authority, and who may make recommendations to the executive authority with regard to the approval or amendment of the budget”.

❑ **The Framework for Strategic Plans and Annual Performance Plans**

The Framework for Strategic Plans and Annual Performance Plans (RSA, 2010:1) was developed by National Treasury as a guideline for developing strategic plans and

Annual Performance Plans. All government departments and public entities are required to comply with this Framework (RSA, 2010:1).

The Framework for Strategic Plans and Annual Performance Plans (RSA, 2010:1) will contribute to the study by outlining how strategic planning and budgeting processes should be aligned in terms of a public service perspective and how the costs of initiatives must be linked to the results to ensure value for money. The Framework is useful as it provides guidance on good practice and requirements for budget-related information. Furthermore, the Framework demonstrates that medium-term Strategic Plans and Annual Performance Plans can play a constructive role in clarifying the relationship between broader policies and programmes, and departmental or institutional budgets.

### **1.5.2. Prescripts for Budgeting**

#### **❑ The Constitution of the Republic of South Africa (1996)**

Section 215(1) of the Constitution (RSA,1996:1331(25), states that the budgeting processes of national, provincial and local government must promote transparency, accountability and effective financial management of the economy, debt and the public sector and further states that the three spheres must indicate the revenue and projected expenditure conforming to norms and standards.

#### **❑ The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended**

Section 51(1)(f) of the PFMA (RSA,1999:47) states that the accounting authority is responsible for the submission by the public entity of all reports, returns, notices and other information to Parliament and to the National Treasury, as this Act may require.

As stated in Section 53 of the PFMA (RSA, 1999:50):

- (1) “The accounting authority for a public entity listed in Schedule 3 which is not a government business enterprise must submit to the executive authority responsible for that public entity a budget of estimated revenue and expenditure for that financial year as well as a strategic plan for approval by the executive authority. This should take place at least six months before the start of the financial year of the department designated in terms of Sub-Section guidelines,
- (2) or another period agreed to between authority and the public entity.
- (3) The budget and the strategic plan must be submitted to the executive authority. This must be done through the accounting officer for a department who was designated by the executive authority, and who may make recommendations to the executive authority with regard to the approval or amendment of the budget.”

#### **❑ Medium Term Expenditure Framework (MTEF) budgeting guidelines**

According to the National Treasury , the MTEF guidelines (RSA, 2014:3) emphasise the need to address all three objectives of public expenditure management, namely fiscal discipline, strategic resource allocation and operational efficiency.

Having observed the central theoretical statements, the next section provides an exposition of the research methodology that will be employed to answer the research question. This methodology provides a detailed explanation that this study used for sampling, data collection and analysis. It also provides a justification of the methods employed and possible limitations of the research.

## **1.6. METHODOLOGY**

### **1.6.1. Research approach**

According to Fouché and Delport, (2002:81) most authors agree that in real life, Social and Human Sciences research uses both quantitative and qualitative methodology .This is done consciously, but often unconsciously (Fouché and Delport, 2002:81).

Van Maanen (1979:520) explains that the term “qualitative” has no precise meaning, but entails an umbrella term which covers a variety of techniques, “... which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world”. In order to reach that meaning, qualitative methods emphasise, “... the representation of reality through the eyes of participants” (Henwood and Pidgeon, 1993:16). The focus is on the respondent and it is their reflections and opinions that should guide the research, so that “... a qualitative researcher begins with a research question and little else” but “begin(s) with detailed observations of the world and move(s) towards more abstract generalisations and ideas.” (Neuman, 1997:334).

Despande (1983:103) draws on the studies of Reichardt and Cook (1979) to conclude on an area of differentiation between the qualitative and quantitative paradigms as follows: “in the qualitative paradigm, research is grounded, discovery oriented, exploratory, expansionist, descriptive, inductive, whilst research according to the quantitative paradigm is ungrounded, verification-oriented, confirmatory, reductionist, inferential, hypothetico-deductive.”

The research method that was followed in this study is of a qualitative nature. That is due to the ability of this approach to interpret and understand human and organisational behaviour (Welman, 2005:6). The qualitative method is suited to attend to the holistic nature of knowledge-building and to produce knowledge through an on-going interplay between theory and methods, or the researcher and the researched (Hesse-Biber and Leavy, 2006:5).

The qualitative method of research supports the notion of working through a qualitative window into knowledge construction and is aimed at gaining complex knowledge directly from people with certain attributes or life experiences (Hesse-Biber and Leavy, 2006:4). The number of observations in this method is limited compared to that of quantitative research and implies the analysis of words rather than numbers (Gerring, 2007:216). Qualitative research is a descriptive form of research, which is useful in

describing, amongst others, institutions (Welman, 2005:188,193). Therefore, this method is well suited to describing the what, why and how of the organisation included in the study namely, SASSA. Finally, the qualitative method is often associated with case studies (Gerring, 2007:216) and thus complies with the approach adopted for this research.

According to Cresswell (1994:139) a descriptive research intends to present facts about the nature and status of a situation, as it exists at the time of the study. Best (1970:340) states that descriptive research is also concerned with the relationships and practices that exist, beliefs and processes that are on-going, effects that are being felt, or trends that are developing. Cresswell (1994:140) reiterates that in addition, such an approach aims to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research.

In the light of the above, the research strategy that the study will thus employ is the descriptive method.

### **1.6.2. Research design**

The selection of a research strategy was based on the research philosophy and the approach to be used. The strategy should enable the researcher to answer particular research questions. Saunders, Lewis and Thornhill (2007:56) also indicates that it is quite possible to use the survey strategy of case studies.

Mouton (2001:276) maintains that the aim of a research design is to plan and structure a given research project in such a way that the validity of the research findings is maximised. According to De Vos and Strydom (2001:77) a research design is a blueprint or a detailed plan of how a research study is to be conducted. This includes a description of the procedure for selecting a sample, as well as for collecting and analysing data (De Vos and Strydom, 2001:77)

According to Bless and Higson-Smith (1995:148) a case study design involves a comprehensive and systematic investigation of a few cases. Another advantage of using the case study design, according to Wimmer and Dominick (2000:164), is that it provides a large amount of information and detail about the research topic and allows the researcher to deal with a wide variety of unprocessed data.

Gerring (2007:217) points out that a proper single case study is more helpful than a fleeting knowledge about a large number of examples. According to Hakim (2000:59-60), the method of case study is also useful for research on organisations and institutions in the public sector and also as an approach with the potential of being used to present examples of good practice.

Qualitative data was collected through an instrumental case study design based on semi-structured interviews. For the qualitative component of the study, the instrumental case study design was selected as it should assist the researcher in gaining a clearer understanding and acquiring knowledge regarding strategic planning and budgeting processes. Furthermore, a case study should provide multiple sources of information and facilitate the process of exploring and describing the phenomenon clearly (Fouché, 2002:77).

### **1.6.3. Research instruments**

#### **❑ Literature review**

Taylor (2001:1) and Bless, *et al.* (2006:19-28) define a literature review as a structured evaluation and classification of what reputable scholars have written previously on a topic; it also includes the sources and identification of a particular research problem.

A literature review sets the basis for the analysis of research, enabling the researcher to understand the structure of the research problem and presenting the justification for the research (Obenzinger, 2005:1). For Wellington, Bathmaker, Hunt, McCulloch and Sikes



(2005:72), a literature review relates only to the formulating of research questions, the framing and design of the research as well as the methodology to be used.

According to Allen (1996:201), a literature review may constitute an essential chapter of a thesis or dissertation, or may be a self-contained review of writings on a certain subject. In either case, the literature review's purpose is to:

- ❑ “Place each work in the context of its contribution to the understanding of the subject under review.
- ❑ Describe the relationship of each source to the others under consideration.
- ❑ Identify new ways to interpret, and shed light on any gaps in previous research.
- ❑ Resolve conflicts amongst seemingly contradictory previous studies.
- ❑ Identify areas of prior scholarship to prevent duplication of effort.
- ❑ Point the way forward for further research.
- ❑ Place the researcher's original work (in the case of theses or dissertations) in the context of existing literature.”

Wellington *et al.* (2005:87) state that a literature review provides the reader with the following:

- ❑ “A clear picture of the planning which went into the research.
- ❑ A context to the research.
- ❑ Convincing evidence to the reader of the knowledge gained through the research.
- ❑ A strong case built for the research.
- ❑ Enhancement of the practical value and possible outcomes of the research.”

Literature that sustains the historical perspective of strategic planning and budgeting was reviewed. This was done by focusing on how the literature is being applied in various public sector institutions. The literature also explored the strategic planning and budgeting processes in best practices as they relate to performance management.

Challenges that are specific to the current (traditional) strategic planning and budgeting was also discussed and expounded.

## ❑ Interview

Babbie and Mouton (2001:289) define a qualitative interview as “essentially a conversation in which the interviewer establishes a general direction for the conversation and pursues specific topics raised by the respondent.” Babbie and Mouton (2001:289) further states that interviews are credible as a method of collecting information. Interviews do not only provide data, but also contextual information that may be useful, especially in this research. Babbie and Mouton (2001:289) emphasise the fact that an interview “allows the object of study to speak for him-/herself rather than to provide respondents with a battery of own predetermined hypothesis based questions.”

William (2006:8) states that there are structured and unstructured types of interviews. Unstructured interviewing involves direct interaction between the researcher and a respondent or group as it differs in several important ways from traditional structured interviews (William, 2006:8). The interviewer is free to move the conversation in any direction of interest that may emerge during the session (William, 2006:8). Therefore, the researcher used a structured questionnaire to guide respondents on the topics that are relevant to the study under discussion and conducted interviews with identified respondents. To achieve this aim, semi-structured, open-ended interviews were employed. Wisker (2001:168) gives credence to this method when she argues that semi-structured interviews manage to address the need for comparable responses, as well as the need for the interview to take shape through the conversation between the interviewer and the interviewee.

The approach of the semi-structured interview was chosen above a highly structured approach as it was important that the interviewees did not “close up” and provide less honest feedback – as is the tendency with structured interviews (Baily, 2007:99). It can

be anticipated that important new and relevant questions could arise during earlier interviews and according to Baily (2007:103), such questions, could be posed to all subsequent interviewees.

A typical semi-structured interview is one that uses a questionnaire with open-ended questions (De Vos *et al.*, 2003:152). Such questions tend to mould the respondent's frame of reference, while at the same time, giving him/her the freedom to respond in whatever way he/she feels like (TerreBlanche and Durrheim, 2002:294-295). This means that whatever answer the respondent gives to a question will be accepted as a response.

Taking into consideration the strengths of semi-structured interviews, the researcher realised that such interviews would be the best suitable for this research. Such interviews allowed the respondents to speak for themselves and allowed the conversation to flow freely. The respondents were thus able to put forward important issues which the researcher was not aware of. The disadvantage of interviews is that they are time-consuming and that the vast amount of data collected may make ordering and interpretation difficult. The researcher, however, allocated enough time to the analysis of data in order to avert this problem.

According to Lofland and Lofland (1995:150), an in-depth interview is a dialogue between a skilled interviewer and an interviewee. The goal of such a method is to elicit rich, detailed material that can be used in analysis (Lofland and Lofland, 1995:15). Such interviews are best conducted face-to-face, although in some situations, telephone interviewing can also be effective (Lofland and Lofland, 1995:15). In-depth interviews are characterised by extensive probing and open-ended questions (Lofland and Lofland, 1995:15). Typically, the project-evaluator prepares an interview guide that includes a list of questions or issues that are to be explored, as well as probe suggestions to follow-up on key topics (Lofland and Lofland, 1995:15).

Lofland and Lofland (1995:15) reiterate that the guide helps the interviewer to pace the interview and makes interviewing more systematic and comprehensive. The data can be recorded in a wide variety of ways, including stenography, audio recording, video recording or written notes (Lofland and Lofland, 1995:15). In this research, the interviewer used audio recording and written notes to capture the respondents' responses. There was a standard questionnaire which was administered to all respondents. The responses will be used to compare the information gathered in order to arrive at a conclusion that is reasoned. The purpose of the interview was to probe the ideas of the interviewees about the phenomenon of interest in this study.

#### **□ Interview schedule**

Consent letters were first obtained from all the identified participants to conduct the interviews. In addition to being honest and open, the researcher informed the participants that while their participation would be valuable, it was not mandatory (Schumacher and McMillan, 1993:182). As put by TerreBlanche and Durrheim (2002:294-295), there are two ways of designing a questionnaire: it could consist of open-ended, or close-ended questions. In this study open-ended questions were used and this allowed the respondents the opportunity to elaborate on the topic of research. The interview schedule was designed in such a way that it was to start with the Chief Executive Officer, then the Business and Strategy unit, which is responsible for the strategic plan, then on to the Grant Administration staff, which constitute the core business of SASSA, followed by the Chief Financial Officer and finally, staff in the Management Accounting Unit.

#### **□ Databases consulted**

The study was supported by books, journals, and academic contributions from researchers who conducted the same and related studies on the subject, library materials and both electronic and printed media that is, the internet and newspaper articles as primary resources. Researchers who deliberated on related studies were

consulted by scrutinising the information on Catalogue of theses and dissertation of South African Universities (NEXUS) as well as working through the Catalogue of books. The Ferdinand Postma Library (North-West University, Potchefstroom Campus) was used and acknowledged as references. The researcher also made use of the MTEF Budgeting Guidelines (RSA, 2015), Green Paper on National Strategic Planning (RSA,2009), SASSA's Strategic Plan 2012 – 2014 (RSA,2012) , as well as the Framework for Strategic Plans and Annual Performance Plans (RSA,2010).

### □ **Population**

According to Alreck and Settle (1995:54) the actual specification of a sample must begin with the identification of a population to be surveyed. Alreck and Settle (1995:54) further state that the researcher must anticipate decisions that are likely to arise during the actual sample selection that respondents must possess the information and must have certain attributes or characteristics to make their responses meaningful.

### □ **The sample and sampling procedure**

Goodwin (1995:104) describes a sample as a sub-group of the population, which reflects the characteristics of the population as a whole. TerreBlanche and Durrheim (2002:44) maintain that the most important factor about a sample is its representativeness. The aim is to select a representative sample from which the researcher intends to draw conclusions and make relevant recommendations.

De Vos and Strydom (2001:101) describe a sample as a small portion of the total set of objects, events or persons which comprises the subjects, as well as the element of the population or subset drawn from the population targeted by the study for actual inclusion in the study.

In this study, purposive sampling was used to select the population. In this form of sampling, the researcher relies on his/her expert judgment to select units that are

representative or typical of the selected population (O'Sullivan and Rassel, 1989:436). According to O'Sullivan and Rassel (1989:437), the general strategy is to identify important sources of variations in the population and then to select a sample that reflects this variation. O'Sullivan and Rassel (1989:439) in addition state that the major weakness of purposive sampling is that an informed decision requires considerable knowledge of the population before the sample can be drawn. Different researchers may also proceed in different ways to obtain such a sample. Therefore, it is difficult to evaluate to what extent these samples are representative of the relevant population (O'Sullivan and Rassel (1989:440).

The researcher selected SASSA Head Office in order to collect data on strategic planning and budgeting processes. The reason being that the strategic planning and budgeting processes are driven from Head Office level, with inputs from the regional offices. The target group consisted of the Chief Executive Officer (CEO), the Executive Managers and staff in the Strategy and Business Branch responsible for the compilation of the strategic plan, Grant Administration staff, which constitute the core business of SASSA as well staff in the Finance Branch who are responsible for the budgeting process, including the Chief Financial Officer (CFO). The aim was to solicit responses from this group to questions on strategic planning and budgeting processes within SASSA as organisation.

## ❑ **Data-analysis**

Neuman (2003:447) defines data-analysis as a “search for patterns in data, recurrent behaviours, objects or body of knowledge.” In analysing the data that was collected, the researcher coded the data. Coding is important in qualitative research, seeing that it enables the researcher to organise unprocessed data into conceptual categories. This helps to create themes and concepts, which will be useful in analysing data. Qualitative content analysis has been defined as a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and the identifying of themes or patterns (Hsieh and Shannon, 2005:1278).

Mayring (2000:2) defines qualitative content as “an approach of empirical, methodological controlled analysis of texts within their context of communication, following content analytic rules and step by step models, without rash quantification.” According to Patton (2002:453), qualitative contents refers to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings from this data.

None of the interviews done were recorded on tape, therefore the researcher took notes manually while the respondent speaks. Consequently, the process of data-analysis was based on conversation analysis.

#### ❑ **Limitations and delimitations**

This research entailed a descriptive study. It was not possible to predict all the research problems that are likely to be encountered during the process of collecting data. The problems that might have been encountered could have been related to the formalities that needed to be followed for approval to carry out the interviews with the management of SASSA. The second problem was the non-availability of Executive Managers in Head Office during the scheduled times of the interviews.

The study focused on SASSA, which operates at Head Office in Pretoria and its nine regional offices, namely, Eastern Cape, Free State, Gauteng, Kwazulu Natal, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape. As the strategic planning and budgeting process is done at Head Office with inputs from the nine regional offices, the study focused on Head Office only. During the time of the interviews (January, 2015), SASSA had a staff complement of 7 376. However, as indicated under the topic of sampling above, the target group was a specific selected population (see section 1.6.3.4.).

The objectives of this mini-dissertation were to analyse and assess the current strategic planning and budgeting process within SASSA. These objectives further intended to establish best practices in strategic planning and budgeting.

#### **1.6.4. Ethical considerations**

According to Strydom (2002:65), participants must be legally and psychologically competent to give their consent to involve them in research. They should also be aware that they are at liberty to withdraw from the investigation at any time. Strydom (2002:17) indicates that from the planning to the execution stage, the researcher carefully needs to consider the ethical suitability of his/her research. Accordingly, in this study, several ethical issues were considered:

- ❑ Firstly, the researcher made sure that questions asked would not offend respondents in any way.
- ❑ Secondly, prior to the actual interviews, appointments by telephone and personal visits were made to secure informed consent from participants.
- ❑ Thirdly, the personal rights and privacy of the respondents was protected by not using any personal information against their will or using personal information for analysis.

In this manner, the researcher managed to observe ethical principles and effective research practices, as well as moral behaviour at all times.

#### **1.7. SIGNIFICANCE OF THE STUDY**

The significance of the study is that it provided a formal means to analyse and assess the current strategic planning and budgeting processes within SASSA. The study further intended to establish best practices in strategic planning and budgeting.

This research was further based on the following assumptions:



- ❑ Improved alignment will strengthen the relationship between strategic planning and budgeting and ultimately strategy implementation in future; and
- ❑ Alignment will improve the traditional planning and budgeting process and provide a better response to the ever changing and complex public service environment.

## **1.8. PROVISIONAL CHAPTER LAYOUT**

This research report follows the framework as described below.

### **Chapter 1: BACKGROUND, ORIENTATION AND PROBLEM STATEMENT**

The first chapter provides an overview of the study. This consists of an introduction, outline of the research's purpose and background information needed for the research context. The chapter outlines the research methodology that was used to conduct this research, as well as providing a rationale for selecting the methodology. Chapter 1 thus aims to investigate a potential misalignment of the strategic planning and budgeting process within SASSA.

### **Chapter 2: LITERATURE REVIEW: STRATEGIC PLANNING PRINCIPLES AND BEST PRACTICES**

The second chapter will conduct a literature review of strategic planning as concept and related processes, and will provide a discussion of the literature reviewed which mediate an understanding of the various strategic planning aspects. The chapter sheds light on the evolution of strategic planning over time. It also discusses the traditional strategic planning processes in organisations such as SASSA in order to determine differences and techniques employed in strategic planning. Chapter 2 thus aims to outline the principles and best practices associated with strategic planning.

**Chapter 3: LITERATURE REVIEW: BUDGETING PRINCIPLES AND BEST PRACTICES**

The third chapter will conduct a literature review of budgeting as concept and related processes, and will provide a discussion on the literature reviewed which in turn provides an understanding of the various budgeting aspects. The chapter also sheds light on how budgeting processes have evolved over time. It discusses the traditional budgeting processes within SASSA in order to determine differences and techniques employed in budgeting processes. Chapter 3 thus aims to outline the principles and best practices associated with budgeting.

**Chapter 4: EMPIRICAL RESEARCH: METHODOLOGY AND FINDINGS, THE CASE OF SASSA**

The fourth chapter will be a case study on the strategic planning and budgeting process within SASSA. The Chapter provides a description and a map of the planning and budgeting process in SASSA and highlights the challenges experienced during this process. Chapter 4 thus aims to determine how the strategic planning and budgeting processes should be aligned, with specific reference to SASSA, in order to enhance service delivery within the different provinces.

**Chapter 5: EMPIRICAL RESEARCH: METHODOLOGY AND FINDINGS, SEMI-STRUCTURED INTERVIEWS ON A STRATEGIC, TACTICAL AND OPERATION LEVELS WITHIN SASSA.**

The fifth chapter will address the title, the research problem and document findings. The chapter will highlight recommendations to be considered in the processes of strategic planning and a model to transform budgeting. This entails the presentation and analysis of findings. The findings will be linked to the literature and some conclusions will be drawn. Chapter 5 thus aims to present and analyse the findings regarding the alignment of the processes in strategic planning and budgeting.

## **Chapter 6: RECOMMENDATIONS AND CONCLUSION**

A summary of the research will be put forward, which draws conclusions from the results of the research. The Chapter presents a conclusion that synthesises all the major findings and the literature and make some recommendations. Chapter 6 thus aims to draw conclusions and make recommendations to improve the alignment of the processes in strategic planning and budgeting processes in the SASSA in future.

### **1.9. CONCLUSION**

Chapter 1 provided a background on the subject and area of study, to help the reader reach a better understanding of the research area. The research problem that was stated, relates to whether the current strategic planning and budgeting is able to cope with the current complex and rapidly changing public services environment. Chapter 1 furthermore described the research problem, postulating that if the strategic planning and budgeting processes are aligned, the set strategy will have an improved probability of being implemented. The plan of the study was outlined and the research assumptions and delimitations of the research highlighted.

## **CHAPTER 2**

### **LITERATURE REVIEW: STRATEGIC PLANNING PRINCIPLES AND BEST PRACTICES**

#### **2.1. INTRODUCTION**

Chapter 1 introduced and outlined the research purpose, background and methodology that was used to support this research, as well as providing a rationale for selecting the methodology and specific key terminology that have pertinent value to the study. Chapter 1 thus aimed to investigate a potential misalignment between the applied strategic planning and budgeting processes within SASSA and an expected application of strategic planning and budgeting processes to obtain optimal positive results.

Chapter 2 conducts a literature review of strategic planning as a concept and related processes, and in addition, provides a discussion of the literature reviewed which may mediate an understanding of the various strategic planning aspects through which optimal results may be obtained. The chapter sheds light on the evolution of strategic planning. It also discusses traditional strategic planning processes within organisations such as SASSA in order to determine techniques employed in strategic planning. Chapter 2 thus aims to outline the principles and best practices associated with strategic planning. The next section provides a thorough explanation in terms of why it is necessary to consider strategic planning in private sector organisations and its relation to public sector organisations.

The strategic direction of organisations within the South African Public Sector system is determined through and derived from:

## **❑ The Constitution of the Republic of South Africa (1996) and included Bill of Rights**

According to Section 195(d) of the Constitution of the Republic of South Africa (RSA, 1996:1331(17), services must be provided impartially, fairly, equitably and without bias. The Bill of Rights enshrines a rights-based approach and envisions a prosperous, non-racial, non-sexist democracy that belongs to its entire people. Healing the wounds of the past and redressing the inequities caused by centuries of racial exclusion are constitutional imperatives (RSA, 1996:1245).

SASSA complies with the Constitution as a sovereign law within South Africa and subsequently the strategic planning process includes stakeholders from different governance structures such as Management Committees and Quarterly Review sessions.

## **❑ United Nations: Millennium Development Goals**

According to a Statistics South Africa Report (RSA, 2010:14) the Millennium Development Goals (hereinafter referred to as the MDGs) and targets are derived from the Millennium Declaration, signed by 189 countries, including 147 Heads of State and Government, in September 2000, and from further agreement, by member states at the 2005 World Summit (resolution adopted by the General Assembly). The eight MDGs are: to eradicate extreme poverty and hunger; to achieve universal primary education; to promote gender equality and empower women; to reduce child mortality; to improve maternal health; to combat HIV/AIDS, malaria and other diseases; to ensure environmental sustainability; to develop a global partnership for development (Statistics South Africa Report (RSA, 2010:14).

The topic relates to strategic planning which is a tool used to address service delivery issues which are aligned with the MDGs. The earmarked date for the achievement of

the MDGs was 2015 and has therefore been replaced by the Sustainable Development Goals (SDGs).











#### ❑ **The Republic of South Africa as a democratic developmental state**

The identified 12 Medium Term Strategic Framework (MTSF) 2009-2014 and 5 priorities that reflect outcomes with measurable outputs and optimal activities, serve as coherent developmental agenda, in building South Africa as a developmental state that is characterised by state-led macro-economic planning and strong state-led intervention that focuses on addressing socio-economic challenges in the nation (RSA, 2010) in order to address national challenges, including economic growth, unemployment, inequality and poverty. In seeking to establish South Africa as a democratic developmental state, the government wishes to influence the direction and pace of economic and social development and to prioritise and promote national development issues (Edigheji, 2005:14). In President Zuma's inaugural speech on the 24<sup>th</sup> May 2014, he explicitly mentioned that "as the National Development Plan outlines..., the structure of the economy will be transformed through industrialisation, broad-based black economic empowerment and through strengthening and expanding the role of the state in the economy." President Zuma further stated that "state owned enterprises and development finance institutions will become engines of development complementing the State in promoting inclusive economic growth." This is characterised by the South African government leading a strong and concerted drive towards economic growth and to ensure the mobilisation of national resources towards the achievement of developmental goals (Edigheji, 2005:15).

According to the Mo Ibrahim Foundation, the Ibrahim Index of African Governance (hereinafter referred to as the IIAG) was established in 2007 and is regarded as the most comprehensive collection of quantitative data on governance in Africa (Mo Ibrahim Foundation, 2007). Compiled in partnership with experts from a number of the continent's institutions, the data provides an annual assessment of governance in every African country (Mo Ibrahim Foundation, 2013:3). The IIAG provides a framework for

citizens, governments, institutions and organisations to assess the delivery of public goods and services, and policy outcomes across Africa (Mo Ibrahim Foundation, 2013:3). Countries are graded on factors which fall into four main areas: “Safety and Rule of Law, Participation and Human Rights, Sustainable Economic Opportunity and Human Development” (Mo Ibrahim Foundation, 2013:4). **Table 2.1** provides a list of the top 10 African countries as they were rated by the Mo Ibrahim Foundation (2013:4) as follows:

**Table 2.1:** Overall governance results

Rank	Country	Overall	12 Year Change
1	 <a href="#">Mauritius</a>	82.9	▲7.3
2	 <a href="#">Botswana</a>	77.6	▲5.6
3	 <a href="#">Cape Verde</a>	76.7	▲6.0
4	 <a href="#">Seychelles</a>	75.0	▲5.5
5	 <a href="#">South Africa</a>	71.3	▲0.6
6	 <a href="#">Namibia</a>	69.5	▲2.3
7	 <a href="#">Ghana</a>	66.8	▲5.3
8	 <a href="#">Tunisia</a>	66.0	▲4.4
9	 <a href="#">Lesotho</a>	61.9	▲7.7
10	 <a href="#">Senegal</a>	61.0	▲4.3

(Source: Mo Ibrahim Foundation, 2013:4)

In terms of overall governance, South Africa is ranked 5<sup>th</sup> with a score of 71.3 and a slight improvement score of 0.6.

Country grading occurs, based on factors which fall into the four main categories of: Safety and Rule of Law, Participation and Human Rights, Sustainable Economic Opportunity and Human Development. **Table 2.2** is as follows:

**Table 2.2:** 2012 Ibrahim index of African Governance

Rank 2012	Country	Overall 2015	Safety & Rule of Law	Participation & Human Rights	Sustainable Economic Opportunity	Human Development				
1 <sup>st</sup>	Mauritius	82.9	86.8	2 <sup>nd</sup>	76.7	2 <sup>nd</sup>	79.7	1 <sup>st</sup>	88.5	2 <sup>nd</sup>
2 <sup>nd</sup>	Botswana	77.6	88.9	1 <sup>st</sup>	72.9	4 <sup>th</sup>	67.5	2 <sup>nd</sup>	81.3	4 <sup>th</sup>
3 <sup>rd</sup>	Cape Verde	76.7	80.1	3 <sup>rd</sup>	81.7	1 <sup>st</sup>	64.5	6 <sup>th</sup>	80.7	5 <sup>th</sup>
4 <sup>th</sup>	Seychelles	75.0	73.2	5 <sup>th</sup>	67.6	8 <sup>th</sup>	67.2	3 <sup>rd</sup>	92.2	1 <sup>st</sup>
5 <sup>th</sup>	South Africa	71.3	69.8	7 <sup>th</sup>	73.1	3 <sup>rd</sup>	65.1	5 <sup>th</sup>	77.4	6 <sup>th</sup>
6 <sup>th</sup>	Namibia	69.5	76.3	4 <sup>th</sup>	70.8	5 <sup>th</sup>	63.6	9 <sup>th</sup>	67.5	13 <sup>th</sup>
7 <sup>th</sup>	Ghana	66.8	70.8	6 <sup>th</sup>	68.1	7 <sup>th</sup>	54.4	13 <sup>th</sup>	74.0	8 <sup>th</sup>
8 <sup>th</sup>	Tunisia	66.0	58.0	17 <sup>th</sup>	56.9	17 <sup>th</sup>	65.8	4 <sup>th</sup>	83.3	3 <sup>rd</sup>
9 <sup>th</sup>	Lesotho	61.9	67.8	8 <sup>th</sup>	69.1	6 <sup>th</sup>	52.3	17 <sup>th</sup>	58.1	23 <sup>rd</sup>
10 <sup>th</sup>	Senegal	61.0	59.2	15 <sup>th</sup>	67.6	9 <sup>th</sup>	54.8	12 <sup>th</sup>	62.3	19 <sup>th</sup>

(Source: Mo Ibrahim Foundation, 2013:6-9)

South Africa's position is ranked 7<sup>th</sup> in terms of safety & rule of law, 3<sup>rd</sup> in terms of participation and human rights, 5<sup>th</sup> in terms of sustainable economic opportunities and 6<sup>th</sup> in terms of human development.

Through strategic planning, by setting priorities in line with the government, SASSA will be able to address the abovementioned factors as the provision of grants to the poorest of the poor will alleviate poverty and thus inevitably address social factors.



**❑ Priorities identified in the Planning Commission's Report and the National Development Plan: Vision 2030.**

President Zuma appointed the National Planning Commission in May 2010 to draft a vision and National Development Plan (Zarenda, 2013:3). The Commission is an advisory body consisting of 26 people drawn largely from outside government, chosen for their expertise in key areas (Zarenda, 2013:4). The National Development Plan aims to eliminate poverty and reduce inequality by 2030 (NDP, 2012:5). The vision is that South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society (NDP, 2012:5). There are 10 strategic priorities which have been identified by the Planning Commission and they are: speeding up growth and transforming the economy to create decent work and sustainable livelihoods; a massive programme to build economic and social infrastructure; comprehensive rural development strategy linked to land and agrarian reform and food security; strengthen the skills and human resource base; improve the health profile of all South Africans; intensify the fight against crime and corruption; build cohesive, caring and sustainable communities; pursuing African advancement and enhanced international cooperation; sustainable resource management and use; building a developmental state, including improvement of public services and strengthening democratic institutions.

According to a Statistics South Africa Report (RSA, 2010:17) the MDGs have been domesticated into the current priority agenda of the government by linking the MDGs with the National Development Plan priorities as follows:

**Table 2.3:** Linkage of NDP with the MDGs

Linkage between South Africa's national development planning and the MDGs		
	MTSF Strategic Elements	Relevant MDGs
1	Strategic Priority 1: Speeding up growth and transforming the economy to create decent work and sustainable livelihoods	MDG 1, MDG 2, MDG 3, MDG 8
2	Strategic Priority 2: Massive programme to build economic and social infrastructure	MDG 1, MDG 3, MDG 8
3	Strategic Priority 3: Comprehensive rural development strategy linked to land and agrarian reform and food security	MDG 1, MDG 2, MDG 7
4	Strategic Priority 4: Strengthen the skills and human resource base	MDG 2
5	Strategic Priority 5: Improve the health profile of all South Africans	MDG 4, MDG 5, MDG 6
6	Strategic Priority 6: Intensify the fight against crime and corruption	MDG 2, MDG 3
7	Strategic Priority 7: Build cohesive, caring and sustainable communities	MDG 2, MDG 3, MDG 7
8	Strategic Priority 8: Pursuing African advancement and enhanced international cooperation	MDG 8
9	Strategic Priority 9: Sustainable resource management and use	MDG 2, MDG 3, MDG 7
10	Strategic Priority 10: Building a developmental state, including improvement of public services and strengthening democratic institutions	MDG 1, MDG 2, MDG 3, MDG 8

(Source: RSA, 2010:17)

## ❑ The 12 Outcomes and 5 Priorities of Government

From the development focus of the MTSF, the South African Government has derived twelve outcomes that set the guidelines for more results-driven performance (RSA, 2010:117). The twelve key outcomes that have been identified and agreed upon by Cabinet are: “improved quality of basic education; a long and healthy life for all South Africans; all people in South Africa should feel safe; decent employment through inclusive economic growth; a skilled and capable workforce to support an inclusive growth path; an efficient, competitive and responsive economic infrastructure network; vibrant, equitable and sustainable rural communities with food security for all; sustainable human settlements and improved quality of household life; a responsive, accountable, effective and efficient local government system; environmental assets and natural resources that are well protected and continually enhanced; create a better South Africa and contribute to a better and safer Africa and world; an efficient, effective and development-oriented public service system and an empowered, fair and inclusive citizenship” (RSA, 2010:117).

According to a Statistics South Africa Report (RSA, 2010:19), the purpose of the 12 outcomes is not only to address the MDGs, but include broader development objectives of the government for example outcome 1 is linked to MDG 2; outcome 2 is linked to MDG 4,5 and 6; outcome 4 is linked to MDG 1; outcome 5 is linked to MDG 2 and 3; outcome 7 is linked to MDG 1 and 7; outcome 8 is linked to MDG 7; outcome 10 is linked to MDG 7; outcome 11 is linked to MDG 8.

A strategic plan is used by SASSA to address poverty in South Africa by prioritising service delivery issues such as the provision of social relief of distress and the eradication of hunger by using programmes such as Zero Hunger and Malnourished Children (Parliamentary Monitoring Group, 2012:1).

## ❑ The State of the Nation Address

The Republic of South Africa's State of the Nation Address (SoNA), is an annual parliamentary event in which the President of South Africa reports on the status of the nation, normally to the resumption of a joint sitting of Parliament [the National Assembly and the National Council of Provinces], (RSA, 1996: 1269). This review of the SoNA is delivered by the President of Republic of South Africa in Parliament in February of each year. In his SoNA on the 17<sup>th</sup> June 2014, President Zuma highlighted progress made in terms of the five priorities set in the previous SoNA, namely: decent work, education, crime, health and rural development and agrarian reform.

- ✓ In terms of decent work, he indicated that there will be expansion of the number of internship positions in the public sector, that the Employment Tax Incentive has been positively accepted by private sector and that the Expanded Public Works Programme will provide six million work opportunities and training for the unemployed by 2019.
- ✓ In terms of education, he indicated that the government will continue to promote universal access to education by ensuring that all children between ages 7 and 15 are in school and that the number of Grade 12 learners who can gain entrance to university, is increased from 172 000 in 2013 to 250 000 in 2019 as well as building 12 training and vocational education colleges.
- ✓ In terms of crime, he indicated that progress has been made over the past five years in reducing the levels of serious crime such as murder, aggravated robbery, crimes against women, children and other vulnerable groups, although the crime remains unacceptably high.
- ✓ In terms of health, he indicated that the government will work harder to increase life expectancy at birth from 60 years in 2012 to 63 years in 2019, that the campaign to reduce child and maternal mortality ratios will be achieved by the implementation of the National Health Insurance and the improvement of the quality of care in the public sector.
- ✓ In terms of rural development and agrarian reform, he indicated that government would provide comprehensive support to small-holder farmers by speeding up

land reform and providing technical, infrastructural and financial support as well as acceleration of the settlement of remaining land claims submitted before the cut-off date of 1998.

During the development of the strategic plan in SASSA, cognisance is taken of the issues highlighted by President Zuma during his SoNA to ensure that the issues are implemented (SASSA's strategic plan 2012/13-2016.17),

#### **□ Departmental mandates initiated and supported by legislation**

The Constitution (1996), (RSA, 1996:1269) requires that all spheres of government (national, provincial and local) work together and participate in the development of programmes to redress poverty, underdevelopment, marginalisation of people and communities, and other legacies of apartheid and discrimination. The national and provincial spheres of government have concurrent legislative competence in accordance with Schedule 4 of the Constitution (1996), (RSA, 1996;1331(35)). Hence, Parliament and the Provincial Legislatures of the Republic of South Africa at national and provincial levels have the power to make laws for the country in accordance with Section 43(a) and Section 44 of the Constitution (1996), (RSA, 1996:1271).

The National Council of Provinces (NCOP) represents the provinces to ensure that provincial interests are taken into account in the national legislative process (RSA, 1996:1271). This is done by participating in the national legislative process and by providing a national forum for public consideration of issues affecting each of the nine provinces within the Republic of South Africa (RSA, 1996:1271). Section 43 of the Constitution (1996) provides that legislative authority of the national, provincial and local spheres of government is vested in Parliament, that is, the National Assembly (NA) and the National Council of Provinces (NCOP), the nine Provincial Legislatures and the municipal councils (RSA,1996:1271). The government's Batho Pele ('People First') initiative aims to get public servants to be service-orientated, to strive for excellence in

service delivery and to commit to continuous service delivery improvement (RSA, 1996:1331(17)).

During the development of the strategic plan, SASSA invites stakeholders such as the Department of Social Development to ensure that there is an agreement in terms of projects to be undertaken in conjunction with such stakeholders.

It is against this background that the study reviewed literature that supports the concept of strategic planning and related processes through which public sector organisations may reap optimal benefits.

## **2.2. LITERATURE REVIEW OF STRATEGIC PLANNING AS CONCEPT AND RELATED PROCESSES**

According to Ring and Perry (1985:278) strategic planning has its historical roots in the military concept of strategy. The literature of formal strategic planning for organisations emerged in the 1960s. Bozeman (1988:632) argues that most strategic planning theories and practice have been focused on the private sector, specifically in organisations and for the purpose of improving their respective competitive positions in the market. Bryson (1993:56) supports the fact that strategic planning for public organisations is a more recent innovation first introduced in the 1980s and has steadily grown as an academic endeavour and tool for public managers, but is not nearly as robust as its private sector predecessor.

Campbell, Stonehouse and Houston (2002:20) state that in most instances institutions and organisations are faced with situations of no or vague direction within which executives are preoccupied with immediate issues that result in them losing sight of the organisation's strategic objectives. Without a focused direction, it is likely that efforts of various units and individuals thwart one another, which results in inevitable failure (Johnson and Scholes, 1993:12). Olsen and Eadie (1982:105) argue that public managers adopt private sector organisation practices, expecting to improve the

effectiveness and efficiency of public organisations in order to accrue benefits similar to those produced, or advertised, in the private sector. Bourgeois (1984:590) argues that public organisations may have difficulty in realising these benefits because public managers do not always consider differences between public and private organisations when adopting strategic planning and management processes that were specifically designed for the private sector.

While the main focus of the private sector is making profit, the public sector focuses on service delivery for the achievement of national strategic priorities (Hatry, Fall and Singer, 1990:5; Melamid and Luck, 1994:235). These are meant to speed up growth and transform the economy to create decent work and sustainable livelihoods; create a massive programme to build economic and social infrastructure; have a comprehensive rural development strategy linked to land and agrarian reform and food security; strengthen the skills and human resource base; improve the health profile of all South Africans; intensify the fight against crime and corruption; build cohesive, caring and sustainable communities; assist in the pursuit of African advancement and enhanced international cooperation; allow for sustainable resource management and use; build a developmental state, including improvement of public services and strengthening democratic institutions as outlined in the National Development Plan (NDP,2012:6).

Johnson and Scholes (1993:3) further state that in a case where organisational objectives are not met, the executives would normally take a decision that leads to a review in some organisations and the development of a strategic plan in others, as a new paradigm to harmonise the efforts of all active players in order to achieve synergy and embrace a sense of direction. According to Kovac and Thompson (1994:46), the strategic plan usually serves as a guide in the process of attaining organisational goals. Although strategic planning is not a recipe for success in itself, it may help set many organisations on a path to prosperity and those without it are much more likely to fail (Rosenbloom, 1998:40). A good strategic plan serves as a framework for decision making as it stimulates change and continuous planning (Rosenbloom, 1998:40).

As stated by Barry (1986:101), strategic planning for public and non-profit organisations is important and probably will become part of the standard repertoire of public and non-profit planners. It is important, of course, for planners to be very careful about how they engage in strategic planning since every situation is different and since planning can be effective only if it is tailored to the specific situation in which it is used (Barry, 1986:101).

Rainey and Perry (1992:94) reiterate that the unique needs of public sector organisations limit the portability of many ideas derived from the private sector, particularly approaches that deal with mission and strategic direction. Other areas that differentiate private sector from the public sector in terms of strategic planning are the multiple and conflicting goals such as target ambiguity, timeline ambiguity, evaluation ambiguity and individual-level perceptions of goal specificity and importance in relation to public sector, whereas managers and shareholders. The private sector may have conflicting goals in terms of profitability and return on shareholders' investment (Hatry, *et al.* 1990:5).

It is important to note at this stage that there is a distinct divergence between the private and public sectors. The public sector might have constraining financial, legal, contractual, organisational practices and difficulties aligning actions of individual members of the organisation with its goals such as reduced public revenue and increased levels of national debt; good management of public money, probity, and fairness; legislative mandates that constrain budgets, which limits or even prohibits public sector leaders from spending money; balance demand for sustained first-world levels of service with affordability and multiple goals, which can be vague, controversial or both. Private sector issues might be autonomy and flexibility limited only by law and the need for internal consensus; goals clear and agreed upon (Hatry *et al.*, 1990:5). For the public sector, there might be a "lack of meaningful performance measures needed for setting goals and objectives; planning programme activities to accomplish these goals; allocating resources to these programmes; monitoring and evaluating the results to determine if they are making progress in achieving the established goals and objectives and modifying programme plans to enhance performance" whereas the



private sector uses financial ratios to measure an organisation's performance (Melamid and Luck, 1994:235).

As stated by Hatry et al. (1990:5), and Melamid and Luck (1994:235), the main focus of the private sector is realising a profit, in contrast to the public sector whose focus is on service delivery to realise the strategic intent of national priorities in accordance with the National Development Plan. Melamid and Luck (1994:236) further state that these areas represent constraining forces that inhibit the adoption of managerial innovations such as strategic planning in public organisations. Therefore, it can be understood from the contributions of (Mintzberg, 1973:46; Neustadt, 1979:7; Allison, 1983:75; Allison, 1984:33; Chaffee, 1985:90; Fredrickson, 1985:935; Ring and Perry, 1985:281; Perry and Rainey, 1988:185; Hatry *et al.*, 1990:5; Pettigrew, 1990:10; and Rainey and Perry, 1992:95) that public sector organisations are clearly different from private sector organisations and warrant a unique interpretation in terms of strategic planning.

Until governments and public agencies (as well as non-profit organisations) gain more experience in terms of strategic planning, it seems best to judge their strategic planning efforts according to the extent to which they: focus the attention of key decision makers on what is important for their organisations; help set priorities for action; and generate those strategies into action (Bryson and Delbecq, 1979:170). Considering Bryson and Delbecq's (1979:170) three aforementioned factors, the implications for public sector organisations are to focus the attention of key decision makers such as political and administrative heads on the 5 identified priorities set during the State of the Nation Address in 2009 (RSA, 2009) and these are decent work, education, crime, health and rural development and agrarian reform as well as the implementation of the National Development Plan (RSA, 2011).

Bryson, Van de Ven and Roering (1987:55) state that strategic thought and action are increasingly important to the continued viability and effectiveness of governments, public agencies and non-profit organisations of all sorts. Without strategic planning, it is

unlikely that these organisations will be able to meet the numerous challenges that they face successfully.

It is therefore appropriate that the next section should discuss the literature reviewed to mediate an understanding of strategic planning aspects.

### **2.3. DISCUSSION OF THE LITERATURE REVIEWED TO MEDIATE AN UNDERSTANDING IN TERMS OF STRATEGIC PLANNING ASPECTS**

In research, the term “aspects” has got a particular meaning, therefore before the study offers an interpretation of applicable definitions, it is crucial to offer an academic understanding of the term aspects as it is understood in this study. The explanation furthermore includes a description of the aspects of strategic planning aspects. According to the Oxford Dictionary (2010:20), the term “aspect” refers to a particular part or feature of something.

When considering strategic planning aspects, Armstrong (1986:184) states that there are five key aspects of strategic planning which are identified as vision, mission and values; assessing the organisation’s situation, agreeing on priorities, writing the strategic plan as well as implementation, evaluation and monitoring of the strategic plan which, if carried out effectively, can help reduce risk and dramatically improve the long-term performance of an organisation. Bryson and Delbecq (1979:170) state that strategic planning in governments, public agencies, as well as non-profit organisations is done by key decision makers who set priorities for action and generate strategies into action.

Armstrong (1986:184) further states that it is important to make sure that any system of strategic planning that is used, or strategic planning process that an organisation follows, has formal, clearly documented and communicated, simple steps for essential aspects of strategic planning which are in agreement with the strategic planning process. These steps are as follows: carry out an environmental scan using the

Strength, Weaknesses, Opportunities and Threats (SWOT) analysis; develop a shared vision for the organisation; develop a series of goals; develop an action plan that addresses goals and specifies objectives and work plan; finalise a written strategic plan that summarises the results and decisions of the strategic planning process as well as build in procedures for monitoring; and for modifying strategies based on changes in the external environment or the organisation.

According to Olsen (2012:121), although every strategic planning process is uniquely designed to fit the specific needs of a particular institution, every successful “model” includes most of the following four strategic planning aspects: the organisation begins by identifying its vision and mission. The vision and mission are defined within the framework of the organisation’s philosophy and are used as a context for the development and evaluation of intended and emergent strategies; Once the vision and mission are clearly defined, it moves on to a series of analyses, including an environmental scan performed within the framework of the SWOT analysis (external, internal, gap and benchmarking), through which it subsequently provides a context for developing an organisation’s strategic issues; Strategic programming follows and the organisation develops specific strategies inclusive of strategic objectives, projects, action plans, outputs and targets; Periodically, the organisation evaluates its strategies and reviews its strategic plan, considering emergent strategies and evolving changes (Olsen, 2012:122).

According to Mintzberg’s model of strategy development, an organisation’s deliberate strategy is the product of whatever planned strategies that are put into action (Mintzberg, Ahlstrand & Lampel, 2009:24). Mintzberg *et al.* (2009:24) further state that deliberate strategies are the unplanned responses to unforeseen circumstances which are as a result of autonomous action by individual managers within an organisation, serendipitous discoveries or events or an unplanned strategic shift by top-level managers in response to changing circumstances as they are not a product of a formal top-down planning mechanisms. Many strategies are not implemented because of

unpredicted changes in the environment which result in them being unrealised (Mintzberg, *et al.*, 2009:24).

Mintzberg *et al.* (2009:25), maintain that emergent strategies arise within the organisation without proper planning. That is without going through the steps that show that the planned strategy can either be realised or unrealised if there is an unpredicted change and that deliberate strategy is a result of unplanned shift by top level managers, serendipity and autonomous action by low level managers. As Mintzberg *et al.* (2009:25) have noted emergent strategies are often more appropriate than intended strategies and that those strategies can take root whenever employees have the capacity to learn the strategies and enough resources to support that capacity. Mintzberg *et al.* (2009:25) reiterates that management must recognise the process of emergence for intervention at the appropriate time, "killing off bad emergent strategies", while nurturing potentially good strategies.

In comparing Bryson and Delbecq (1979:170), Armstrong (1986:184), Mintzberg *et al.* (2009:24) and Olsen (2012:121), it becomes clear that strategic planning entails defining the vision and mission, doing an environmental scan, monitoring, evaluation and taking corrective action at the appropriate time. Bryson and Delbecq (1979:170), Armstrong (1986:184), Mintzberg *et al.* (2009:24) and Olsen (2012:121) also reiterate the importance of ensuring that the strategic plan is formally and clearly documented, communicated and backed up by an action plan.

Having defined the term "aspects" as it is understood in the context of this research as well as the aspects of strategic planning, the next section will engage critically and analytically with the data embedded in the definitions to establish an interpretation that encapsulates a holistic understanding of aspects and elements relevant to strategic planning and this study.

Chandler defined strategy as the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of

resources necessary for carrying out these goals (Chandler, 1962:13). Chandler's (1962:13) basic concern was how organisations should grow and how their administrative structures should be fashioned to meet that growth. Andrews (1971:15) defined strategy as the pattern of objectives, purposes, goals and major policies as well as plans for achieving these goals, stated in such a way as to define what situation the organisation is in or is to be in and the kind of organisation it is to be. Strategy is an organisation's plan to achieve its goals (Silbiger, 1999:292).

Strategic planning is a process that is designed to move an organisation through the steps of understanding changes in the external environment and assessing the internal strengths and weaknesses of the organisation (Brown and Marshall, 1987:11). Brown and Marshall (1987:11) further state that strategic planning involves developing a vision of the desired future for the organisation and some ways to achieve that mission by developing specific plans to get the organisation from where it is to where it wants to be. Finally, the process entails implementing these plans and monitoring such implementation so that necessary changes or modifications can be made (Brown and Marshall, 1987:12).

Bryson (1995:ix) states that strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation is, what it does and why it does it. To deliver the best results, strategic planning requires broad yet effective information gathering, development and exploration of strategic alternative and an emphasis on future implications of present decisions (Bryson,1995:ix).

According to Kaufman (1996:20), in its most powerful form, strategic planning starts with society as the primary client and beneficiary and then rolls-down from that to identify what any organisation commits to deliver. This approach ensures the linkages among what organisations use, do, produce, and deliver, and external consequences. Bryson and Roering (1988:995) define strategic planning as "a disciplined effort to produce fundamental decisions and actions that define what an organisation or any other entity is, what it does, and how it does it".

Boulter (1997:6) defines strategic planning as a procedure for developing a long-term and policy-oriented device or scheme that ties together the present to a clarified image of the future. Boulter (1997:6) proceeds to state that strategic planning sets out to identify specifically an agency or governmental unit's mission, goals, measurable objectives, and performance strategies. Boulter (1997:6) states that strategic planning includes an assessment of an agency's performance and accomplishments, using a multi-year outlook. It also provides a solid basis for priority-based resource allocations and decisions using a decision-making process that relies on careful consideration of an organisation's capabilities and environment. In developing a strategic plan, an agency identifies policy and other issues that the agency currently faces, or will face over a pre-determined number of years (Boulter, 1997:6).

Barry (1997:5) states that strategic planning is what an organisation intends to achieve and how leadership within an organisation will direct or utilise its resources to achieve its ends. This definition requires that decisions be made about the vision, mission, or goals an organisation will follow; whom an organisation (client, customer, stakeholder, etc.) will serve; an organisation's position and responsibility within the community; the types (and quality) of services and/or products to be offered; the resources required to be successful and thrive (staff, equipment, facilities, etc.).

A strategic plan establishes a vision, mission and beliefs for the organisation. The plan establishes the path to accomplish its desired future. It provides a path which allows the community to work together to accomplish these goals, objectives and activities that constitute the strategic plan. It allows for an understanding of how a school district works. Furthermore, it monitors how to spend the finances and identifies the needs of the school district; and allows the school district to set specific data-driven priorities (Lane, Bishop and Wilson-Jones, 2005:198).

Berry and Wechsler (1995:325) state that strategic planning has the potential to improve management decision-making, stakeholder involvement in public organisations and

performance. As far as helping improve internal management, strategic planning can help unify various parts of an organisation through better communication and an enhanced ability to respond to the organisation's environment in terms of responding to crises or taking advantage of new opportunities (Denhardt, 1985:177; Pindur, 1992:103; Berry and Wechsler, 1995: 326; Boyne, 2001:80).

Strategic planning can help public organisations make better decisions due to a clearer direction and a unified vision (Denhardt, 1985:179; Pindur,1992:106). The strategic planning process can help to bring various stakeholders together, including citizens, leaders of organisations, employees of the city and politicians (Denhardt, 1985:179; Gabris, 1993:77; Berry and Wechsler, 1995:327). Strategic planning can increase the communication between stakeholders and educate external stakeholders about the goals and purposes of a public organisation (Kissler, Fore, Jacobson & Kittredge, 1998:356; Pindur, 1992:107).

Strategic planning, as described by Mclaughlin (1992:14) is, in general, the conscious determination of courses of action to achieve preconceived objectives. Mclaughlin (1992:14) further states that strategic planning is based on what is known about the present organisation environment of that future organisation. According to Barry (1997:6), an organisation or strategic plan must be flexible enough to change to suit the current environment and not be a fixed document. It must be constantly reassessed and adapted to changing market conditions such as new competition, price changes and personnel availability (Mclaughlin, 1992:15).

Based on the scholarly efforts of it can be deduced that strategic planning is a process that determines the vision of an organisation. This is achieved through an assessment of the external and internal environments, allocation of resources, implementation of the plan. In addition to monitoring the implementation process in order to assess whether the strategy is effective or not (Bryson, 1995:ix; Berry and Wechsler, 1995: 325-7; Kaufman, 1996:20; Barry, 1997:5; Boulter, 1997:6; Kissler *et al.*, 1998:356; Silbiger 1999:292; Boyne, 2001:80; Lane *et al.*, 2005:198).

Although the abovementioned authors such as (Bryson (1995:ix); Berry and Wechsler (1995:325-7); Kaufman (1996:20); Barry (1997:5); Boulter (1997:6); Kissler *et al.* (1998:356); Silbiger (1999:292); Boyne (2001:80); Lane *et al.* (2005:198) were in principle in agreement with particular aspects of strategic planning. There are authors such as Wheelwright (1984:23); Baird (1984:46); Freeman and Robinson (1987:661); Alexander (1999:74); Pearce, Peel and Bridge *et al.* (1998:851); Noble (1999:132); and Mara (2000:212) that have included a wider range of aspects as challenges for consideration as they indicate the problems associated with strategic planning. Therefore, the next section will look at how differently some of the authors perceive strategic planning and the problems associated with strategic planning.

The strategic planning processes can be time and resource intensive, with no guarantee that the resulting plan will be feasible, or the outcome successful. This is not to say that the process should be ignored, especially by start-up organisations, since one of the primary functions of a strategic plan is to allocate scarce resources and strengthen organisational viability (Mara, 2000:212). Section 38(b) of the PFMA (RSA,1999:37) states that the accounting officer for a department, trading entity or constitutional institution is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution. In terms of Section 195(1) (b) of the Constitution (1996:1331), (17), public administration must be governed by the democratic values and principles enshrined in the Constitution, which states that efficient, economic and effective use of resources must be promoted.

According to Alexander (1999:74), one key reason why implementation of strategy fails is that executives, managers and supervisors do not have practical and theoretically sound models to guide their actions during the implementation. Without adequate models, managers and supervisors attempt to implement strategies without a good understanding of the multiple factors that must be addressed, often simultaneously, to make implementation work. Noble (1999:132) has further noted that there is a



significant need for detailed and comprehensive conceptual models related to strategy implementation.

Authors such as Baird (1984:46) and Wheelwright (1984:23) have ascribed inability to demonstrate planning–performance relationships to methodological shortcomings. For instance, Pearce *et al.* (1987:661) attributed ambiguous research findings to inconsistencies in the operationalisation of planning, invalid measurement techniques, inattention to contextual influences, implementation factors, time frames, and size effects. Similarly, Peel and Bridge (1998:851) point out the weaknesses in accounting data. Pearce *et al.* (1987:661) and Peel and Bridge's (1998:857) determine that strategic planning must have measurable objectives with clear roles and responsibilities as well as time frames that, in the context of the South African Public Sector, implies that public sector organisations would have to meticulously consider the MTSF and MTEF planning cycles to encourage and promote successful implementation of public organisational strategy.

A number of researchers have gone further, questioning the fundamental logic of strategic planning (Wildavsky, 1973:67; Gimpl and Dakin, 1984:130; Huff and Reger, 1987:217; Szulanski and Amin, 2001:537). In particular, Mintzberg (1994b:109) has developed an exhaustive case on why strategic planning, as classically conceived, cannot succeed. Fredrickson (1984:455) and Robinson & Pearce (1983:202) also adopted a strategy-based perspective where they argued that planning comprehensiveness should vary according to industry volatility and organisational size. In general, the literal, contingency-based view of strategic planning has been obscured by the more totalising assumptions that 'more planning is better', or that longer-term, more complex, strategic modes of planning should work in most contexts (Eadie, 1983:448; James, 1984:59; Bryson, 1988:109; Tennant and Roberts, 2001:291).

Braybrooke and Lindblom (1963:256) criticise the synoptic, sequential, deliberate version of strategic planning. Their analysis of decision-making focuses mainly on the public arena, where conflicting and changing values, limitations on the information-

processing abilities of decision makers and the cost of a comprehensive analysis, are constraints that limit the usefulness of synoptic models of decision-making.

Having discussed the strategic planning aspects, the next section will look at the relevance of the strategic planning aspects to the Public Sector. Morris and Jones (1999:77–78); Bernier and Hafsi (2007:490); Currie, Humphreys, Ucbasaran and McManus (2008:990); Rainey (2009:83–85); Yang and Pandey (2009:335) state that public sector organisations are characterised, among others, by the absence of economic markets and its cost-reduction pressures. Morris and Jones (1999:77–78); Bernier and Hafsi (2007:490); Currie *et al.* (2008:990); Rainey (2009:83–85); Yang and Pandey (2009:335) argue that public sector organisations are characterised by more intensive external political influences; unique expectations of fairness, responsiveness, honesty, openness and accountability. Public sector organisations' goals are beyond direct customer satisfaction; there is greater goal ambiguity, multiplicity and conflict for managers; traditionally, less decision-making autonomy and flexibility for managers; fewer incentives; and risk/reward trade-offs that favour error avoidance (Morris and Jones, 1999:77–78; Bernier and Hafsi, 2007:490; Currie *et al.*, 2008:990; Rainey, 2009: 83–85; Yang and Pandey, 2009:335).

Dix and Matthews (2002:18) further state that strategic planning is a process that brings to life the mission and vision of the enterprise. A strategic plan, well-crafted and of value, is driven from the top down; considers the internal and external environment around the organisation; is the work of the managers of the organisation and is communicated to all the organisation's stakeholders, both inside and outside of the organisation. Olsen and Eadie (1982:23) define strategic planning as a tool to make decisions and take actions that shape and guide what an organisation is, what it does and why it acts in the way it does. Strategic planning usually requires broad-scale information gathering, generation and exploration of alternative courses of action and an emphasis on the future implications of near-term decisions (Olsen and Eadie, 1982:23).

Based on the scholarly efforts of (Bryson, 1995:ix; Bryson,1995:15; and Young 2001:61-66), it can be deduced that strategic planning in public and non-profit organisations involves articulating the mission, goals, objectives, challenges and opportunities, as well as determining where the organisation wants to be in future. According to Gordon (1993:135), from a public sector perspective, beyond producing a plan, the product of the process should also be widely disseminated and publicised. When employees, other than the executive management have access to the strategic plan, they are more aware of their role in implementing the strategic plan. When citizens have access to the strategic plan, this will likely build trust in the institution and help citizens hold their public officials accountable (Bryson, 2004:231).

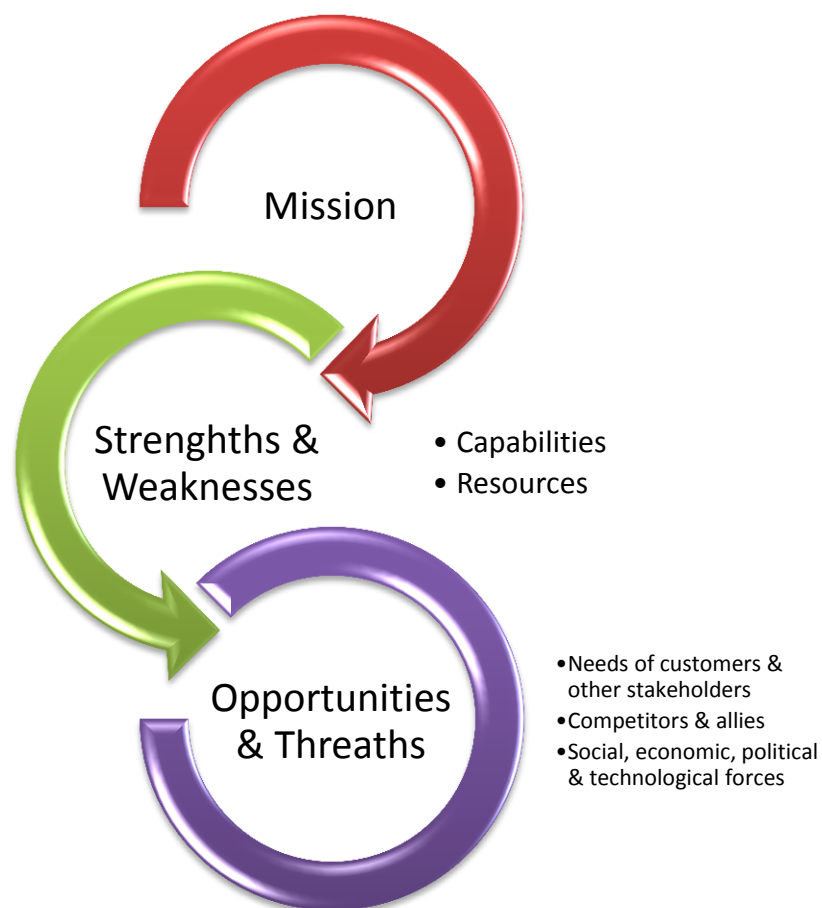
From the above data it is clear that strategic planning requires a strong back-up of robust strategic management to ensure that a proper planning process has been adhered to and that the stated goals and objectives are achieved (Dix and Matthews, 2002:18). According to Campbell *et al.* (2002:45), strategic planning can therefore be understood as a disciplined effort to produce an essential decision and action plan that shapes and guides what an organisation is, what it does and why it is doing strategic planning. It is a process which defines an organisation's direction and helps the decision maker/s in allocating resources such as capital and people to pursue its strategies.

Against this backdrop, it can be inferred that in a highly dynamic environment, strategic planning becomes a deliberate process in which institutions clearly define their objectives and assess both internal and external situations. The process is done to formulate strategies, implement these strategies, evaluate progress and make all the necessary adjustments in order to enhance service delivery in a dynamic, contemporary public sector. Many organisations have adopted a formalised top-down strategic planning model while others chose to follow the traditional long-range planning model.

**Figure 2.1** below depicts a model that shows a set of integrated planning activities designed to identify and resolve strategic issues facing the organisation. A management phase of strategic planning addresses specific implementation actions and assessment

of progress. The model emphasises a set of discrete activities, first aimed at gathering and assessing information, and then integrated in a decision-making process to formulate strategies and implement action plans. The Framework for Strategic Plans and Annual Performance Plans stipulates that in alignment with the shift of government to an outcome-orientated monitoring and evaluation approach, the focus is centred on results-based management which is a life-cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency and accountability. The focus is on achieving outcomes, implementing performance measures, learning from experiences and adapting as well reporting on performance.

**Figure 2.1:** Strategic Planning



(Source: Barry, 1997:7).

The Treasury Regulations 2007, Chapter 5, Section 5.1.1 and Section 5.2.2.3 (RSA, 2007:15) outline how strategic planning should be undertaken in public sector organisations. The National Treasury has revised Treasury Regulations 5 and 30 (RSA, 2007;1), issued in terms of the PFMA), (RSA,1999) to provide the necessary legal basis for the implementation of the Framework for Strategic Plans and Annual Performance Plans (RSA, 2010) and to support the implementation of the Framework for Managing Programme Performance Information (RSA, 2007).

Having explored the contributions of scholars made on strategic planning, the next section will explore the origins of strategic planning, including outlining the mass production era, the mass marketing era and the post-industrial era and as such, linking the content to the Public sector.

## **2.4. THE EVOLUTION OF STRATEGIC PLANNING**

According to Webster's New World Dictionary (1999:201), strategy is the science of planning and directing large-scale military operations and of manoeuvring forces into the most advantageous position prior to actual engagement with the enemy (Guralnic, 1986:11).

Gouillart (1995:17) states that subsequent newer models of strategic planning focused on adaptability to change, flexibility and importance of strategic thinking as well as organisational learning. Gouillart (1995:17) further states that "strategic agility" is becoming more important than the strategy itself, because an organisation's ability to succeed has more to do with its ability to transform itself continuously than whether it has the right strategy. Being strategically agile enables organisations to transform their strategy depending on the changes in their environment (Gouillart, 1995:18).

It is important to set the context and basis of the current strategic planning in organisations by reviewing literature around the historical perspective of planning. The study will furthermore explore how the historical perspective of strategic planning has

influenced current management practices. It should be noted that the SASSA was only established in 2006 and therefore, has not been operating across all the eras discussed here.

The roots of strategic planning are planted organisationally in private sector research (Bryson, 1981:182; Eadie, 1983:447; Bryson and Roering, 1987:11; and Gibson, 1993:15). Gibson (1993:17) notes that there are several similarities between strategic planning in the private and public sectors. Strategic planning requires support from management, internal communication, an understanding of an organisation's history and future, regardless of the organisation type (Gibson,1993:18). However, researchers such as Eadie and Steinbacher (1985:427); Ring and Perry (1985:280); and Nutt and Backoff (1992:209) were quick to point out that these early methods should take into account the differences between private and public organisations. These differences include three dissimilar type of factors such as: environmental, transactional, and organisational processes (Nutt and Backoff, 1992:209). The next section will describe the mass production era from both the private and public sector perspectives.

#### **2.4.1. The mass production era**

Strategic planning will be sketched as a concept in a historical context in American and European countries as the concept largely has its roots in the military and private sector on these two continents. According to Ansoff (1984:6), the modern organisational history started in the United States of America (hereinafter referred to as USA) between the 1820s and 1830s. Ansoff (1984:6) further states that between the 1880s and 1890s, a modern industrial infrastructure was in place and that the period between 1820 and 1900 became known as the Industrial Revolution which began in England and within a few decades, had spread to Western Europe and the USA. The aforementioned era was characterised by extraordinary strategic turbulence. Hawke (1993:54) states that the Cape Colony was annexed by the British and officially became their Colony in 1815. Britain encouraged settlers to the Cape, and in particular, sponsored the 1820 Settlers

to farm in the disputed area between the Colony and the Xhosa in what is now known as the Eastern Cape (Hawke, 1993:55).

According to Thomas (1948:196), the changing image of the Cape from Dutch to British excluded the Dutch farmers in the area, and as a result, the *Boers* started their Great Trek in the 1820s to the northern areas of modern South Africa. Thomas (1948:196) states that this period also marked the rise in power of the Zulu under their king, Shaka Zulu. Thomas (1948:196) further states that subsequently several conflicts arose between the British, Boers and Zulus which led to the Zulu defeat and the ultimate Boer defeat in the Second Anglo-Boer War. However, the Treaty of Vereeniging established the framework of South Africa's limited independence as the Union of South Africa (Thomas, 1948:197). The concept of competition, as it is known today, did not begin to evolve until the 1880s. Ansoff (1984:6) further states that the earlier concept was to dominate or absorb the competitor rather than to meet head-on in the market place. From the 1900s onwards, the focus shifted to develop and consolidate the industrial structure created during the Industrial Revolution.

The era which lasted until the 1930s was referred to as the Mass Production Era (Bryson, 2004:98). The idea of diversifying into new environments appealed only to the most adventurous organisations and the rest were satisfied with their own growth prospects (Bryson, 2004:98). During this era, organisations were small, simple and mostly family-owned and were producing and competing in the local markets. The economies during this era were associated with land as a means of production (Dostal *et al.*, 2005:194-195). In this era the main drive was to meet the basic physical comfort and safety needs of the people.

Strategy was generally seen as unnecessary for the smaller local organisations. Yet as organisations grew and competition grew with them, organisations needed a plan to maximise their investments in manufacturing, management and marketing (Ghemawat, 2002:38). The extreme limitation of resources during World War II accelerated the need for organisational strategy and resulted in innovations in management science

especially in the areas of formal strategic thinking. After the war, these new insights and the need for accelerated planning, fell through as reconstruction efforts across Europe created an environment of tremendous demand with little if any competition from European organisations whilst American organisations rushed to expand their capacity (Ghemawat, 2002:39).

According to Nutt and Backoff (1993:209) the literature of formal strategic planning for organisations emerged in the 1960s. However, most theory and practice have been focused on the private sector, specifically in organisations, for the purpose of improving competitive position in the market. Strategic planning for public organisations is a more recent innovation, first introduced in the 1980s. It has steadily grown as an academic endeavour and tool for public managers, but is not nearly as robust as its private sector predecessor (Nutt and Backoff 1993:210).

#### **2.4.2. The mass marketing era**

Nutt and Backoff (1993:209) state that towards the 1930s, the demand for basic consumer goods was reaching saturation and the more affluent consumer began to look for more than basic performance. Nutt and Backoff (1993:209) further reiterate that during the early 1930s, General Motors triggered a shift from production to a market focus and the earlier production orientation of organisations shifted to a marketing orientation. Hence, promotion, advertising, selling and other forms of consumer influence became the priority concern for management and this shift resulted in a shift from an internal focus to an external focus of the organisation (Nutt and Backoff, 1993:209). Consequently, it also meant that managers had to face costly, time consuming and psychologically threatening acquisition of new skills, development of new problem solving approaches, changes in structure and in systems and an acceptance of new levels of uncertainty about the future (Ansoff, 1984:26).

Ansoff (1984:27) further asserts that new product development became an important activity, as well as the establishment of the research and development laboratories in



organisations such as DuPont, Bell Telephone and General Electric, a step which institutionalised innovation within the organisation. The mass marketing era lifted the aspirations from comfort and safety to a drive for affluence (Ansoff, 1984:27). According to Grant (2002:18), the evolution of organisation strategy was driven by the practical needs of organisations during the 1950s and 1960s. The coordination of decisions and the maintenance of control in increasingly large and complex organisations was a challenging aspect to managers. Grant (2002:18) further indicated that budgetary planning and control as well as financial control through operational and capital budgeting procedures, provided a basic control mechanism. Long-term planning based on economic and market forecasts became the focus for top management (Grant, 2002:19).

The era of high demand and low competition changed in the 1950s and 1960s. Business schools, such as Harvard, began to focus student studies on organisation planning, asking students to analyse industries in the context of growth/decline and competition (Andrews,1971:109). In the late 1950s, Andrews (1971:109) argued that every business, organisation and even every individual ought to have a clearly defined set of purposes or goals which keeps it moving in a deliberately chosen direction and prevents the organisation drifting in undesired directions (Ghemawat, 2002:41). In the late 1960s, Andrews (1971:178) presented the practice of matching an organisation's internal strengths and weaknesses with external risks, opportunities and threats. The practice is known by its acronym as the SWOT analysis. According to a Stanford Research Institute study, the majority of American organisations had strategic planning departments by 1963 (Ghemawat, 2002:44).

Typically, organisations created a five year corporate planning document that set out goals and objectives, forecasted key economic trends, ascertained priorities for different products and business areas of the organisation and allocated capital expenditure (Dostal *et al.*, 2005:194-195). In addition, large organisations had set up corporate planning departments which focused on the growth and security of the organisation through diversification strategies. The economies during this era were associated with

capital as a means of production and work was broken down into individual steps, each representing a different task (Dostal *et al.*, 2005:194-195).

In recent history, strategy has become widely used in many fields, particularly in organisation administration. It has been suggested that it was probably William Newman of the Columbia University Organisation School who first used the word strategy in management literature in 1951 (Mintzberg, 1990:181). Strategic planning as a management approach was introduced into the public sector twenty years later than the private sector (Mintzberg, 1990:181). The American Department of Defence in the early 1960s adopted formalised strategic planning with the inception of the Planning, Programming, and Budgeting System (hereinafter referred to as PPBS). PPBS aimed at effective and efficient use of financial resources based on needs, priorities and projected available resources. Section 217(1) of the Constitution (RSA,1996:1331(26)) states that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is equitable, transparent, competitive and cost-effective.

The next section will look at the post-industrial era which covers the period from the 1940s to the 1980s.

### **2.4.3. The post-industrial era**

According to Ansoff (1984:45), from the mid-1970s organisations were confronted with novel, unexpected challenges which were so far-reaching. Ansoff (1984:45) called the new era an “Age of Discontinuity”. Change continued into the 1980s at a pace which makes it safe to predict that the current escalation of turbulence will persist for at least another 10–15 years. Beyond this time, it was not possible to predict whether the turbulence would continue or whether the environment would settle down to absorb and exploit the change due to the turbulence. The challenges of the post-industrial era were characterised by inflation, growing governmental constraints, dissatisfaction of

consumers, invasion by foreign competitors, technological breakthroughs and changing work attitudes (Ansoff, 1984:46).

The shift to the post-industrial orientation was resisted in many organisations because it introduced new uncertainties, threatened a loss of power by the entrenched managers, and required new perceptions and skills. This resistance to change frequently led to a gap between the behaviour of an organisation and the imperatives of the environment. Organisations continued to focus on marketing and disregarded the technological and political changes and continued to rely on past precedents when experience was no longer a reliable guide to the future (Dostal *et al.*, 2005:215-230). The post-industrial era marked the arrival of affluence and social aspirations shifted from quantity to quality of life. Social priorities focused attention on the negative side effects of profit seeking behaviour such as environmental pollution, fluctuations in economic activity, inflation, monopolistic practices and manipulation of the consumer through artificial obsolescence, blatant advertising, incomplete disclosure and low quality after sales service. All these effects began to appear to be too high a price to pay for the *laissez-faire* conditions of free enterprise. Organisations were required to maintain affluence under stringent constraints, but also undertake social responsibility (Dostal *et al.*, 2005:373-382).

In the late 1980s and 1990s, the business world recognised non-profit management as a new discipline in the business profession. This new discipline was just beginning to have a shared identity and these professionals were not sure how their expertise differed from organisational management (Mulhare, 1999:325). Beginning in the mid-1980s, non-profit executives and boards were encouraged to adopt these business practices to anticipate and cope with change, as well as improving accountability and performance (Siciliano, 1997:387).

According to Dostal *et al.* (2005:373-378), the socio-political relations became important as a source of information and opportunities for new commercial activities. Competition was intensifying as a result of the internationalisation of organisation, scarcities of

resources and acceleration of technological innovation. Production and distribution (value chain) problems were growing bigger and more complex (Dostal *et al.*, 2005:373-378). The first wave of strategy making occurred during the late 1940s and 1950s in Greece. The principal objective was to ensure that the budget was actually met. During this period (post-World War II), the economies of Western countries were enjoying high-growth rates, and the external and internal environments were relatively stable (Kuncoro, 1998:153). During the 1970s, strategic planning replaced long-range planning (Kuncoro, 1998: 153). Many organisations embraced this next level of strategy maturity when management began to understand the fundamental forces in their external environment rather than reacting to them or simply "trending" the past (Tang and Bauer, 1995:79). It has been suggested that during the 1970s substantial progress was made in theory building, research making and in the field of organisation policy and strategy. This progress was seen to mark recognition that the strategic planning was developing as an academic discipline (Schendel and Hofer, 1979:63).

According to Eadie (1989:325) starting in the 1980s, public organisations adopted the ideas of corporate-style strategic planning and applied these for communities and government departments. Most approaches were based on previous corporate strategic planning models and included variations that account for unique public sector aspects. Kotene (1991:95) holds that to be successful, the planning and implementation process should have specific elements that reflect the unique nature of the organisation and its environment. Bryson (1981:184) contends that for the public sector, a strategic planning processes can provide qualitative improvements to the design process over conventional long-range planning. Bryson's (1981:185) reasoning is that strategic planning is more issue-oriented in public organisations and therefore more suitable for politicised circumstances. The issue approach to public sector strategic planning is particularly appropriate because political decision-making starts with issues and strategic planning is useful for forming and addressing these issues (Bryson, 1981:186). Mintzberg (1994a:13) argues that the unique characteristics of public organisations demand an approach to strategic planning that allows for bargaining, opportunism and response to the dynamic forces in the political environment.

Overall, these historical developments have represented a shifting perception and treatment of the strategy concept, from a quasi-scientific (analytical-prescriptive), through to an art-like (evolutionary-descriptive), to a craft-like (integrative-organic) perspective (Mintzberg and Lampel, 1999:25; Quinn, 1980:56). Most of the thinking about strategic planning has focused on its use and applicability to for-profit organisations. It was not until the early 1980s that strategic planning found its way into public sector organisations (Wechsler, 1989:353). Importing private sector strategic planning concepts and practices into public organisations requires attention to the differences in the aims and context in which planning takes place. These differences not only affect the implementation of the process, but also the initial design and the formation of the process (Mintzberg and Lampel, 1999:25).

The strategic planning techniques and models are crucial in developing good strategic plans as the organisations will have to choose the most appropriate one based on their particular circumstances and position. Therefore, the next section will explore the different strategic planning techniques and models.

## **2.5. TRADITIONAL STRATEGIC PLANNING PROCESSES IN ORGANISATIONS**

### **2.5.1. Strategic Planning Models and Techniques**

According to McNamara (2007:131) there is no perfect strategic planning model for an organisation. McNamara (2007:131) notes that the approach or model for strategic planning depends on:

- ❑ The purpose of strategic planning, for example, if planning is meant to add a new product or programme, then the process will probably include market research to verify the need, markets, pricing, etc, for the new product or service.

- ❑ Whether the organisation has done planning before, for example, if the organisation has not done planning before, then extensive attention to mission, vision and values statements is probably warranted.
- ❑ The culture of the organisation, for example, some cultures might prefer a "linear" approach from mission, vision, values, quantified goals, strategies, action plans, financial analysis, etc. Other cultures might prefer a more organic and unfolding approach, such as telling stories.
- ❑ Whether the environment of the organisation is changing rapidly, for example, if the environment is changing rapidly then planning should probably be a shorter term compared to that of an organisation whose environment is fairly stable.
- ❑ Whether the organisation has had success in planning in the past, for example, if an organisation has done planning in the past, but planners do not believe it was successful, then the organisation should perhaps undertake a simple, short-term planning process.

Bryson (1991:23), a prominent theorist on strategic planning was instrumental in adapting corporate private sector strategic planning models to the public sector environment. Bryson (1991:23) states that there are many different strategic planning approaches being used in the corporate private sector. Bryson (1991:24) has assessed these approaches through identifying key features and further assessed their applicability to the public sector environment. Bryson (1991:24) reiterates that a distinction can always be made whether the approach is a process or a content base. A process approach tends to emphasise the policy and direct setting issues, while the other process models tend to concentrate mainly on a particular element of process. The application of these models is up to how the organisation wants to use it and it is not a prescription in terms of setting a direction for an organisation, but rather provides advice to organisations who want to map out their direction (Bryson, 1991:25).

All the approaches discussed in **Table 2.4** are quite practical in the context of public sector. The tabulated strategic planning approach as presented in **Table 2.4** and is

divided into: process approaches, approaches with specific focus on elements and content approaches.

**Table 2.4:** Strategic Planning Approaches

	<b>APPROACH</b>	<b>KEY FEATURES</b>	<b>APPLICABILITY TO THE PUBLIC SECTOR</b>
<b>PROCESS APPROACHES</b>	Harvard Policy Model	<ul style="list-style-type: none"> <li><input type="checkbox"/> Applicable at planning unit level</li> <li><input type="checkbox"/> SWOT analysis</li> <li><input type="checkbox"/> Analyses the social obligation and values at management level.</li> <li><input type="checkbox"/> Develops the best fit between an organisation and its environment through strategy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Yes, as long as planning unit is functional.</li> <li>✓ SWOT analysis is highly applicable.</li> <li>✓ Considers stakeholder interests.</li> </ul>
	Strategic Planning System	<ul style="list-style-type: none"> <li><input type="checkbox"/> A system to assist the formulation and implementation of decisions across levels and functions within an organisation.</li> <li><input type="checkbox"/> Resources are allocated based on a strategic framework and strategic decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Yes, but in less rigid and comprehensive form.</li> </ul>
	Stakeholder Management Approach	<ul style="list-style-type: none"> <li><input type="checkbox"/> Identification of key stakeholders and criteria used to assess an organisation's</li> </ul>	<ul style="list-style-type: none"> <li>✓ Yes, agreement must be reached amongst</li> </ul>

	<b>APPROACH</b>	<b>KEY FEATURES</b>	<b>APPLICABILITY TO THE PUBLIC SECTOR</b>
		<p>performance.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Develop strategies to address each stakeholder</li> </ul>	<p>management over key stakeholder group and strategies are developed to address each group</p>
<b>APPROACHES WITH SPECIFIC FOCUS ON PROCESS ELEMENTS</b>	Strategic Issues Management	<ul style="list-style-type: none"> <li><input type="checkbox"/> Approach recognizes and resolves strategy Issue</li> </ul>	<p>✓ Yes, a dedicated strategic issues management group must guide the process and manage the issues.</p>
	Logical Incrementation	<ul style="list-style-type: none"> <li><input type="checkbox"/> Focuses on the importance of small changes as a critical part of developing and implementing changes in an organisation.</li> <li><input type="checkbox"/> Fuses strategic formulation and implementation.</li> </ul>	<p>✓ Yes provided that consensus is reached on organisational purpose as a framework for incremental decision making</p>
	Strategic Negotiations	<ul style="list-style-type: none"> <li><input type="checkbox"/> Negotiations and bargaining over the identification and</li> </ul>	<p>✓ Yes, as long as agreement can be</p>



	<b>APPROACH</b>	<b>KEY FEATURES</b>	<b>APPLICABILITY TO THE PUBLIC SECTOR</b>
		resolution of strategic issue	reached.
	Framework for Innovation	<ul style="list-style-type: none"> <li>❑ Emphasis on innovation as a strategy.</li> <li>❑ Relies on elements of the other approaches and specific management practices</li> </ul>	<ul style="list-style-type: none"> <li>✓ Yes, although it involves risk-taking as part of the process. The public may not warrant the adoption of this approach by a public sector organisation.</li> <li>✓ The development of a framework to manage the innovation is a difficult task</li> </ul>
<b>CONTENTS APPROACHES</b>	Portfolio Methods	<ul style="list-style-type: none"> <li>❑ An organisation's core organisation areas are categorized into groups based on certain focus areas.</li> <li>❑ A corporate strategy is developed for each group.</li> <li>❑ It attempts to balance a corporation's strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>✓ Yes, if economic, social and political focus area can be defined.</li> <li>✓ A group must exist that will make and implement</li> </ul>

	APPROACH	KEY FEATURES	APPLICABILITY TO THE PUBLIC SECTOR
			decisions based on these portfolios.
	Competitive Analysis	<input type="checkbox"/> Involves an analysis of key forces that shape an industry	<input checked="" type="checkbox"/> Yes, but only for organisations that operate within a sectoral industry.

(Source: Bryson, 1991:23-29).

According to Poole (1991:41), strategic planning models originate from two primary sources which are an organisation model derived from hierarchical, top-down control and a community planning model that is built upon bottom-up consensus building. Barry (1994:186) indicates that a strategic planning model that is created for non-profit organisations must work well for smaller groups with all stakeholders represented. Barry (1994:187) further reiterates that non-profit organisations' strategic planning includes recruiting all stakeholders; reviewing the organisation's history; reviewing; revising, or developing a mission statement; identifying an organisation's opportunities, threats, strengths and weaknesses; setting goals and selecting strategies to empower leadership; reviewing the plan and revising goals as appropriate. Depending on the technique or model chosen by a particular organisation, the next step will be to decide on the strategic planning process (Frederickson, 1985:567). Hence the next section will look at the traditional strategic planning processes as well as challenges that are specific to current traditional strategic planning.

## 2.5.2. Strategic Planning processes in organisations

Strategic planning is an organisation's process of defining its strategy, or direction and making decisions on allocating its resources to pursue this strategy, including its capital and people (Ansoff, Declerck and Hayes 1976:14). According to Morrison (1984:43), various organisation analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), PEST analysis (Political, Economic, Social, and Technological), STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors), and PESTELS (Political, Economic, Social, Technological, Environment, Legal and Security).

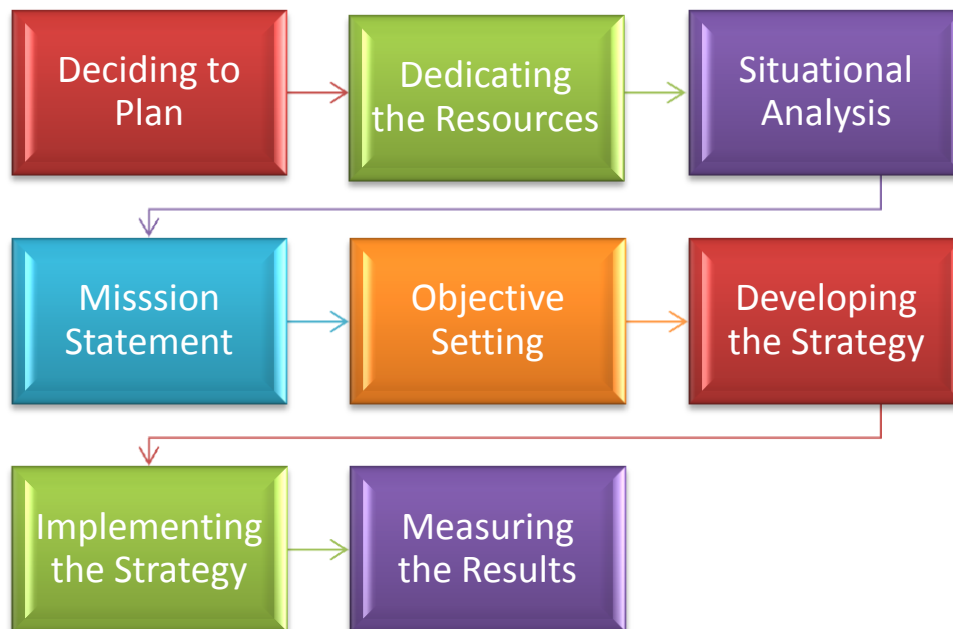
The key elements or steps of the strategic planning process are fairly rudimentary (Eadie, 1983:447). Strategic planning is simply a formal yet flexible process to determine where an organisation is currently and where it should be in the future (Morgan and Sturdy, 2000:122). There is agreement, as evidenced in recent literature, in both theory and practice, on the general steps that are involved in a strategic planning process. By and large, these are six steps and can be summarised as follows:

- ❑ An “environmental scan” or a situational analysis of the strengths and weaknesses of one’s organisation, including an analysis of external threats and opportunities (typically called a “SWOT”). This includes also a “stakeholder analysis” which is an analysis of persons, groups or organisations whose interests and concerns are of key importance to the overall strategic process (Mintzberg,1994:36);
- ❑ The formation of a vision for the future and an accompanying mission statement which defines the fundamental purpose of an organisation, its values, and its boundaries (Kaufman and Jacob,1987:25);
- ❑ The development of general goals, specific targets or objectives, and performance measurements to gauge organisational progress (Pindur,1992:110);
- ❑ A set of “action” strategies to indicate what will be done to accomplish its goals and objectives (Gibson, 1993:27);

- ❑ The implementation of detailed operational or tactical plans that provide for staff assignments and schedules (Nutt and Backoff, 1992:124); and
- ❑ An evaluation component to monitor and revise the overall strategic approach as it unfolds (Poister, 2003:96).

**Figure 2.2** below depicts the traditional long-range planning model which, according to Morrison (1984:3), consists of at least four key steps which are monitoring, forecasting, goal setting and implementing, all of which seeks to answer the questions such as where the organisation is now, where it is going, where it wants to go and what it has to do to change where it is going to get to where it wants to go.

**Figure 2.2:** Strategic Planning Process Model.



(Source: NetMBA.com, 2006)

When developing strategies, analysis of the organisation and its environment as it is at the moment and how it may develop in the future, is important (Denhardt, 1985:176). The analysis has to be executed at an internal level as well as an external level to

identify all opportunities and threats of the external environment, as well as the strengths and weaknesses of organisations (Eadie, 1983:108).

The Systems Theory argues that an organisation as a system is influenced by and interrelated to many internal subsystems and external systems (Kaufman and Jacob, 1987:27). The Systems Theory attempts to integrate many fields of scientific knowledge such as behavioural science, physics, economics, social services and many others. According to Canary (1992:21), the Systems Theory states that the organisation or a project is a dynamic and ever-changing system continuously influenced by its external environment (policies, technology, economy, competitors, globalisation) and its internal environment (changing organisational structure, culture, budgets, and systems such as HR management systems, information and communication as well as financial management).

According to Schwella, Burger, Fox and Müller (1999:8), from a public perspective, the needs identified by the various communities are prioritised during the strategic and budgeting process. During these processes, possible solutions to the identified challenges by the various role-players are outlined before a specific output is produced. Schwella *et al.* (1999:8) further states that the nature of contact, communication, co-operation, monitoring and governmental relations are indicated as determinants of the resulting co-operative governance and organisation manifesting between all the stakeholders in all spheres of government.

Having outlined the Systems Theory, the next section will look at Internal Analysis which outlines the SWOT Analysis as well as stakeholder analysis.

### **2.5.3. Internal Analysis**

Internal Analysis refers to an examination of the current state of the organisation's resources, capabilities, culture and capacity for succeeding in its environment (Albrecht, 1994:70). All organisations have strengths and weaknesses in the functional areas of

organisation. Objectives are established so as to capitalise on strengths and overcome weaknesses (David, 2001:124). The internal analysis includes a stakeholder analysis and a resource audit. Stakeholder analysis involves the internal and external stakeholders, their needs and expectations, current achievements in terms of those needs and expectations, the level of influence of stakeholders, prioritising of stakeholders and manoeuvring of those stakeholders (Gibson,1993:15). Denhardt (1985:175) states that the key to an internal assessment for the organisation is to have up-to-date data on the organisation so that the group can take a “clear-eyed look” at where they are. This assessment could refine and possibly reshape the issue or opportunity the organisation is looking to address (Allison and Kaye, 2005:135-139). Allison and Kaye (2005:135-139) further indicate that this is a critical review of the organisation in order to determine what can realistically be accomplished, with available resources, over the given planning time line.

In Peasley's (2009:215) presentation of the New Heights model, he suggests that the analysis of strengths and weaknesses focus specifically on the issue that is being addressed, as opposed to a focus on the organisation as in other models. Further, this model suggests that the organisation builds on the strengths and minimises the weaknesses (Peasley, 2009:215). Several models suggest involving stakeholder groups with the SWOT analysis in order to get more of a 360 degree view of the organisation, especially where there might be blind spots to staff and board members (Allison and Kaye, 2005:17).

Having outlined the internal analysis which looks at the internal environment in terms of strengths and weaknesses within an organisation, the next section will look at the external environment which explores the threats and opportunities outside an organisation which might have an impact on the organisation's operations.

#### **2.5.4. Environmental Analysis**

It is useful, according to Pearce and Robinson (1994:62), to consider the effects or influence of environmental factors on the organisation's choice of direction and action and, ultimately, its organisational structure and internal process. Environmental analysis can be described as the process of monitoring the organisation's environment to identify both present and future threats and opportunities that may influence the organisation's ability to reach its goals. Organisational environment consists of a set of all factors both outside and inside the organisation, which can affect its progress towards attaining goals (Pearce and Robinson, 1994:62). External Environmental Analysis is a comprehensive study of the environment in which the organisation operates. It consists of external environmental analyses of political, economic, social, technology, environmental, legal and security (PESTELS) factors. It also identifies major trends to exploit as well as key events that require management (Albrecht, 1994:69).

Proper environmental analysis enables the organisation to formulate strategies so as to take advantage of opportunities and avoid or reduce the impact of threats (Ehlers and Lazenby, 2004:75). The acronym PESTELS (political, economic, social, technology, environmental, legal and security) is used to describe the external environmental factors to be analysed. The PESTELS analyses impacts on the organisation by influencing the strategic success or failure and helps to identify strategic gaps. Bartlett and Goshal (1987:12) noted that in all the organisations studied, "the issue was not a poor understanding of environmental forces or inappropriate strategic intent. Without exception, all organisations knew what they had to do; their difficulties lay in how to achieve the necessary changes". Supporting this, Miller (2002:214) reports that organisations fail to implement more than 70 percent of their new strategic initiatives.

Against this backdrop, it can be inferred that prudent managers are aware of opportunities, which are trends, and recognisable events, which will make their jobs easier. Managers also look at threats, which are trends, or events, which make their job difficult. Opportunities exist when one is able to work or use the environment and

threats are when one finds it difficult to work in the environment (Lamb, 1984:ix). Having threats in the environment should not be considered as a hindrance because as long as management know where the organisation is and where the organisation will be, they may be able to move towards the set objectives, even if it is done slowly. The environment might be so bad that management may need to change some of the set objectives and seek new ones, even if it is temporary (Lamb, 1984:ix).

Hill and Westbrook (1997:48) conclude that it is therefore very important that managers understand the impact of environmental change on all aspects of organisational activity. If the environmental change is relatively simple, historical perspective can be used and if more dynamic, future orientation ideology is recommended. Therefore, the environmental influence must be audited to understand the nature of change and the extent to which future strategic management can deliver necessary opportunities for success.

The challenges being experienced with the traditional strategic planning process is influenced by how management undertake the process (Kovach and Mandell, 1990:30). Therefore, to curb some of the challenges, it is crucial that the principles and best practices are used to outline how an organisation will undertake the strategic planning process. Therefore, the next section will look at the techniques employed in strategic planning within the South African Social Security Agency (Hereinafter referred to as SASSA).

## **2.6. STRATEGIC PLANNING PROCESSES IN SASSA**

In today's highly competitive environment, strategic planning becomes a deliberate process in which organisations clearly define their objectives and assess both internal and external situations. This is done to formulate strategies, implement these strategies, evaluate progress and make all the necessary adjustments in order to survive and prosper in this competitive world. Many organisations have adopted a formalised top-down strategic plan model while other chooses to follow the traditional Long-range



Planning model. In this section, the techniques employed in strategic planning within SASSA will be identified.

### **2.6.1. Strategic Planning Process in the South African Social Security Agency (SASSA)**

The South African Social Security Agency (SASSA), unlike some of the public entities, does not have a Board. The Chief Executive Officer (CEO) reports directly to the Minister of Social Development. Therefore, instead of a Board, the Agency has an Executive Committee (EXCO) which is chaired by the CEO and comprises of all Executive Managers at Head Office as well as Regional Executive Managers in the nine Provinces located within the Republic of South Africa. In terms of governance structures, the Agency has an Audit Committee and a Financial Misconduct Board. The strategic planning process observed in SASSA starts with an annual breakaway session by the EXCO to review and craft the strategic direction for the Agency. At this strategic session, the strategic plan is developed and adopted. This plan has a known structure that makes it easy to follow. It states the vision, mission, values, SWOT analysis and the strategic goals for the next financial year. The strategic planning session is usually facilitated by an external facilitator who ensures that the discussions remain focused on the strategic discussion and not on operational issues. The facilitator also ensures that the executive is freed up to participate fully in the process without worrying too much about process issues. External facilitators are also seen as experts who could offer insights, ideas and an outside perspective to the process.

After the strategic planning session which is usually late January or early February each year, the facilitator will produce the documented strategic plan. This plan highlights discussions and strategic decisions that need to be cascaded down to the functional/operational level managers of the Agency. The strategic plan is expressed in high level conceptual terms and priorities. For effective implementation, the plan needs to be translated into more detailed plans (organisation or operational plans) that can be

understood at the functional level of the Agency. For the current strategic plan, the process followed was as follows:

A Strategy *Lekgotla* (a Sesotho or Setwana word meaning court) was held from 17 to 19 August 2011. The Agency's top management, the Minister and Deputy Minister of Social Development, the Director-General of the Department of Social Development, as well as other Department of Social Development representatives, participated in the Lekgotla. The draft strategic plan was developed, based on the outcomes of the Lekgotla after having taken the strategic risks, baseline information and available budgets into consideration. The Lekgotla identified the following key priorities to inform the work of the Agency:

To deliver quality social security services by focusing on the following:

- Excellent customer care.
- The automation of systems.
- Improving organisational capacity.
- Promoting good governance

SASSA has followed the framework to the latter, but does not explain in detail the risks facing the Agency, as well as proposed solutions in addressing the identified risks. SASSA just listed the risks without explaining in detail and not proposing solutions to mitigate the said risks. SASSA has not outlined in detail initiatives to be adopted to improve service delivery and projected income and expenditure over the MTEF period, as well as current staff capacity and projected staff capacity over the MTEF period.

In order to suggest ways to improve on the strategic planning process, the next section will look at the principles and best practices of strategic planning.

## 2.7. PRINCIPLES AND BEST PRACTICES OF STRATEGIC PLANNING

Strategic planning is typically oriented to a particular organisation's circumstances at a particular time in its history. However, there are a number of proven and effective practices and methodologies that can be adapted for virtually any organisation. This section provides a brief overview of current "best practices" and considerations for managers to explore throughout the strategic planning process.

Mittenthal (2003:120) offers ten "keys" for successful strategic planning for non-profit organisations :

- Provide a clear and comprehensive grasp of external opportunities and challenges.
- Offer a realistic and comprehensive assessment of the organisation's strengths and limitations.
- Use an inclusive approach that, at minimum, includes staff, current and incoming board members, clients, funders, and partner organisations.
- Assign core work to an empowered planning committee with sufficient decision-making authority.
- Involve the senior leadership.
- Share responsibility among board and staff members.
- Learn from best practices.
- Develop clear priorities and an implementation plan.
- Proceed with patience.
- Foster a commitment to change.

The American Quality and Productivity Center's International Benchmarking Clearinghouse analysed the strategic planning processes of 45 top organisations, including Alcoa, Deere & Company, Frito-Lay, Shell International Petroleum Company, Whirlpool and Xerox Corporation. The following is a summary of many of the best

practices employed by these highly successful corporations, as revealed in the Clearinghouse's 1996 strategy study (McGonagle & Vella, 2003:53).

- ❑ "Stretch goals drive strategic out-of-the-box thinking. While different organisations use different parameters, all of the best practice organisations set targets that required a shift from organisation as usual.
- ❑ Their planning processes are evolving and flexible. A "continuous improvement" philosophy guides the planning-process design.
- ❑ Communication of the strategic plan is a formal and significant element of the process and it is viewed as a measure of quality planning.
- ❑ Planners emphasise action plans and strategic thinking. Planners expect strategic thinking to take place primarily at the organisation unit level.
- ❑ The planners' distinction between strategic planning and organisation planning is increasingly blurred. As the cycle time between strategic plans shortens, organisation planning is done within the context of a strong corporate vision or culture, even if a corporate strategy is not articulated.
- ❑ The role of strategic planning as a key element in the management system is explicitly recognised through strong links to other elements of the management system (e.g., strong human resources and organisational structures).
- ❑ Documentation of strategic thinking is stressed.
- ❑ A single core competence or capability is not the driver of strategic planning. Instead, the basis for competitive advantage and new organisation development is based on diverse competencies.
- ❑ Approaches to planning processes and planning system designs vary greatly. Although approaches vary, the framework of issue and option generation, prioritisation, review and feedback continues to have universal relevance".

### **2.7.1. The Balanced Scorecard Approach**

The balanced scorecard is a multifaceted evaluation tool that combines both financial and non-financial factors to measure an organisation's performance (Kaplan and Norton, 1992:68). Kaplan and Norton (1992:69) state that the approach is centred around the idea that impressive financial returns are only one of the important factors to consider when assessing the success of an organisation. A balanced scorecard evaluation should take into account a range of objectives in different categories, including both leading and lagging indicators.

According to Kaplan and Norton (1992:70), a balanced set of criteria such as outlined above paints a more complete picture of an organisation's performance. Each of the metrics would include specific quantitative targets to help an organisation measure its progress against established goals (for example, increase new product revenue by 25%). Beyond strategic planning, another common application of the balanced scorecard approach today is in determining executive compensation. Organisations are beginning to assess executives' performance by linking their compensation directly to stated strategic goals (Kaplan and Norton, 1992:71).

According to Norton (1997:18), in the private sector, the logic of this arrangement is straightforward; organisational personnel with the right skill sets, motivation and tools will drive process quality which will lead to increased customer satisfaction and ultimately financial success. However, in the public service, "the bottom line" is not the bottom line, fiscal prudence is essential, yet it is not the reason that government programmes and services exist. The bottom line is success of the mission, that is, did the programme or service deliver as expected (Norton, 1997:18). Norton (1997:19) further states that this means that for an organisation, building a public sector balance scoreboard has to start with the understanding that the ultimate goal is an improvement in awareness, capacity or conditions for the citizens and this will be achieved through strategic planning.

## **2.8. CONCLUSION**

In Chapter 2, the literature was reviewed and key terminology in relation to strategic planning was defined. Chapter 2 explored the origins of strategic planning, which included outlining the mass production era, the mass marketing era and the post-industrial era and as such, linking the content to the Public sector. The chapter also explored the different strategic planning techniques and models as well as internal and environmental analysis. The chapter was concluded by looking at strategic planning principles and best practices. The chapter highlighted the impact of the history of strategic planning on how organisations are currently conducting their strategic planning and how the adoption of best principles and practices can assist organisations in planning better.

Chapter 3 will conduct a literature review of budgeting as concept and related processes, and will provide a discussion on the literature reviewed which provides an understanding of the various budgeting aspects. The chapter also sheds light on how budgeting processes have evolved over time. It also discusses the traditional budgeting processes in organisations such as SASSA. Chapter 3 thus aims to outline the principles and best practices associated with budgeting.

## **CHAPTER 3**

### **LITERATURE REVIEW: BUDGETING PRINCIPLES AND BEST PRACTICES IN THE SOUTH AFRICAN PUBLIC SECTOR**

#### **3.1. INTRODUCTION**

Chapter 2 conducted a literature review of strategic planning as a concept and related processes and in addition, provided a discussion of the literature reviewed which may mediate an understanding of the various strategic planning aspects required through which optimal results may be obtained. The chapter also shed light on the evolution of strategic planning over time. It discussed traditional strategic planning processes within organisations such as SASSA in order to determine techniques employed in strategic planning. Chapter 2 thus aimed to outline the principles and best practices associated with strategic planning.

Chapter 3 conducts a literature review of budgeting as concept and related processes, and in addition, the chapter provides a discussion on the literature reviewed that will in turn provide an understanding of the various budgeting aspects. The chapter sheds light on how budgeting processes have evolved over time. It also discusses the traditional budgeting processes within organisations such as SASSA in order to determine the differences and techniques employed in budgeting processes. Chapter 3 thus aims to outline the principles and best practices associated with public budgeting.

Before the budgeting process is examined, it is necessary to explain budget as a concept, as it will be understood in this study. Therefore, a discussion on this topic with simple definitions of a budget will be given. Sheffrin (2003:502) states that a budget is a quantitative expression of a plan for a defined period of time. It may include revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. It expresses strategic plans of organisation units, organisations, activities or events in measurable terms. A budget can be defined as a quantitative economic plan, made in relation to

time. Therefore, for something to be characterised as a budget, it must comprise the economic resources allocated and used. It has to be expressed in economic terms (monetary), be a plan, not a hope or a forecast, but an authoritative intention. Furthermore, it must be made within a certain period of time (Harper,1995:318). Maitland (2000:1) defines budgeting as the process of compiling budgets and subsequently adhering to them as closely as possible.

“In their voluminous and complex formats, budgets simultaneously record policy outcomes, cite policy priorities and programme goals and objectives, delineate a government’s total service effort; and measure its performance, impact, and overall effectiveness” (Hyde,1992:1). Budgeting, according to Hyde (1992:2) is partly political, partly economic, partly accounting, and partly administrative. Hyde (1992:2) states that as a political document, it allocates the scarce resources of a society among multiple, conflicting and competing interests. Hyde (1992:2) further states that as an economic and fiscal document, it serves as the primary instrument for evaluating a jurisdiction’s redistribution of income, stimulating its economic growth and development, promoting full employment, combating inflation, and maintaining economic stability. Hyde (1992:2) reiterates that as an accounting document, it provides a ceiling on government spending and makes it legally binding for it to live within the allocated funds. Finally, as a managerial and administrative document, it specifies the ways and means by which public services are provided, and it establishes criteria by which they are monitored, measured and evaluated (Hyde, 1992:3).

In order for an agency’s budget to be regarded as wise, its budget will not necessarily be reviewed in its entirety, but will be based on last year’s budget with emphasis on a narrow range of increases or decreases (Wildavsky, 1964:15). Bhimani, Horngren, Datar and Foster (2008:42) define a budget as a quantitative future plan created by managers to assist the implementation of such a plan. Becker, Messner and Schaffer (2009:394) state the common view is that management accounting systems’ foundation is budgeting.



Rickards (2006:67) believes that the main purpose of budgets is to help implement an organisation's strategy, and that a budget is not just there for controlling and planning purposes. Rickards (2006:68) further states that the changes in the economic environment and organisation processes led to evolutions in budgeting from the initial cash budgets to more modern techniques of zerobased budgeting (ZBB) and activity-based budgeting (ABB).

The budgeting process of organisations within the South African Public Sector is determined through and derived from:

**□ The Constitution of the Republic of South Africa (1996) and including the Bill of Rights**

The Constitution of the Republic of South Africa, Section 215(1) (RSA, 1996:1331, 25) provides the institutional framework for budget reforms in South Africa. In addition to detailing the structure of the state, expenditure and revenue assignment and setting out key institutions, roles and responsibilities, it also includes a Bill of Rights with implications for the allocation of available resources between the spheres and functions of government and establishes the principle of co-operative governance, which set the tone for a consensus-seeking budget process. Section 215 (1) of the Constitution (RSA,1996:1331(25)), states that National, Provincial and Municipal budgets and processes must promote transparency, accountability and effective financial management of the economy, debt and the public sector. Furthermore, Section 215 (2) (c) of the Constitution (RSA, 1996:1331(25) states that the budget in each of the three spheres of government must show the sources of revenue and the way in which proposed expenditure will comply with national legislation to ensure compliance to fiscal norms and standards.

SASSA has complied with the Constitution in that its budgeting process involves stakeholders as budget priorities, as discussed at the *Lekgotla* (a Setswana or Sesotho

word meaning court) and at different governance structures such as the Budget Fora and the Budget Committee within the organisation.

#### ❑ **Public Finance Management Act, Act No. 1 of 1999 (PFMA)**

The adoption of the PFMA in 1999 and its implementation in 2000 signaled the second phase of the programme of reforms (RSA, 1996a:1). The PFMA's primary objective is to modernise financial management and enhance accountability (RSA,1996a:1). The PFMA sets out a framework for modernising the financial management of National and Provincial departments, Government Agencies and Public Enterprises (RSA,1996a:1). The PFMA eliminates micro-control, giving managers greater flexibility. The PFMA simultaneously holds public managers accountable for the use of resources to deliver services to communities.

According to Chapter 6, Section 53(b) of the PFMA (RSA, 1999:50), the accounting authority for a public entity listed in Schedule 3 must submit a corporate plan to the accounting officer for a department designated by the executive authority responsible for that public entity to the treasury at least one month, or another period agreed upon between the public entity and the National Treasury, before the start of its financial year. Such a corporate plan needs to be submitted in the prescribed format that covers the affairs of that public entity for the following three financial years. The MTEF details a 3-year rolling expenditure and revenue plans for national and provincial departments (RSA, 1999:49). Provincial spending plans in the MTEF take account of transfers to provinces from the National Revenue Fund (NRF) and revenue that provinces receive from their own sources, such as license fees.

Section 53(2) of the PFMA (RSA, 1999:50) further states that the budget must be submitted to the executive authority, which is the Minister of Social Development, through the accounting officer that is the Head of Department of Social Development, designated by the executive authority, who may make recommendations to the executive authority with regard to the approval or amendment of the budget.

Medium-term spending plans of national and provincial departments are prepared within the context of the Government's macroeconomic and fiscal framework set out in the previous budget. The framework set out in the previous budget outlines the 'resource envelope' within which the annual budget submissions of departments are prepared (RSA, 2015:1). In terms of Section 27(2) of the PFMA (RSA, 1999:30), the Member of the Executive Committee (MEC) for finance in a province must table the provincial annual budget for a financial year in the provincial legislature not later than two weeks after the tabling of the national annual budget, but the Minister may approve an extension of time for the tabling of a provincial budget.

SASSA aligns the budget guidelines issued by the National Treasury to its activities, although the budget guidelines are no longer issued to the Executive Managers in the nine Provinces within the Republic of South Africa as well as the Executive Managers at the Headquarters which are based in Pretoria before the budget is submitted to National Treasury, but instead allocations are done without inputs from the Branches and the nine Regions within the Republic of South Africa.

#### **□ The MTEF Planning cycle of government**

According to the World Bank's Public Expenditure Management Handbook (World Bank, 1998a:46), "the MTEF consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources... in the context of the annual budget process." The "top-down resource envelope" is fundamentally a macroeconomic model that indicates fiscal targets and estimates revenues and expenditures, including government financial obligations and high cost government-wide programmes such as civil service reform (World Bank, 1998a:46).

The World Bank (1998a:46) states that to complement the macroeconomic model, the public sector engage in "bottom-up" reviews that begin by scrutinising public sector policies and activities (similar to the zero-based budgeting approach), with attention

focused towards optimising intra-sectoral allocations. The value add of the MTEF approach comes from integrating the top-down resource envelope with bottom-up sector programmes (World Bank, 1998a:34).

The Medium Term Strategic Framework (MTSF), which operates over the electoral mandate period, informs the MTEF, with a shorter 3-year cycle (RSA, 2014:4). According to National Treasury (RSA, 2000:1), in the 1998 Budget tabled by a former Minister of Finance, Mr Trevor Manuel, the South African Government set out 3-year rolling spending plans for national and provincial departments under the MTEF for the first time in the new dispensation. Medium-term budgeting is the basis of budget reform initiatives (Du Randt, 1999:10). It reinforces the link between Government's policy choices on the budget and the delivery of services, which serves to strengthen political decision making and accountability (Du Randt, 1999:10).

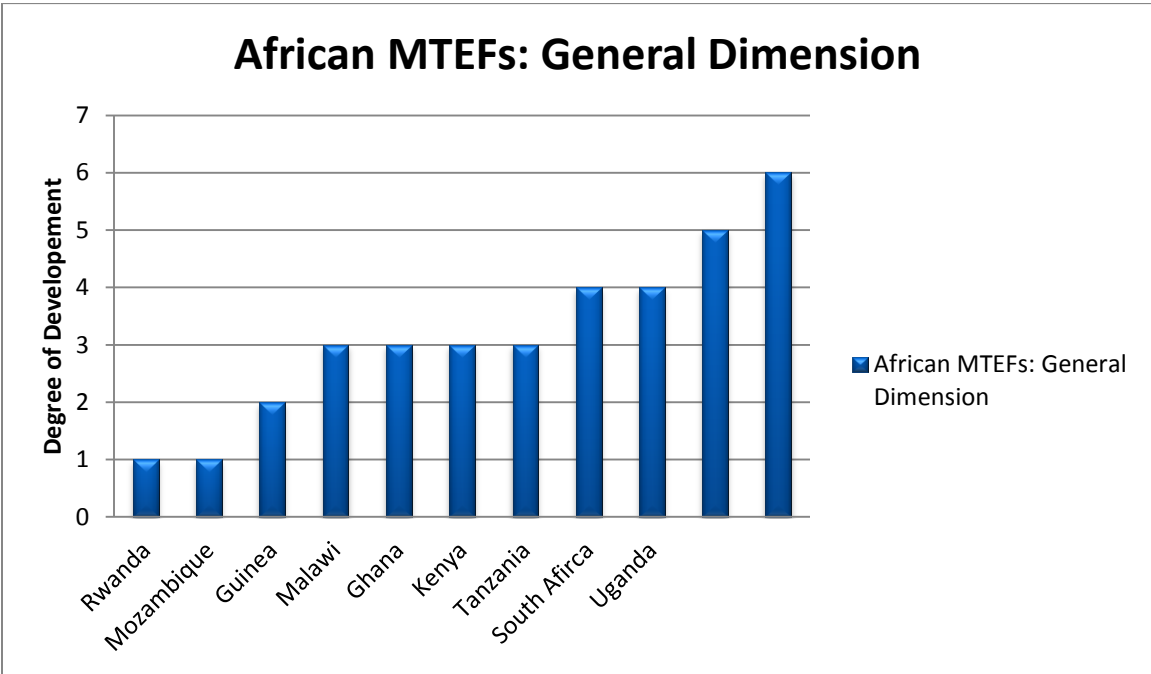
Between May and June every year, National Treasury invites departments to submit their budget proposals for the MTEF, which deals with the period for the following three years (RSA, 2015:17). Between June and July, departments are invited to present their proposals to the Medium Term Expenditure Committee (MTEC), which comprises of representatives from the Presidency, Department of Public Works, Department of Public Service and Administration and National Treasury (RSA, 2015:17) MTEC makes recommendations to the Ministers Committee on the Budget (MINCOMBUD), who evaluates the recommendations of MTEC (RSA, 2015:17).

In August, the Budget Council considers the division of revenue and departments submit revised budget proposals to National Treasury (RSA, 2015:17). In September, the proposed allocations recommended by MINCOMBUD are submitted to an extended Cabinet for approval, and such approval is done in October (RSA, 2015:17). In November, the Cabinet approves the MTEF and issue allocation letters to departments (RSA, 2015:17). The allocation letters set out the numbers, the purpose of the total budget and the baseline numbers of the previous year (RSA, 2015:17). The allocation letters assist departments with their Estimates of the National Expenditure (ENE)

planning (RSA, 2015:17).The departments, between December and February, then draft a chapter, making the necessary changes and ultimately building up an important public record of the budget for that year and the next two years. The budget is then tabled in Parliament by the Minister of Finance in February after the State of the Nation Address (RSA, 2015:17).

According to World Bank (2001:11) the table below shows each case according to its level of development along the general dimension of African Medium Term Expenditure Frameworks. The general dimensions are based on a scope which is rated at 2; format rated at 2; government levels, not rated; length of period, rated at 1; macro/fiscal framework rated at 2 and sectoral expenditure frameworks rated at 3.The cases range from Rwanda and Mozambique, with a rating of one, to Uganda and South Africa, with a rating of four, out of six.

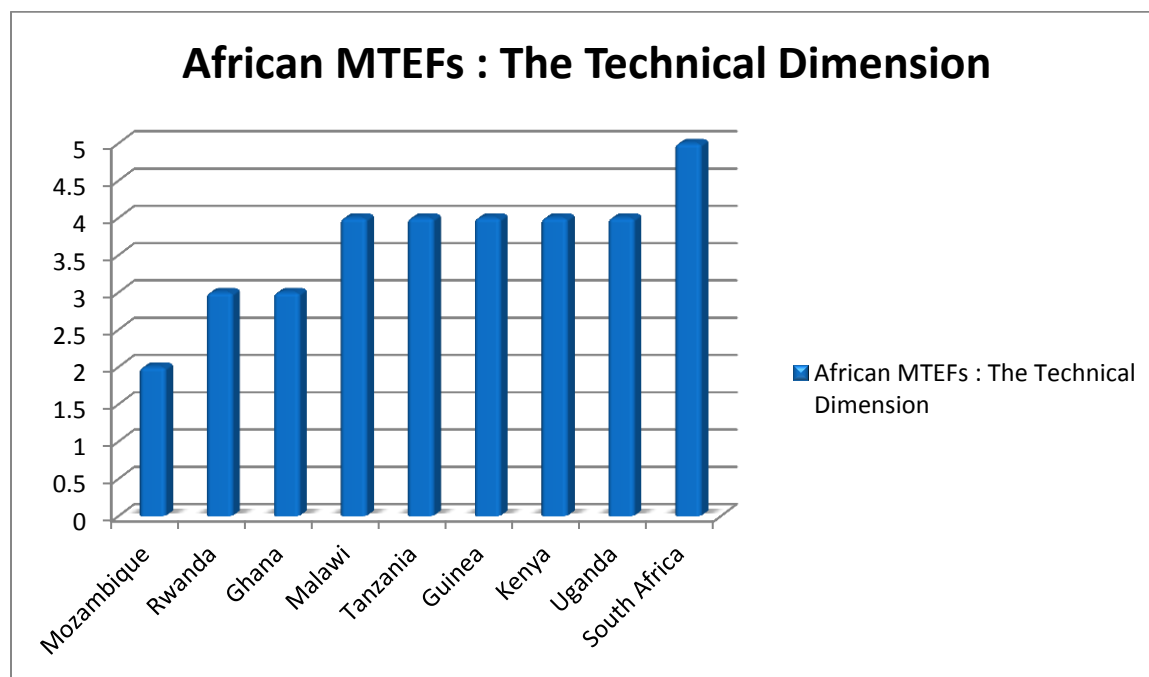
**Diagram 3.1:** African Medium Term Expenditure Frameworks: General Dimensions



(Source: The World Bank, 2001:11)

The World Bank (2001:13) further rates countries according to a technical dimension. On this category, South Africa is ranked as having all the desirable technical characteristics while Mozambique is ranked as having only 2 characteristics. The characteristics are budget process status rated at 2; management structure rated at 2; dissemination rated at 1 and oversight rated at 4.

**Diagram 3.2:** African Medium Term Expenditure Frameworks: The Technical Dimension



(Source: The World Bank, 2001:13).

As indicated, SASSA aligns its process to the National Treasury guidelines to ensure compliance with the legislative framework, although inputs are no longer sought from the Executive Managers from the nine Provinces within the Republic of South Africa as well as the Executive Managers situated at Headquarters, before submitting the budget to the National Treasury.

## **❑ The National Budget**

After the State of the Nation Address, the Minister of Finance tables the National Budget in Parliament during February (RSA, 2015:17). In terms of Section 27(1) of the PFMA (RSA, 1999:30), the Minister of Finance must table the annual budget for a financial year in the National Assembly before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of that financial year, as the Minister may determine, which must be in accordance with a format as may be prescribed.

Section 27(4) of the PFMA (RSA, 1999:31) further states that when the annual budget is introduced in the National Assembly or the Provincial Legislature, the accounting officer for each department must submit to Parliament or the provincial legislature, as may be appropriate, measurable objectives for each main division within the department's vote. The relevant treasury may co-ordinate the departments' submissions and consolidate the submissions in one document.

The Minister of Finance, when delivering the budget speech to Parliament, tables the ENE chapters, Appropriation Bill and Division of Revenue Bills (RSA, 2015:17). Parliament then passes the Appropriation Act and Division of Revenue Act (DORA) for that particular year, to allocate resources to different government departments and spheres of government (RSA, 2015:17). SASSA complies with the National Treasury guidelines as it submits a bid which is presented as part of the Budget Speech by the Minister of Finance.

## **❑ Ministerial Budget Votes**

After the Minister of Finance presents the Budget, each parliamentary committee has hearings on the Budget Vote for its State Department (RSA, 2015:17). The committee asks the department what it plans to achieve with its budget (RSA, 2015:17). The committee can also test whether the department in question kept the promises it made

for the previous year and whether it spent public money properly (RSA, 2015:17). After debating all the Budget Votes, each House must vote (RSA, 2015:17). If the budget is approved, the Ministers can go ahead and spend the money as budgeted (RSA, 2015:17).

The Minister of Social Development presents the budget vote for the department which also includes the Social Security Programme for SASSA (RSA, 2015:17). SASSA makes use of its governance structures such as the Budget Forum and the Budget Committee to review its budget versus expenditure by analysing the variances in SASSA's strategic plan, 2012/13 to 2016/17).

#### **❑ National Treasury Instruction**

The National Treasury Instruction No. 5 of 2001 Section 6.1.1. states that the Accounting Officer as Head of a department must comply with any annual budget circulars issued by the relevant treasury and the budget circulars issued by provincial treasuries must comply with the circulars issued by the National Treasury (RSA, 2001:16).

Section 6.1.2. of the National Treasury Instruction No.5 of 2001, (RSA, 2001:16) state that “the accounting officer of a constitutional institution or the accounting authority of a public entity who receive transfer payments, appropriated by Vote must provide such information as may be required by the Accounting Officer responsible for a Vote for the purposes of complying with a budget circular. A budget submission by such an institution or public entity must be made through the Accounting Officer of the department responsible for transfer payments to that institution or public entity” (RSA, 2001:16). SASSA complies with the National Treasury Instruction in terms of circulars issued by the National Treasury and submits information as required in the budget circular.



It is against this legislative background that the study will review literature that supports the concept of budgeting and related processes through which public sector organisations may optimally utilise limited resources. The next section commences by providing different definitions of the budget by different scholars.

### **3.2. BUDGETING AS A CONCEPT AND RELATED PROCESSES**

Bhimani *et al.* (2006:181), state that a budget is the quantitative depiction of a proposed plan of action by the executive management and aids in coordinating the activities that need to be carried out to implement the strategy. Bhimani *et al.* (2006:182) further state that a budget is therefore a plan expressed in financial/monetary terms; similar to strategy, it focuses on the future. It is therefore safe to assume that budgeting forms part of a broader organisational planning process in that it provides financial resources to the activities taken or planned to meet the goals set out in the strategy of such a department (Bhimani *et al.*, 2006:182). Budgets, by their very nature, deal with the future allocation and utilisation of various resources to ensure that the organisational strategy is executed. Frederick (2001:36) defines a budget as a plan that is measurable and timely. Bruns and Waterhouse (1975:182) define a budget as financial plans that provide the basis for directing and evaluating the performance of individuals or segments of organisations.

According to Erasmus and Visser (1997:160), a budget is acknowledged as a planning tool so that services are delivered effectively, efficiently and resources are used economically. The three E's take place within the context of the New Public Management (NPM) approach (Cameron, 2010:184) and is encouraged by the Constitution in section 195(b) which states that "efficient, economic and effective use of resources must be promoted" (RSA,1996:1331(17)). Wildavsky (1974:4) defines a budget as a series of goals with 'price tags' attached to it. Wildavsky (1974:4) further states that the analysis of the budget could be that governments set up objectives or priorities in order to link policy, budgeting and planning to revenue and expenditure management and to attend to the macro-economic strategy of a country.

Lee and Johnson (1998:14) define budget as a document or a collection of documents that refers to the financial condition of government, including information about revenue, expenditure, activities, purposes and goals. Lee and Johnson (1998:16) further argue that a budget is prospective as it contains an anticipated future revenue, expenditure and accomplishments which will help the public and government to know or understand the expected outcome of a project or programme.

Welsh, Hilton and Gordon (1988:73) defined the budgeting process as a profit planning and control process and in that way, not only have they identified the two most important functions of budgets in organisations but have also presented the budgeting process in a wider context than what is usually depicted. The process of budgeting involves establishing strategic goals, objectives and developing forecasts for revenues, costs, production, cash flows and other important factors (Bonner, 2008:98; Bierman, 2010:56). According to Campbell (1985:68), a budget is a quantitative analysis prior to a defined period of time, of a policy to be pursued for that period to attain a given objective. Campbell (1985:68) further states that the main purpose of the budget is to aid in the achievement of objectives and direct managerial effort through planning, coordinating, measuring and rewarding.

The Chartered Institute of Management Accountants (CIMA) defines budgeting as a quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows (CIMA & Ross, 2008:3).

Emmanuel, Otley and Merchant (1990:31) reiterate that the process of budgeting generally involves an iterative cycle, which moves between targets of desirable performance and estimates of feasible performance until there is convergence to a plan, which is both feasible and acceptable. Babunakis (1976:318) states that budgeting is a means of delivering value for money against a background of aims, objectives and targets. Budgeting will only fully realise its full potential if it has the support and involvement of top management, if there are strong connections between budgets,

outputs and results and if it operates within a supportive central and managerial environment (Babunakis,1976:318). Howard (1973:53) reiterates that public budgeting does not only include the budgetary procedures, techniques and strategies, but also all the political power struggles and bargaining activities in which participants must engage to survive and obtain the allocations they deem desirable.

Against this backdrop, it can be inferred that a budget is therefore a plan expressed in financial/monetary terms; similar to concept strategy that a budget focuses on the future. Bhimani *et al.* (2006:183) reiterate that the budget is therefore a document that translates the strategic plan into action and therefore into money, money that will need to be spent to get the planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income). Visser and Erasmus (2002:5) state that public finance is manifested in the budget which is financed mainly through taxation. Merchant (1981:824) argues that it is therefore safe to assume that a budgeting process forms part of a broader organisational planning process in that it provides financial resources to the activities taken or planned to meet the goals set out in an organisational strategy. Budgets, by their very nature, deal with the future allocation and utilisation of various resources to ensure that the strategy is executed (Simons, 1987:363).

In order to establish an academic basis from which the term budgeting is understood, it is crucial to examine the definitions of budgeting. The next section will, therefore, explore budgeting according to the viewpoint of different authors. There are numerous definitions of budgeting, and many different approaches can be employed in budgeting.

### **3.3. BUDGETING ASPECTS**

According to Campbell (1985:66), it is believed that there are both technical and behavioural aspects to budgeting that can benefit organisations if properly understood and coordinated. Although the technical aspect is always emphasised as being most important, the recognition of both the technical and behavioural aspects of budgeting is

essential, if goal and behaviour congruence are to be achieved (Campbell, 1985:66). Campbell (1985:67) reiterates that the technical component of budgeting deals with a mathematical computation of projected costs such as interest on loans and expenses such as salaries and wages and has been heavily emphasised in the public sector, whereas the behavioural component focuses on the ability to achieve the technical aspect of budgeting through the use of people.

Eamets and Crow (2008:223) argue that behavioural and social aspects are an integral part of the budgeting process and should not be divorced from the technical side. As such, organisations should recognise that the effective use and application of any budget is dependent on the extent to which employees are committed to the ideals of the budgetary process and encourage behaviour that is in accordance with the entity's objectives (Eamets and Crow, 2008:223). Bratton and Gold (2007:442) assert that an organisation can build capacity through employee participation and empowerment.

In contrast to organisation planning, budgeting underlines predicting and quantifying the future in financial terms and predicting the future needs for finance (Nattrass,1997:191). Therefore, budgeting is situated between the disciplines of finance and planning (Nattrass, 1997:191). Cokins (2008:46), states that budgets focus on financial targets as opposed to strategy. Furthermore, the inflexibility of budget data drives a lack of alignment between finance and operations in budgeting. To reveal the nature of budgeting at organisational level, it would be appropriate to first outline the definitions of a budget according to different authors.

According to Weetman (1996:552) a budget is a detailed plan, which sets out, in monetary terms, the plans for income and expenditure in respect of a future period of time. It is prepared in advance of such a time period and is based on the agreed upon objectives for that period of time, together with the strategy planned to achieve those objectives (Weetman,1996:553). According to Flamholtz (1983:155), budgets are financial blueprints that quantify an organisation's plans for a future period. Flamholtz (1983:156) further states that budgets require management to specify expected cash

inflows, outflows and costs as they provide a mechanism for effective planning and control in organisations. Flamholtz's (1983:156) statement as interpreted in government would be that government makes decisions through a budget regarding the nature, level and composition of government expenditure, taxation and borrowing aimed at pursuing the institutional goals. Therefore, the budget is not only concerned with how revenue is raised, but how it is raised and on what it is spent.

A public budget is a document indicating how a government department or public entity spends its financial resources in order to realise specific public goals (Gildenhuis, 1997:393). It is a compilation of the financial needs for the achievement of the objectives of an entity or government department. "It is a plan of activities expressed in financial terms" (Rose and Lawton, 1999:169). The Chartered Institute of Public Finance and Accountancy (CIPFA, 1996:249) defines public budget as a plan that is quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective.

Rubin (1990:2) explains that public budgets are a powerful tool of accountability to citizens who want to know how government is spending their money and establish whether government has generally followed their preferences. Rubin (1990:2) further explains that budget information should not focus on informing the few, but should ensure government spending reports are easily accessible to every citizen of the country at all times.

Weetnam (1996:555) pointed out that a budget is a formalised way of preparing a statement of all accounts and an allocation of all available financial resources. In other words, a budget can be described as a policy on which expenditures and income are based. Bunce *et al.* (1995:260) recognise some positive aspects of budgeting since it brings together the goals, plans and responsibilities of the organisation and, at the same time, achieves financial coherence for the enterprise. Furthermore, without the annual budget, it would be difficult to set targets for people, or to appraise and control

performance (Bunce *et al.*, 1995:260). Budgeting has been used as an effective tool to communicate information to shareholders and citizens (Ekholm and Wallin, 2000:521).

A budget is a quantitative expression of a plan of action prepared in advance of the period to which it relates. It is a plan expressed in terms of money that is prepared and approved prior to the budget period which shows income, expenditure and capital to be employed (Lucey, 1996:121). Bhimani *et al.* (1997:523) describe a budget as a quantitative expression for a period of time designed to support a future plan of action by management. A budget can cover both financial and non-financial aspects of these plans and act as a blue-print for the organisation to follow in the upcoming period. Thus, a budget is also an itemised estimate of the operating result of an enterprise for a future time period (Horngren *et al.*, 2006:523).

According to Brook and Palmer (1984:26), budgeting is an organisation's financial control system. Budgeting is about making plans for the future, implementing those plans and monitoring activities to see to it that they conform to plan. Appiah-Mensah (1993:63) explains that budgeting is a way and means of preparing budgets and that budgets are plans of action which have been prepared and approved prior to the period when it will be used and detailing monetary, quantitative or other descriptive terms, the event to be accomplished in the budget period. Appiah-Mensah (1993:64) further states that a budget is different from a mere forecast in that it is the formal management of events which are desired by management to take place in an organisation within a defined period of time.

Cherrington, Hubbard and Luthy (1988:201) describe a budget as an itemised estimate of the operating results of an enterprise for a period. They further explain that the form of a budget varies from organisation to organisation, but is eventually summarised into a form of normal financial statements. Blocher *et al.* (2002:127), for instance, argue that budgets help to allocate resources, coordinate operations and provide a means for performance measurement. Hilton, Mahar and Setto(2002:35) agree with the latter view and claim that the budget is the most widely used technique for planning and control

purposes. Clarke and Toal (1999:632) too, are of the opinion that budgets are still essential and can be incorporated as part of the financial component of the balanced scorecard.

Umapathy (1987:xxii) states that there is no other managerial process that translates qualitative mission statements and corporate strategies into action plans, links the short-term with the long-term, brings together managers from different hierarchical levels and from different functional areas and at the same time, provides continuity by the sheer regularity of the process like the budget.

Although the abovementioned authors were, in principle, in agreement with particular aspects of budgeting, there are authors that have included a wider range of aspects as challenges for consideration as they indicate the problems associated with budgeting. Therefore, the next section will look at how differently some of the authors perceive budgeting and the problems associated with budgeting.

Meanwhile, critics of budgets claim that budgets are bad for organisations, are no longer adequate and are “fundamentally flawed” as planning and control mechanisms in today’s complex and highly uncertain organisation environment (McNally, 2002:11). Stewart (1990:53) claims that experts criticise budgets as being ineffective. According to him, “budgets control the wrong things, like headcount and miss the right ones, such as quality, customer service...”.

Daum (2004:6) states that the budget had nurtured a defensive posture among managers and employees, which is counterproductive behaviour that does not fit the growth strategy of an organisation. Daum (2004:7) further states that many well-planned changes and many attempts to shift the culture from one of compliance and control to enterprise and learning have floundered when management behaviour has been “snapped back” into its old shape by the invisible power of the budgeting system.

The traditional budgeting methods are considered too timeconsuming and unresponsive to external changes. According to a research by Neely, Bourne and Adams (2003:25) the budget creation uses 20 per cent of management time. Following on from this, Bartram (2006:137) found that even the leanest and most efficient organisations take 79 days on average to organise their budgets whilst 210 days are spent in the worst practice organisations. This is a considerable amount of time for an organisation to spend on an activity that arguably adds no value to the organisation. Daum and Hope (2003:16) highlight the growth of organisations as a factor causing the irrelevance of traditional budgeting methods.

Rubin (2010:130) states that public sector budgets have the same characteristics as private sector budgets. The major difference is that the former is an instrument of governmental control and is not designed with a focus on profitability. Rubin (2010:131) further reiterates that the national budget is a plan for an entire population and is made up of a collection of budgets from within the public sector. Within the public sector, accounting officers and ministerial heads of departments are more likely to have an input in the budgeting process than their counterparts in the private sector, for example, estimates of revenues and expenditures are proposed and submitted for discussion. Consequently, all agencies/departments within each Ministry are required to make presentations of their estimates to the Budget Committee before the budget is finalised (Rubin, 2010:133).

Another practice of public sector budgeting is the use of the National Budget as a political instrument (Shah, 2007:208; Rubin, 2010:141). As a political tool, a budget motivates support for governmental objectives (Shah, 2007:208; Rubin, 2010:141). Public service budgets are consciously prepared with a high degree of bias (Bonner, 2008:154). Such bias raises questions on a budget's validity as an instrument of control, planning and decision-making (Bonner, 2008:154). It suggests that a major factor in its design is to mobilise public support for the existing political regime (Bonner, 2008:154).



However, Cassell (2000:40-41) describes the public sector budget as very bureaucratic, which implies that it has written and inflexible rules, regulations, and procedures. According to him the following four key points emanate from this type of budget:

- ❑ "Doubt reigns: managers begin calculating budgets two years ahead but do not know how much of the previous budget they have spent until the current year of accounts have been closed four to six months into the following year.
- ❑ Budget controllers question unspent allocations and reduce next year's budget by that amount so departments inflate their estimates.
- ❑ Despite huge internal debate, budget decisions have to be made quickly. The ratio of decision-making time to budget preparation is ridiculous.
- ❑ The budget process is full of talk about prospective activities and accomplishments but includes little on what has been achieved. Budget requests are based on how much that area got last year, there is no talk about whether the proposals in the previous budget produced results".

From the above definitions, one can note that budgeting, if it covers financial aspects, reflects the management's expectations regarding income, cash flow, and a financial position in monetary terms. It focuses on a forthcoming, accounting period rather than on the past period within which the accounting is based to make records (Blumentritt, 2006:73). Blumentritt (2006:74) further states that budget planning focuses more on a forecast purpose estimate that is likely to occur in the future and how organisational resources are allocated to realise future operations. According to Ekholm and Wallin (2000:530), another important part of budgeting is that of feedback, a process in which both the plan and the action are compared, providing the opportunity to revise future budgets in line with experience.

Furthermore, it is noted that budgeting is concerned with the planning and management of the organisation's financial needs, highlighting alternative sources of finance and costs of such finance (Bunce *et al.*, 1995:259). Bunce *et al.* (1995:261) further reiterate

that the financial needs of the organisation are embodied in capital budgeting decisions on projects within the organisation.

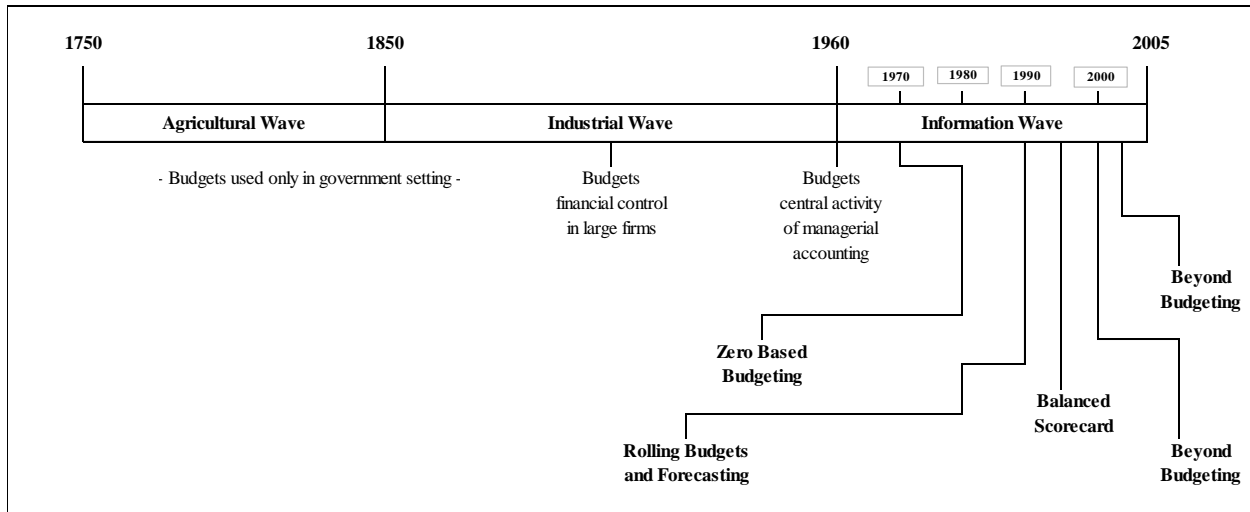
Having discussed the similarities and dissimilarities of authors' opinions of the concept of budgeting, the next section will look at the history or evolution of the budgets within the three waves of economic change which are identified as the agricultural wave, the industrial wave and the information wave.

### **3.4. THE EVOLUTION OF BUDGETS**

According to Hofstede (1968:19), the English word "budget" stems from the French word "bougette" and the Latin word "bulga" which was a leather bag or a large-sized purse which travellers in medieval times hung on the saddles of their horses. Hofstede (1968:19) further states that the treasurer's "bougette" was the predecessor to the small leather case form which finance ministries in countries like the Great Britain and Holland still use even today to present their yearly financial plan for the state. After being used to describe the word wallet and then state finances, the meaning of the word "budget" slowly shifted in the 19<sup>th</sup> century to the financial plan itself, initially only for governments and then later for private and legal entities. It was only then that the budgets started to be considered as financial plans and not just as money bags (Hofstede, 1968:19).

Budgeting has evolved within three waves of economic change which are the agricultural wave, industrial wave and information wave. **Figure 3.1** below depicts the evolution of budgeting within the three waves of economic change.

**Figure 3.1** The evolution of budgeting during three waves of economic change.



(Source: Hope, 1997:2).

### 3.4.1. Agricultural Wave

Public budgeting in South Africa dates as far back as 1806 (Marais, 1989:97). Initially the major focus was on personnel costs. The small size of the then civil service made it possible for the budget estimate documents, based on a line item format, to reflect the names of all the officials and their respective salaries (Marais, 1989:98).

Calitz and Siebrits (2003:52) state that in South Africa, a dual-budget system which was in force from 1910 until 1976, had the purpose of ensuring compliance with the golden rule. This signified a structural approach to fiscal policy that entailed the adoption of annual and medium-term targets by the fiscal authorities (Siebrits and Calitz, 2004: 767).

In the 1920s, budgets were used to help managers control costs and cash flows (CIMA, 2007:4). This concept grew into fixed performance contracts involving future income and expenditure estimations. Budgets were used to drive and evaluate management performance. The next major movement in the budgetary evolution came in the 1960s with the introduction of Planning and Programming Budgeting systems (PPBS). PPBS

was designed to increase the efficiency of resource allocation and improve the performance of state governments in delivering services and products to its citizens more efficiently and effectively (Tyer and Willand, 1997).

LeLoup, Lance and William (1998:5). traces the history of budget theory from incrementalism (the 1950s and 1960s characterised by agency and presidential power) through a transition phase (1970s to early 1990s marked by the conflict between legislative and executive branches during tough economic times) and into the current period. According to Hope (1997:3), most of the policies, procedures and technical practices that are associated with modern budgeting were developed during the nineteenth century. Hope (1997:4) further states that for over half of this century, English fiscal practices continued to be a patchwork of traditions added at different periods of time, evolving slowly towards the modern world.

Hope and Frazer (1997:10) indicated that as with the English, except with different motives, Napoleon's first concern was with mastering the military budget. To obtain better information on and control expenditures, he established a *Cour des Comptes* (In French, "*Cour des Comptes* refer to the Court of Auditors and it is a quasi-judicial body of the French Government, charged with conducting financial and legislative audits of most public institutions and some private institutions, including the central government, national public corporations, social security agencies (since 1950), and public services"). The General who headed this corps became, in effect, the first Auditor General (Hope and Frazer, 1997:10) . In 1803, France adopted the English words budget, budgetary procedures and expanded on the English technical capabilities and practices as part of an effort to obtain greater control over all expenditures, both military and non-military. The French achievements were remarkable, not only because they were unprecedented, but because they were accomplished in such a short period of time (Hope and Frazer,1997:11). Moreover, these innovations not only survived Napoleon, but were refined during the Second Republic and the Second Empire of Rome (Hope and Frazer, 1997:12).

### 3.4.2. The Industrial Wave

Macro budgeting, which comprised high level decisions on spending, revenue, deficit totals and relative budget shares, often made from the top down, became increasingly prevalent because of the historically large, chronic deficits (Schick, 1986:126). These budgetary developments also took place around the world with evidence of macro budgetary adaptation among many industrialised nations (Schick, 1986:127). According to Hope and Frazer (1997:20), the “make-and-sell” is an industrial-age model based on transactions, capital assets, mass production, economies of scale and product margins. During this period, budgeting and financial control was introduced in large organisations such as Du Pont and General Motors in the United States of America as well as Siemens in Germany (Frazer, 2001:76).

According to Frazer (2001:77), by the 1860s, France had developed a uniform accounting system that applied to all departments and all units within departments, a standard fiscal year, conventions on how long encumbrances can be held open after the close of the fiscal year, a requirement for departments to explain programmatically and account fiscally for all funds which had been allocated to them, standard year-end closing procedures and year-end reports, comparing appropriations and expenditures, a system of audits, the reversion of unexpended funds, and record keeping by fiscal year. Frazer (2001:79) further stated that their budgets were written and considered all revenues and all expenditures for the fiscal year. Consequently, the budget was considered to be one of the government's major policy documents. The control of expenditures was further assured through the scheduling of expenditures by different departments and by sub-categories within departments. Indeed, claims that exceeded any category would not be honoured for payment (Frazer, 2001:81).

Balfour, Stourm and Besson (1998:6) indicated that French budgetary procedures encompassed steps which are identified today as analytical. For example, in calculating the amount required for provisions for soldiers the budget considered the number of soldiers rationed during the year, deducted the number of soldiers projected to be sick

or absent, the cost of each ration to be used and calculated all these costs to achieve the total funding required. Balfour *et al.* (1998:7) furthermore stated that France prided itself on being able to act promptly during an emergency because funds were monitored and controlled. Moreover, French officials realised that they had the mechanisms for developing and implementing public policy in a large industrialising state (Balfour *et al.*, 1998:7).

### **3.4.3. The Information Wave**

Hope and Frazer (1997:20) state that in the Information and Digital Era within which organisations operate today, the key competitive constraint is no longer land, labour or capital, but knowledge or intellectual capital, competent managers, skilled workers, and effective systems. This is a period which is referred to as the “information wave”. The way in which a successful organisation operates is shifting from a “make-and-sell” to a “sense-and-respond” approach (Hope and Frazer, 1997:20). According to Frazer (2001:24), “sense-and-respond” is an information and service-age model which emphasises client relationships, intellectual assets, mass customisation, economies of scope and value creation. During this period, the advanced budgeting models such as zero based budgeting, rolling budgets and forecasts, balanced scoreboard, activity based budgeting and beyond budgeting emerged (Frazer, 2001:24).

Programme budgeting was first introduced in the United States of America’s Defence Force in 1961 as a result of a desire to put in place a certain level of planning in the budgeting process as the Defence Force lacked the correct criteria to use when faced with difficult choices to make budget allocation (Knezevich,1973:32). The South African Government introduced the Exchequer and Audit Act of 1975, which is a line item budgeting system to regulate the collection, receipt and control of state property and monies of the state (Exchequer and Audit Act, 1975:2). As Abedian *et al.* (1998:54) explain, the Exchequer and Audit Act of 1975 was focused on expenditure controls and the aim was to keep control over money spent in government.

According to Marais (1989:29), the continuous desire to improve on public budgeting resulted in a number of changes being introduced with the introduction of the budgeting system called budget by objective. Marais (1989:291) further indicates that budgeting by objectives was introduced in South Africa before 1976/77 financial year by Treasury on a trial basis to five departments. Schick, (1971: 127) states that fiscal crises in the mid-1970s forced governments to find ways to justify the use of resources. To meet this need, the concept of Zero-Based Budgeting (ZBB) was introduced as a way to set priorities among different programmes and to foster accountability (Schick, 1971: 127). According to Du Randt (1999:10), decentralised zero-based budgeting was introduced to all three spheres of government during the first phase of budgetary and financial reforms in South Africa. Chan (2002:189) argued that given these difficulties with the previous systems, the 1990s saw considerable interest in a results-oriented budgeting system that emphasised efficiency and effectiveness, namely Performance-Based Budgeting (PBB).

The middle to late 1990s saw the proliferation of medium-term expenditure frameworks (MTEFs) throughout the developing world (World Bank, 2001:6). By one count (World Bank, 2001:6), as many as twenty five countries in Africa, Asia (eastern, central, and southern), Latin America, and Eastern Europe were at various stages in the process of adopting MTEFs. Another ten countries that includes Ukraine and Uzbekistan were seriously considering adopting MTEFs (World Bank, 2001:6). The MTEF provides the “linking framework” that allows expenditures to be “driven by policy priorities and disciplined by budget realities” (World Bank, 1998a:32).

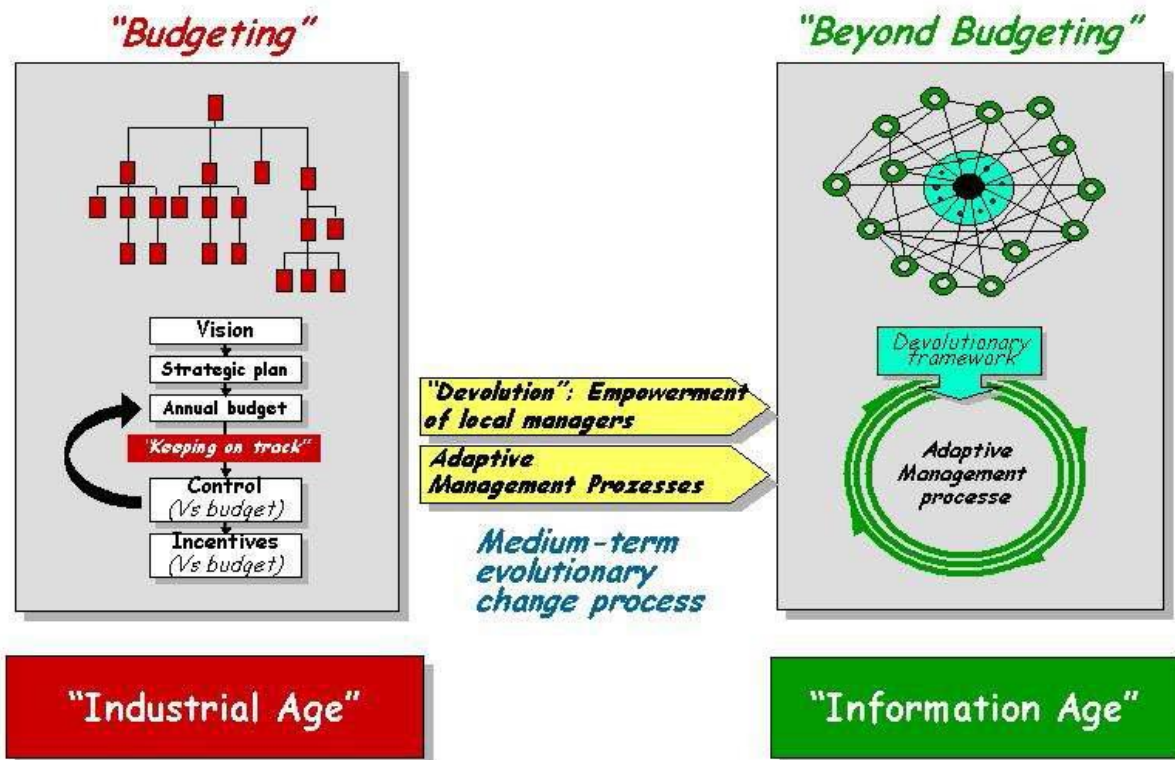
After 1994, goal setting was coupled with much increased fiscal transparency, especially after the adoption of the Public Finance Management Act, Act No.1 of 1999 (RSA, 1999). This reflected a shift towards a dispensation that Siebrits & Calitz (2004: 768) label transparency-enhancing fiscal discretion. The South African Revenue Service (SARS) Act, Act No. 34 of 1997 established SARS as an administratively autonomous organ of the state (RSA, 1997). This new organisation effected a major improvement in revenue collection (RSA,1997:1).

South Africa initiated significant budgetary and financial reforms soon after the 1994 elections (RSA Intergovernmental Review, 2001:3). The new Constitution, enacted in 1996, calls for specific measures regarding the implementation of measures to improve fiscal transparency and participation (RSA,1996). In particular, the Constitution, 1996, Section 40 provides for 3 spheres of government which are National, Provincial and Local and clarifies the functions and responsibilities of each sphere (RSA,1996:1267). 1997 Saw a major step forward with the introduction of the new intergovernmental system, which required all three spheres to develop and adopt their own budgets (RSA, 1997).

The MTEF is intended to facilitate a number of important outcomes such as: a greater macroeconomic balance; improved inter- and intra-sectoral resource allocation; greater budgetary predictability for line ministries; and more efficient use of public monies (World Bank, 1998a: 46). The introduction of the new national budget format which is referred to as the Estimates of National Expenditure in the 2001 budget significantly extends the scope and quality of information on Government's spending plans that is tabled in Parliament and made available to the public (RSA, 2001). These reforms are complemented by the introduction of the Intergovernmental Fiscal Review in 1999, which provides a detailed annual analysis of provincial and local government finance and service delivery trends (RSA,1999).



**Figure 3.2** The manner in which budgeting has evolved from the industrial age to the information age



(Source: Beyond Budgeting Info-Centre, Date of access:12<sup>th</sup> August 2014 online)

A recent survey of Finnish organisations found that although 25 per cent are retaining their traditional budgeting systems, 61 per cent are actively upgrading their system and 14 per cent are either abandoning budgets or at least considering doing so (Elholm and Wallin, 2000:527). Therefore, it must be noted that although budgeting is the cornerstone of a management control process in nearly all organisations, those organisations are aware that it is not perfect and that some of its flaws must be seriously addressed before it is too late (Otley, 1999: 371).

However, over the last two decades traditional budgeting has been the object of criticism (Schmidt, 1992; Bunce *et al.*, 1995; Hope and Frazer, 1997, 1999; Ekholm and Wallin, 2000; Jensen, 2001; Neely *et al.*, 2001). Therefore the next section looks at the traditional budgeting processes in organisations.

### **3.5. TRADITIONAL BUDGETING PROCESSES IN PUBLIC ORGANISATIONS**

According to Daum (2004:5), fixed budgets do not work today. A budget is an instrument that is too static and it tends to lock managers into the past, that is, into something they thought last year was right. To be effective in a global economy with rapidly shifting market conditions and quick and nimble competitors, organisations have to be able to constantly adapt their priorities and have to put their resources where they can create the most value for customers and shareholders (Sharan, 1967:344). The budget as a fiscal policy document has to distribute and redistribute services among people. The soundness of public finance depends upon both the right policy and good organisation, but a great deal upon the latter (Sharan, 1967:344).

According to Daum (2004:7), a fixed budget creates a barrier and prevents organisations from doing the right things. What is often missing is a more flexible operational planning and control model, which the Beyond Budgeting model promises to provide (Daum, 2004: 7-9). According to the research done by Cranfield School of Management and Accenture (Daum, 2001:8-10), there has been a growing interest and support for the argument that the current traditional budgeting and planning processes are flawed and should be eliminated. This research indicates that a budget is used to motivate and control employees (Daum, 2001:8-10).

Hope and Frazer (2001:9-10) are leading the call to abandon budgets and argue that the traditional budgeting processes are a barrier to change. They further assert that the cash flow of the future organisation will be expressed in terms of the intellectual capital and its management capabilities. Daum (2004:4-8) argues that when a sudden market development which was not foreseen in the budget, endangers the revenue target or threatens to cause additional costs or offers a new opportunity at an extra cost, managers cannot react appropriately. The effect of changes in the market on the South African Government is that projected taxation to be collected is reduced which has a negative impact on service delivery as budgets will be cut (Budget Speech, RSA,2015).

However, a survey in Sweden made by Ekholm and Wallin (2000:523) finds that even though most of the organisations, agreed with the main elements of criticism, they intended to continue with the annual budget. In this study, 89 per cent of the organisations included in the sample use budgets and 60.7 per cent say that instead of abandoning it altogether, they constantly try to develop it to meet new demands. Therefore, it seems that the budget complemented by other mechanisms still has a role to play (Ekholm and Wallin, 2000:523).

From the above data, one can infer that the advocates of Better Budgeting recognise that traditional budgeting is neither efficient nor effective, and that there are several approaches and techniques such as rolling budgets and forecasts, zero-based budgeting, activity-based budgeting, value-based management that may help to improve the budgeting process (Chenhall, 2003:131).

To curb some of the challenges relating to traditional budgeting processes in organisations, it is crucial that the principles and best practices are used in outlining how an organisation will undertake the budgeting process. Therefore, the next section will identify the differences and techniques employed in budgeting processes within SASSA.

### **3.6. BUDGETING PROCESSES IN SASSA**

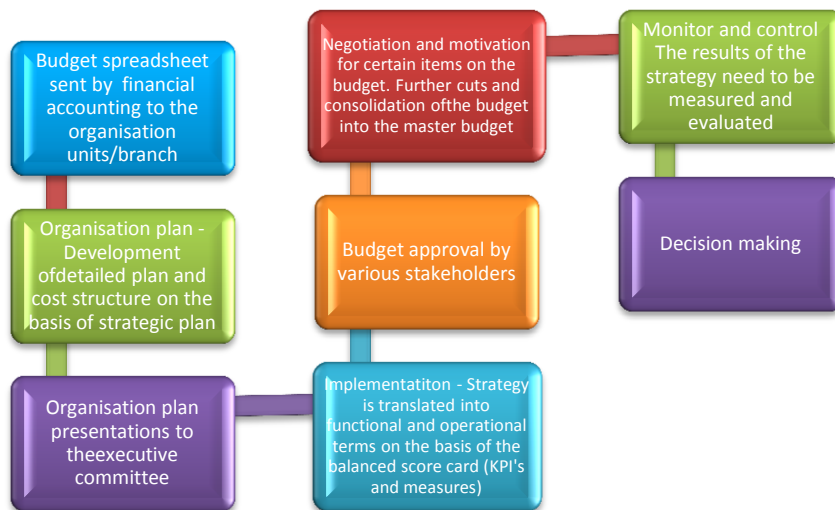
In this section, the differences and techniques employed in budgeting processes within SASSA will be identified.

In the past, the budget guidelines were issued to all branches and regional offices in the nine Provinces of South Africa immediately after being received from National Treasury as the said guidelines are issued in June of each year. The branches and regional offices then submitted their Medium Term Expenditure Framework (MTEF) inputs which were consolidated and submitted to SASSA's Headquarters in Pretoria. The organisation unit heads will each present their respective organisation plans to the

executive committee under the leadership of the Chief Financial Officer (CFO) and the financial team. At this meeting, the various organisation units were directed in accordance with the financial resources available, to remove unwanted items, amend and/or reduce cost allocations made in the organisation plan. The meeting guided whether projects were relevant and crucial enough to be implemented and were in line with the overall mandate of the organisation and government as a whole. This practice has since been discontinued. The final approved budgets are based on the availability of funds and hence the budget might not necessarily be sufficient to cover for all projects that were initially planned as those that will meet the overall objectives of SASSA.

**Figure 3.3** below depicts SASSA’s budgeting process and reporting cycle which starts in April until the final allocation letters are issued to the Branches and Regions. The process is informed by National Treasury MTEF Budget Guidelines, issued in June for that particular financial year.

**Figure 3.3:** South African Social Security Agency’s (SASSA) Budgeting Process



(Source: Researcher’s own)

Table 3.1 indicates the critical dates set by National Treasury in terms of the budgeting process.

**Table 3.1:** Critical dates for the 2016 National budget process (National Treasury, 2016:9)

MTEF <i>technical guidelines</i> and databases issued to institutions	10 June 2015
Information sessions with institutions on MTEF technical guidelines and databases	June 2015
Departments submit proposals for budget programme structure revision to National Treasury	24 June 2015
MTEC process commences	22 July 2015
Budget submission from departments and public entities: narrative and database	28 July 2015
<i>ENE technical guidelines</i> distributed to institutions	11 August 2015
Public entities submit board approved annual budget to National Treasury	1 October 2015
MTEC process concludes: recommendations tabled to MINCOMBUD	September 2015
Tabling of Medium Term Budget Policy Statement	28 October 2015
Preliminary allocation letters issued to institutions	30 October 2015
Ministerial comments on preliminary allocation letters	10 November 2015
Submission of first draft ENE databases and chapter	13 November 2015
Cabinet approved final allocations distributed to institutions	20 November 2015
Submission of approved ENE chapter (second draft)	4 December 2015
Budget tabled in Parliament	24 February 2016

\*Dates are subject to change. Some dates for key meetings, such as the Ministers' Committee on the Budget and parliamentary hearings, may not yet be finalised.

Having outlined the budgeting processes in SASSA, the next section will explore the different principles and best practices of budgeting, such as rolling budgets and

forecasts, zero-based budgeting, activity-based budgeting, incremental budgeting, and evaluating each method in detail so that an objective review of the value that these methods have brought to the evolution of budgeting systems can be presented.

### **3.7. PRINCIPLES AND BEST PRACTICES**

Weber and Linder (2005:25) state that with the increase in organisations' environmental turbulence, organisations need to change their budgeting systems. Therefore, the next section will explore the different budgeting principles and best practices.

#### **3.7.1. Rolling budgets and Forecasts**

Horngen, *et al.* (2000:182) state that a rolling or continuous budget is a plan that is continually updated so that the time frame remains stable while the actual period covered by the budget changes. For example, as each month passes, the one-year rolling budget is extended by one month so that there is always a one-year budget in place. Horngen, *et al.* (2000:182) further state that due to the rolling budget, managers have to rethink the process and make changes each month or each period with the result of a more accurate, up-to-date budget incorporating the most current information. Table 3 indicates that instead of doing the budget once a year, the managers are required to adjust their budget quarterly in line with changing circumstances.

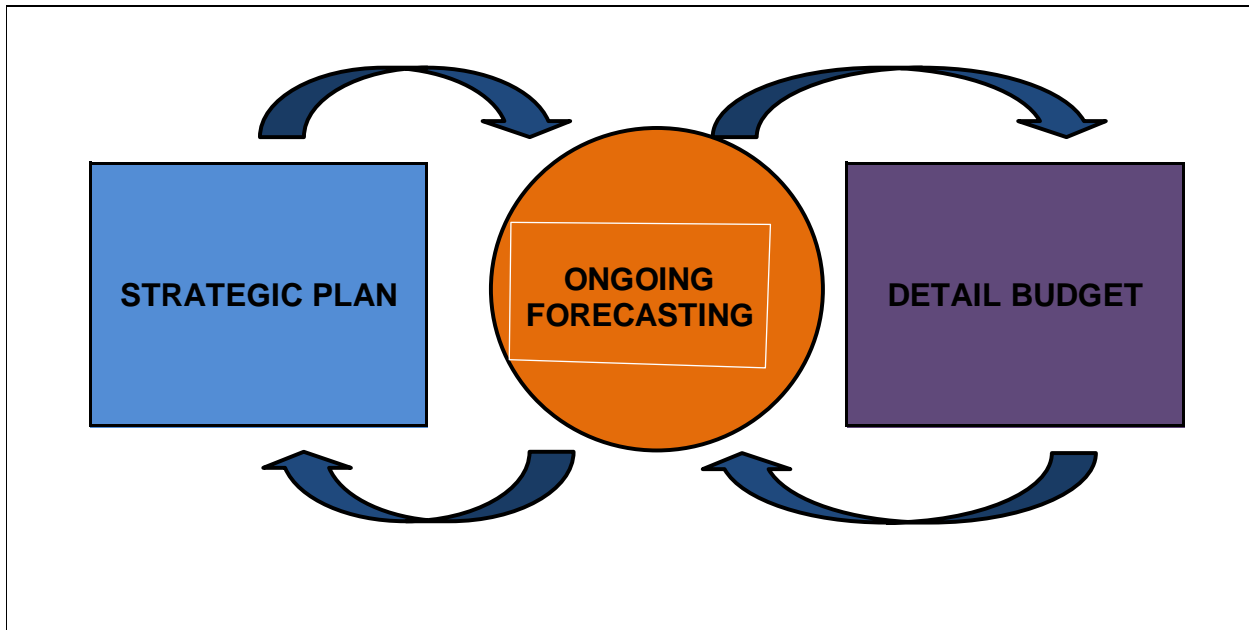
**Table 3.2:** Traditional budget versus rolling budget

	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Traditional budget																				
Rolling four-quarter budget																				

(Source: Axson, 2003:196)

Churchill (1984:150), explained the difference between forecast and budget by indicating that “forecast is a prediction of what may happen and sometimes contains prescriptions for dealing with future events” whereas budget involves “a commitment to a forecast to make an agreed-on outcome happen”. Churchill (1984:150) also states that the two concepts are interlinked within everyday planning and control systems of organisations as forecasting allows organisations to close the gap between the overall strategic plan and then integrates with the operating budget impacting its outcome.

**Figure 3.4:** An integrated planning cycle.



(Source: Montgomery, 2002:42)

### 3.7.2. Zero-based budgeting (ZBB)

Zero-based budgeting was first introduced in Georgia in 1972 and subsequently to the federal government of the USA in 1976 essentially to utilise the programme structure as a framework for making decisions (Griesemer, 1983:8). CIPFA (2009:7) states that Zero-based budgeting (ZBB) in its purest form, “involves the preparation of operating budgets on the assumption that the organisation is starting out afresh in the new planning period”. CIPFA (2009:7) further states that ZBB considers and assesses different ways of delivering organisation’s objectives before the budget is allocated therefore it is less how delivery of services should be done with the available resources. According to CIPFA(2006:8), the key benefit of ZBB approach is that it focuses attention on “the actual resources that are required in order to produce an output or outcome, rather than the percentage increase or decrease compared to the previous year”.



According to Burrows and Syme (2000:227), Zero-based budgeting is a budgeting system developed by Peter A Pyhrr who advocated a budgeting system where managers need to build each year's budget from the ground up, building a case for their spending as if no baseline exists and present their requests for appropriations in such a manner that all funds can be allocated on the basis of cost/benefit or some similar kind of evaluative analysis. Zero-based budgeting provides management with an operating tool to evaluate and allocate its resources effectively and efficiently and it also provides the individual manager with a mechanism for identifying, evaluating and communicating his/her activities and alternatives to higher levels of management (Pyhrr, 1977:1).

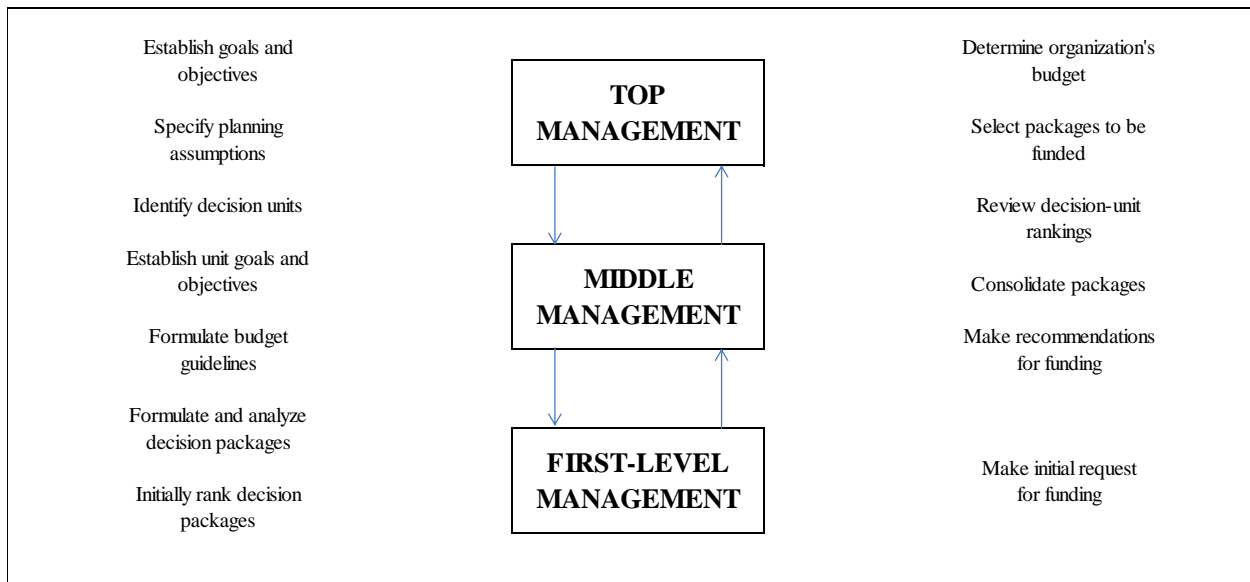
Moore (1980:255) states that ZBB has had a long and sometimes controversial history in the public sector. Moore (1980:256) also confirm that Zero-base budgeting first rose to prominence in government in the 1970s when U.S. President, Jimmy Carter promised to balance the federal budget in his first term and reform the federal budgeting system using zero-base budgeting, a system he had used while he was the governor of Georgia. Lucey (1996:599) argued that, ZBB is a cost-benefit approach whereby it is assumed that the cost allowance for an item is zero and will remain so until the manager responsible justifies the existence of the cost item and the benefit of the expenditure. Appiah-Mensah (1993:256) also argued that ZBB is prepared without reference to the budget of the preceding period. A fresh look is made at the activities of the organisation and based on the new circumstances, an entirely new budget is prepared.

Pyhrr (1977:6) argues that the purpose of ZBB is to help management evaluate expenditures and make trade-offs among current operations, development needs and profits for top management's decision making and allocation of resources. Pyhrr (1977:112) further states that Zero-based budgeting is useful in areas where expenditures are not determined directly by manufacturing operations, that is, it is more suitable where the manager has the discretion to choose between different activities and between different levels of activity having different costs and benefits.

National Treasury (2000:1) in the Republic of South Africa indicated that budgetary and financial reforms were initiated soon after the 1994 elections. The first phase of reform began with the introduction of a new intergovernmental system that required all three spheres of government to develop and adopt their own budgets (decentralised zero-based budgeting). Du Randt (1999:10) stated that zero-based budgeting was complemented by a system of significant transfers of functions to provinces and municipalities. Zero-based budgeting has forced departments to critically review their performances in order to motivate for new or more allocations, based on proven past delivery (RSA Intergovernmental Review 2001:3).

**Figure 3.5** below, indicates that Zero-based budgeting is a top-down, bottom-up approach to budgeting which requires the participation of managers at all levels within an organisational hierarchy.

**Figure 3.5:** Management’s involvement in Zero-based budgeting



(Source: Dean and Cowen, 1999b:77).

### **3.7.3. Activity-Based Budgeting**

The Activity-Based Budgeting approach was developed by Coopers and Lybrand Deloitte, drawn down from priority-based budgeting and total quality management together with activity-based cost (ABC) management concepts, operating at the activity level for continuous improvement in performance and costs (Brimson and Fraser, 1991:42). According to Brimson and Amos (1999:26) Activity-Based Budgeting (ABB) is a quantitative expression of the expected activities of the organisation reflecting management's forecast of workload and financial and non-financial requirements to meet agreed strategic goals and planned changes to improve performance. Cooper and Kaplan (1998:114) defined Activity-Based Budgeting simply as activity-based costing performed in reverse because ABC traces costs from resources to activities and then from activities to specific products and services whereas ABB moves in the opposite direction and traces costs from products to activities and then from activities to resources.

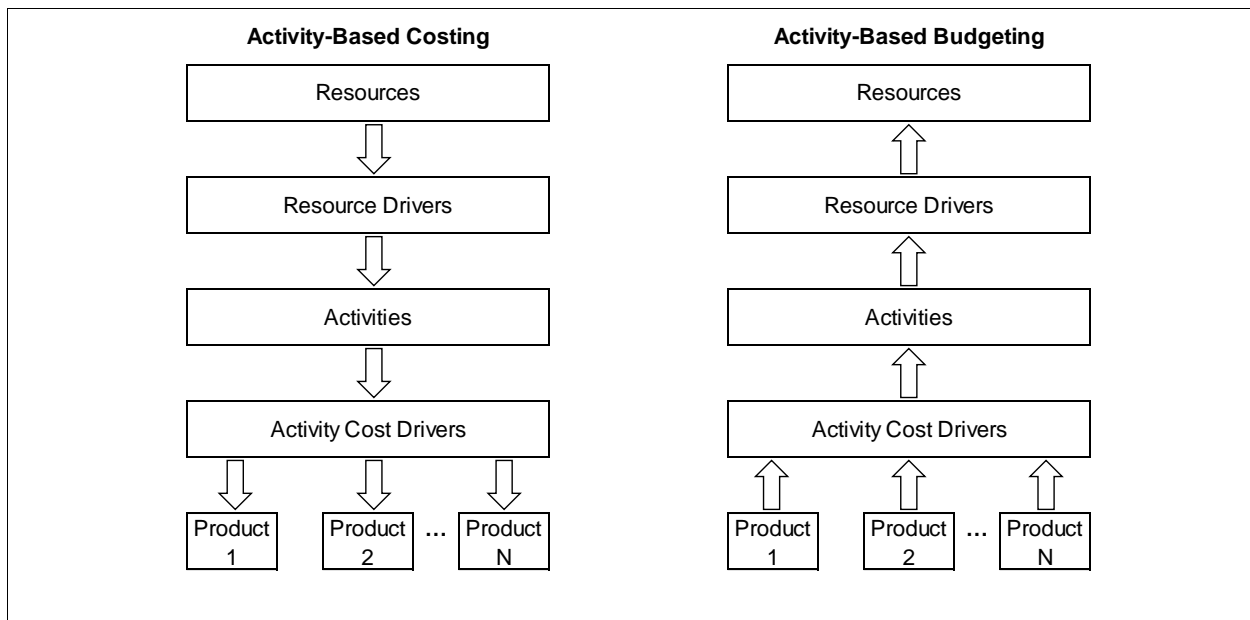
The Activity-Based Budgeting method is an extension of activity-based concepts into the budgeting realm (Hansen, 2011:301). The development of activity-based costing and management led to an immediate desire to extend the methodology into planning and budgeting (Cooper and Kaplan, 1991:13). The ABB method requires determination of the cost of planned activities based on their expected size and resources consumed.

According to Needy and Bopaya (2000:31) Activity-Based Budgeting allows for costs to be managed more effectively. Haggarth (2003:1) argues that the adoption of the underlying ideas of activity-based costing (ABC), means that ABB authorises the supply of only those resources needed to perform activities required to meet the budgeted programmes and projects. In this budgeting process, the cost objective (in other words, the required result) is the starting point and its budgeted output determines the necessary activities used to estimate the resources required for the budget period (Baxendale, 2001:61).

Bhimani and Gosselin, (2002:3) reported that during the 1990s, organisations were challenged to change their costing practices more specifically to adopt new cost management innovations, such as activity-based management, and the impact of these pressures seems to have varied from one organisation to another.

**Figure 3.6** below depicts the difference between Activity-Based Budgeting versus Activity-Based Costing reversed.

**Figure 3.6:** Activity Based Costing versus Activity Based Budgeting



(Source: Cooper and Kaplan, 1998:116)

### 3.7.4. Incremental budgeting

Incrementalism was a theory that reflected the budgetary environment of the era. In a period of steady economic expansion, government could expand to absorb increasing tax revenues, in other words, “budgeting for growth” (Schick, 1990:18). The Chartered Institute for Public Finance and Accounting (CIPFA) states that a key characteristic of the incremental approach is that budget preparation is a process of negotiation and compromise and therefore based on a fundamentally different view of decision-making

than more rational approaches (CIPFA:2009). According to CIPFA (2009), the incremental budgeting system fits well into the public finance system as it makes it easier to accept the distribution of the expenditure as given due to large and complex range of functions within different policy areas.

Coombs, *et al.* (1991:83) state that Incremental Budgeting is the commonly used method of budgeting in South Africa, for example a medium-term expenditure framework (MTEF) compiles the budget over a three-year cycle, with the two outer years being projected estimates. Therefore the MTEF moves from the premise that the previous year's activities remain more or less the same for the coming year with inflation adjustments for the coming two outer years and budgets are only adjusted for the purpose of the projected inflation increases (Coombs *et al.*, 1991:83).

According to Appiah-Mensah (1993:257), incremental budgets are like ordinary budgets, except that in the case of incremental budgets, in the next budget period, a fresh budget is not prepared while only a percentage increase or decrease is made to either the previous budgetary estimates or the actual results. Thus, with the previous budget as the base, adjustments are made for inflation and other changes in the economy, market conditions and the desire of management to attain some objectives and incorporated as adjustments. Incremental budgeting allows managers to start with last year's expenditure and add a per cent for inflation to come up with next year's budget, making them justify only those incremental increases while automatically accepting current levels of spending without questions (Suver and Brown, 1977:77).

Babunakis (1976:8) argues that the line item budget is a financial plan of estimated expenditures expressed in terms of the kinds and quantities of objects to be purchased and the estimated revenues needed to finance them during a specified period, usually one year. Babunakis (1976:8) further argues that the line item budget is characterised by expenditures listed in broad categories as it focuses on what is to be purchased rather than what services are to be provided and therefore, line item budget is about the nature of income and expenditure.

### **3.7.5. Flexible budgeting**

According to Cherrington *et al.* (1988:164), a flexible budget is a technique that is used to adjust the budget for various levels of organisational activity. In developing the flexible budget, expected or budget costs relationships are quantified so that the budget can be easily adjusted to any level of organisation activity. In essence, the flexible budget says, "you tell me your level of organisation activity for the period and I will tell you what your cost should have been." Maher and Deakin (1994:89) agreed that a flexible budget indicated revenues cost and profits for virtually all feasible levels of activities.

### **3.7.6. Performance Budgeting**

McNab and Melese (2003:93) defined a higher level of performance budgeting, with a focus on resource allocation, as any initiative or reform that attempts to quantify public sector outputs or outcomes and explicitly incorporates these outputs and outcomes in the budget process. Melkers and Willoughby (2001:60) defined performance budgeting, with a focus on management, as requiring strategic planning regarding organisation's mission, goals and objectives and a process that requests quantifiable data that provides meaningful information about programme outcomes.

Performance budgeting extends the programme budgeting model by including quantitative data of performed work as it breaks the programme into sub-programmes and into line item format (Griesemer, 1983:17). Performance budgeting was first highlighted into the budgeting processes in South Africa after the passing of the Public Finance Management Act, Act No.1 of 1999 (National Treasury Guidelines, 2002).

Joyce (2003:125) took a broader view and defined performance budgeting as the use of performance information in all stages of the budget process, including budget preparation, budget approval, budget execution and evaluation. The multiplicity of definitions of performance budgeting in the literature, as Robinson and Brumby

(2005:253) observed, is one of the methodological difficulties in assessing the efficacy of performance budgeting.

### **3.7.7. Beyond Budgeting**

According to Daum (2002:7-10), the Beyond Budgeting Management Model is an emerging philosophy for devolved and flexible performance management. This philosophy has been developed by the Beyond Budgeting Roundtable (BBRT), in response to a growing dissatisfaction with the traditional budgeting model. The main aim of the BBRT and the beyond budgeting philosophy is to assist organisations to create organisation environments with increased productivity. According to Hope and Frazer (2001:12-18), beyond budgeting is also about releasing capable people from the chains of top-down performance contracts and enabling them to use the knowledge resources of the organisation to satisfy customer profitably and consistently beat the competition.

Hope and Frazer (2003:71-76) stated that Beyond Budgeting is an alternative to the Command and Control philosophy on which most performance management systems are based. Hope and Frazer (2003:71-76) reiterated that the solution is to evolve to an alternative management model with more adaptive management processes and greater devolution of authority. This alternative model is more aligned with today's volatile marketplace; it enables superior value creation; and it works with and not against human nature (Hope and Frazer, 2003:71-76).

The introduction of new management instruments, such as the Balanced Scorecard, which help to better align the entire organisation with corporate strategic objectives, have created the right focus (Kaplan and Norton, 2006:5) . Kaplan and Norton (2006:5) further states that if corporate strategy and the objectives are clear for all people, one can principally react faster to changing market conditions. However, the fixed budget then creates a barrier and prevents organisations from doing the right things (Daum,

2004: 7-9). What is often missing is a more flexible operational planning and control model, which the Beyond Budgeting model promises to provide (Daum, 2004: 7-9).

According to the research done by Cranfield School of Management and Accenture (2001:6-10), there has been a growing interest and support for the argument that the current traditional budgeting and planning processes are flawed and should be eliminated. According to the Cranfield School of Management and Accenture (2001:8) and the work done by Hope and Frazer (2003:47-53), an urgency exists in the organisation world that requires a definite change and improvement in the budgeting and planning process.

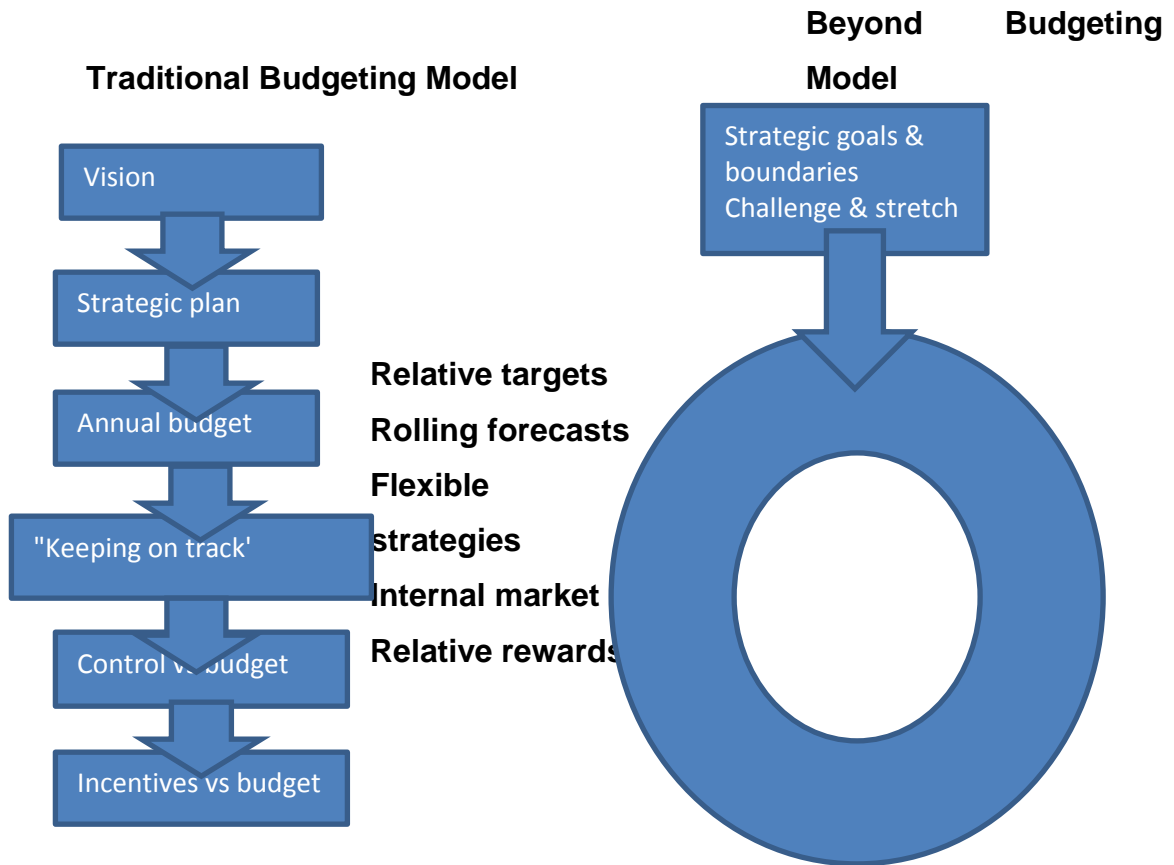
From the above data, an inference can be made that the mission of the Beyond Budgeting philosophy is to move resources and activities to the frontline that really generates economic productivity, growth, value and a new approach to managing performance. (Shah, 2007:251). Rubin (2010:217) states that there is a possibility that the Beyond Budgeting principles can be implemented successfully and that organisations can be managed successfully without a fixed annual budget.

Compared with the traditional management model, Beyond Budgeting has two fundamental differences. Firstly, it is a more adaptive way of managing (Hope and Frazer 2001:21). Instead of fixed annual plans and budgets that tie managers to predetermined actions, targets are reviewed regularly and based on stretch goals, linked to performance against world-class benchmarks, peers, competitors and prior periods (Hope and Frazer 2001:21). Secondly, the Beyond Budgeting model enables a more decentralised way of managing. Instead of the traditional hierarchy and centralised leadership, it enables decision-making and performance accountability to be delegated to frontline managers and creates a self-managed working environment and a culture of personal responsibility and accountability. This leads to increased motivation, higher productivity and better customer service. Individually, these two main features can produce significant benefits, but it is in their combination where its real strength lies (Hope and Frazer 2001:21).



Figure 3.7 below depicts the difference between the traditional budgeting model versus the Beyond budgeting model.

**Figure 3.7:** The traditional budgeting model versus the Beyond budgeting model



(Source: Hope and Frazer, 2000:34)

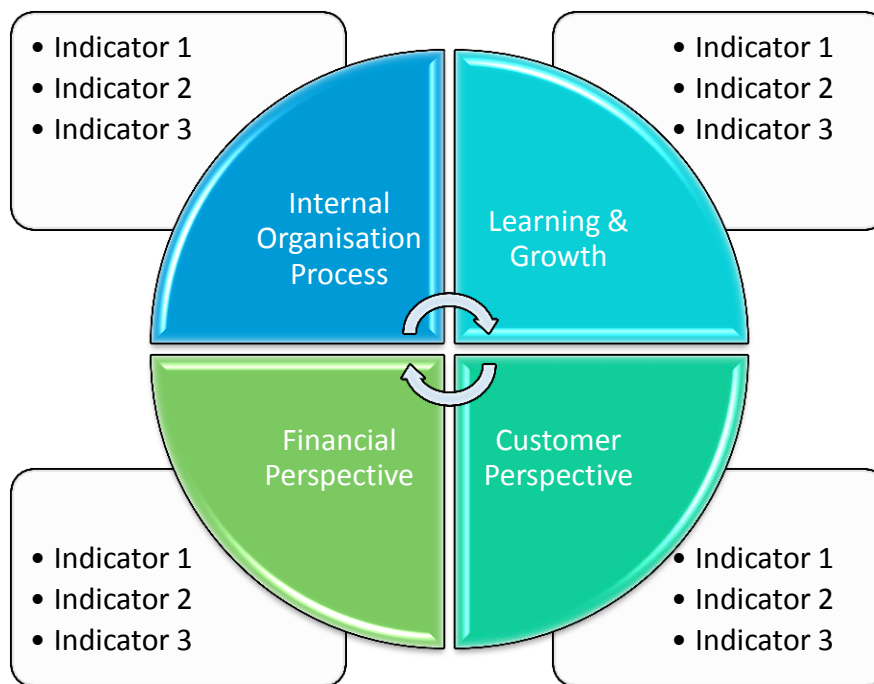
### 3.7.8. Balanced Scorecard

The Balanced Scorecard (BSC) was introduced in the early 1990's by Kaplan and Norton as a management tool. At the core of the BSC is the notion that managing organisations using only financial performance measures is not ideal. According to Kaplan and Norton (2006:7-12), the financial measures might be the ultimate outcome for profit organisations, but they are lagging indicators and an exclusive focus on them can drive counterproductive behaviour. The BSC, according to Kaplan and Norton (2004: 5), was originally developed as a performance measurement tool; however it is

now increasingly associated with strategic management, strategy communication and performance measurement.

According to Hope and Frazer (2003:184), the BSC was developed in response to inadequate performance measurement systems that focused primarily on reporting financial results against the budget. They further assert that a well-designed scorecard should tell the story of the organisation through a number of cause–effect relationships which is depicted in a strategy map. Kaplan and Norton (2006:18-22) reasoned that organisations should manage based on a balanced set of leading and lagging performance indicators across the four different perspectives which are Financial, Customer, Internal Organisation Process and Learning and Growth.

**Figure 3.8:** The Balanced Scorecard



(Source: Kaplan & Norton, 1996:76).

### **3.8. CONCLUSION**

In Chapter 3, the literature was reviewed and key terminology in this research was defined. A historical perspective of budgeting was described, which is regarded as the basis of the traditional budgeting process used in many organisations today. It became clear in this chapter that some of the practices and weaknesses of the traditional budgeting process lie in the historical process of the budgeting. This chapter also discussed and highlighted the challenges posed by the traditional budgeting to organisations today. The weaknesses and criticism by various authors of this management model were offered and provided the context why great organisations should consider changing their current management approach.

Frazer (2001:131) states that the traditional budgeting process, as indicated in this chapter, has its roots in the industrial age when the organisation environment was stable and predictable. According to Harper (1995:321), the traditional budgeting concepts have been developed for a totally different economic era and for a different enterprise environment than that of today, and therefore, organisations should adopt alternative management models that will lead them successfully today and enable them to address the top ten challenges mentioned above with excellence.

Chapter 4 will be a case study on the strategic planning and budgeting process within the SASSA. The Chapter also provides a description and a map of the planning and budgeting process in SASSA and highlights the challenges experienced during this process. Chapter 4 thus aims to determine how the strategic planning and budgeting processes should be aligned, with specific reference to SASSA, in order to enhance service delivery within the different provinces.

## **CHAPTER 4**

### **EMPIRICAL RESEARCH: METHODOLOGY AND FINDINGS, THE CASE OF SASSA**

#### **4.1. INTRODUCTION**

Chapter 3 presented a literature review of budgeting as a concept and related processes. In addition, the literature reviewed provides an understanding of the various budgeting aspects. The chapter sheds light on how budgeting processes have evolved over time. It also discussed the traditional budgeting processes within the South African Social Security Agency (SASSA) to determine the differences and techniques employed in budgeting processes. Chapter 3 thus aimed to outline the principles and best practices associated with public budgeting.

Chapter 4 presents a case study on the strategic planning and budgeting processes within the SASSA. The chapter also provides a description and a map of the planning and budgeting processes in SASSA and highlights the challenges experienced during this processes. Chapter 4 thus aims to determine how the strategic planning and budgeting processes should be aligned, with specific reference to SASSA, in order to enhance service delivery within the different Provinces of the Republic of South Africa.

The next section explores the research methodology and design, with specific reference to case studies, in order to ascertain the extent to which, the principles of strategic planning and budgeting processes are applied in the implementation of its mandate.

#### **4.2. RESEARCH METHODOLOGY**

The research question guides the selection of the research methodology (Creswell and Miller, 2000:125; Merriam, 1998:101). The problem statement of this study is investigated addressing the following research questions:

The problem that spurred this research relate to the strategic planning and budgeting processes in SASSA, aligned to place the organisation in a position that enable it to implement its mandate.

- ❑ What are the principles and best practices associated with strategic planning?
- ❑ What are the principles and best practices associated with budgeting?
- ❑ Which statutory frameworks and regulations prescribe the processes for strategic planning and budgeting in the South African Public Service?
- ❑ How should strategic planning and budgeting processes be aligned with specific reference to SASSA?
- ❑ Which recommendations could be made to improve alignment of the strategic planning and budgeting processes?

The goal of this research was descriptive in nature and therefore supported a qualitative design. The study utilised a qualitative research method. According to Gerring (2007:216) the qualitative method is often associated with case studies which, is the approach adopted in this research. This study applied a qualitative approach to include the data from a case study and in-depth semi-structured interviews (Das, 1983:305). The qualitative data consisted of interview transcripts, detailed descriptions from case studies excerpts from government documents and professional publications (Patton, 2002:214). A Qualitative study was appropriate for this study. This is because it was based on the use of semi-structured interviews which yielded thick, rich descriptions; collaboration with the participants, which is a process of collecting and interpreting data to elicit meaning and gain understanding (Corbin and Strauss, 2008:123; Creswell and Miller, 2000:126). Bless and Higson-Smith (2000:104) state that semi-structured interviews actively involve the respondents, thereby empowering the respondents in the research process. Bless and Higson-Smith (2000:109) further state that semi-structured interviews offer the researcher access to people's ideas, thoughts and memories in their own words, rather than the words of the researcher. According to Mouton (2000:196) semi-structured interviews emphasise the active participation of the interviewer and the interviewee's voice.

The researcher collected detailed and in-depth data through semi-structured interviews at strategic, tactical and operational levels. This was in order to determine how strategic planning and budgeting processes are undertaken and followed through within SASSA. As the case study method was utilised, the next section will discuss the research design.

#### **4.2.1. Research Design**

The research design provides a general plan of how the research questions will be answered, the process of collecting, analysing and interpreting the data (Saunders et al., 2007:85). The qualitative and basic research approaches were deemed most appropriate because of the participatory and change orientation of this study.

TerreBlanche and Durrheim (2002:29) indicate that a research design is a strategic framework for action, that links research questions to the execution or implementation of the research. According to this insight, a research design is a plan that guides arrangements for collection and analysis of data. This is because it specifies how the research is going to be carried out, in such a manner that it answers the research questions. According to De Vos and Strydom (2001:77) a research design is a blueprint or a detailed plan of how a research study is to be conducted. This includes a description of the procedure for selecting a sample, collecting and analysing data.

Rubin and Babbie (1993:93) state that research design refers to those compact formulas given names such as experimental research designs, correlation research designs, surveys and case studies. TerreBlanche and Durrheim (2002:29-30) maintain that the aim of research design is to provide a framework for action that will enable the researcher, to draw coherent and acceptable conclusions or inferences from her or his observations. Schumacher and McMillan (1993:31) state that research design ensures that the study fulfils a particular response, as it provides answers to research questions

that will stand against criticism. It ensures that the design has an impact on the validity and correctness of research findings.

Mouton (2001:276) maintains that the aim of a research design is to plan and structure a given research project, such that the validity of the research findings is maximised. This study applied qualitative analysis and engaged in “basic research” in order to investigate and gain a deeper understanding of strategic planning and budgeting (Patton, 2002:215). According to Patton (2002:215), basic research makes a contribution to the fundamental knowledge and theory regarding the investigation of a phenomenon. The researcher’s basic role is to understand and explain (Patton, 2002:215). In consideration of this requirement, the research approach adopted in this research was therefore qualitative. The qualitative method is suited to a case study which is the method chosen for this research; hence the next section conceptualises what a case study is.

#### **4.2.2. Case study method**

Case studies allow an opportunity for empirical research to represent a true story in an organisation because researchers can explore, test and make a valid interpretation of theories, within the context of real-life environments (Myers, 2009:76). Walton (1992:129) observed that: “... case studies are likely to produce the best theory”.

According to Popper (1959:124), the case study is ideal for generalising, using the type of test called “falsification”, which in social science forms part of critical reflexivity. Popper (1959:125) further states that a case study method enables a researcher, to closely examine the data within a specific context. In most cases, a case study method selects a small geographical area or a very limited number of individuals as the subjects of study. Case studies, in their true essence explore. Furthermore, a case study as a research method investigates contemporary, real-life phenomenon through detailed contextual analysis of a limited number of events or conditions and their relationships (Popper, 1959:126).

Yin (1984:17) defines the case study research method: "...as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, and multiple sources of evidence are used." A case study is a unique way of observing any natural phenomenon which exists in a set of data (Yin, 1984:17). By unique it is meant that only a very small geographical area or number of subjects of interest is examined in detail (Yin, 1984:17). According to Patton (2002:217), a case study provides a thematic analysis across cases through fieldwork that involves various units of analysis.

There are several categories of case studies. Yin (1984:18) notes three categories, namely exploratory, descriptive and explanatory case studies.

- ❑ Exploratory case studies set out to explore phenomenon in the data, which serves as a point of interest to the researcher. A pilot study is considered an example of an exploratory case study. It is crucial in determining the protocol that will be used (Yin, 1984:18; McDonough and McDonough, 1997:44). An exploratory type of case study is used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes (Yin, 2003:46).
- ❑ Descriptive case studies set out to describe the natural phenomena which occur within the data in question. For example, what different strategies are used by the reader and how the reader will apply such different strategies. The goal set by the researcher is to describe the data as they occur. McDonough and McDonough (1997:45) suggest that descriptive case studies may be in a narrative form. Descriptive types of case studies are used to describe an intervention or phenomenon and the real-life context in which it occurred (Yin, 2003:46).
- ❑ Explanatory case studies examine the data closely, both at the surface and the deep level in order to explain the phenomena in the data (Yin, 1984:19). Drawing from the data, the researcher may then form a theory and set to test this theory



(McDonough and McDonough, 1997:46). Furthermore, explanatory cases are also deployed for causal studies where pattern-matching can be used to investigate certain phenomenon in very complex and multivariate cases. Yin and Moore (1987:60) note that these complex and multivariate cases can be explained by three rival theories namely: a knowledge-driven theory, a problem-solving theory, and a social-interaction theory. Explanatory type of case studies, would be used when seeking to answer a question that sought to explain the presumed causal links in real-life interventions, that are too complex for survey or experimental strategies. In evaluation language, the explanations would link program implementation with program effects (Yin, 2003:47).

In accordance with the primary objective of this study, a descriptive case-study design was preferred. This was because it allowed the study to discern whether a potential misalignment of the strategic planning and budgeting processes exist and then provided a provision to suggest a plan to align the processes by considering best practices. A descriptive case study will also allow triangulation of the analysed data against the findings from the literature study, the legislative framework as well as empirical data. The primary objective of this study was to investigate the potential misalignment of the strategic planning and budgeting process in SASSA.

In order to understand how a case study is applied, the next section will discuss the advantages and disadvantages of case study method.

#### **4.2.1.1. Advantages of case study method**

The examination of the data is most often conducted within the context of its use, that is, within the situation in which the activity takes place (Yin, 1984:20). There are also a number of case studies which seek evidence from both numerical and categorical responses of individual subjects (Block, 1986:465; Hosenfeld, 1984:06). Hamel *et al.* (1993:290) and Yin (1994:107), state that parameter establishment and objective setting of the research are far more important in a case study method than a big sample size.

The parameter establishment of this case study is limited to SASSA and in particular Head Office staff. The objective of this case study was to investigate the potential misalignment of the strategic planning and budgeting processes in SASSA. Yin (1984:25) further states that variations in terms of intrinsic, instrumental and collective approaches to case studies allow for both quantitative and qualitative analysis of the data. The detailed qualitative accounts often produced in case studies not only help to explore or describe the data in a real-life environments, but also help to explain the complexities of real-life situations, which may not be captured through experimental or survey research (Yin, 1984:26).

#### **4.2.2.2. Disadvantages of case study method**

Yin (1984:20) discusses three types of arguments against case study research. First, case studies are often accused of a lack of rigour. Yin (1984:21) notes, “too many times, the case study investigator has been sloppy and has allowed equivocal evidence or biased views to influence the direction of the findings and conclusions”. Secondly, case studies provide very little basis for scientific generalisation since they use a small number of subjects, some conducted with only one subject (Yin, 1984:21). Thirdly, case studies are often labelled as being too long, difficult to conduct and producing a massive amount of documentation (Yin, 1984:21). In particular, case studies of ethnographic or longitudinal nature can elicit a great deal of data over a period of time. The danger comes when the data is not managed and organised systematically.

A common criticism of case study method is its dependency on a single case exploration, making it difficult to reach a generalised conclusion (Tellis, 1997:3). Yin (1993:55) considered case methodology ‘microscopic’ because of the limited sampling cases. While Yin (1984:20) cautions researchers not to confuse case studies with qualitative research, he also notes that “case studies can be based “... entirely on quantitative evidence”.

Having outlined what a case study method is as well as stating the advantages and disadvantages of such a method, it is crucial that the next section look at the descriptive case study design.

#### **4.2.3. Descriptive case study design**

The primary objective of this research is to investigate the potential misalignment of the strategic planning and budgeting processes in SASSA. Therefore, taking the primary objective into consideration, the researcher chose the descriptive case study approach as a method that is well suited to describe the what, why and how of an alignment between strategic planning and budgeting processes in SASSA. An exploration of SASSA's strategic planning and budgeting process implementation, through the descriptive case-study method was done. This was to achieve a triangulation between the findings from the literature study, the legislative framework and the empirical findings (case study and semi-structured interviews) that support the larger study. The following sections will unpack aspects relevant to a case-study research design.

The case-study method is chosen because it enables the researcher to conduct a detailed analysis using multiple sources of data (Soy, 1997:58).

#### **4.2.4. Frame of reference of the SASSA case study**

The problem statement was to determine the suggestion that the strategic planning and budgeting processes in SASSA are not aligned to place SASSA in an effective position to implement its mandate. Therefore, the description of the events and activities of SASSA were focused on to address the problem statement. Inferences will be drawn and recommendations made by testing the strategic planning and budgeting processes in order to effectively implement SASSA's mandate.

#### **4.2.5. Population**

Leedy (1993:208) states that a population is a homogeneous mass of individual units. Leedy (1993:208) further explains that the population consists of distinctly different strata, but the units within the stratum are as homogeneous as possible. This description portrays a population as a group of individuals or objects, which show common characteristics and it is these characteristics, which are of interest to the researcher. According to Miles and Huberman (1994:924) it is important that while considering what the research question will be, the researcher must consider what the case is. Miles and Huberman (1994:924) further state that this may sound simple, but determining what the unit of analysis (case) is, can be a challenge for both novice and seasoned researchers alike. The case is defined by Miles and Huberman (1994:27) as, "A phenomenon of some sort occurring in a bounded context. The case is, "...in effect, your unit of analysis".

The unit of analysis consisted of individuals familiar with the strategic planning and budgeting processes in SASSA as practitioners or subject matter experts. There are no specific rules for sample size in qualitative inquiry. This is because the sample size depends on the purpose of the inquiry, what will be useful, what will be credible, the available time and resources (Patton, 2002:219). The target group consisted of the CEO; the Executive Managers and staff in the Strategy and Business Branch, responsible for the compilation of the strategic plan; the Grant Administration Branch which is the core function of SASSA as well as staff in the Finance Branch who are responsible for the budgeting process, including the CFO.

#### **4.2.6. Empirical investigation**

According to Sekaran (2003:223), data collection methods are an integral part of research design and there are several data collection methods, each with its advantages and disadvantages. The selection of the appropriate method greatly enhances the value of the research (Sekaran, 2003:223). The selection of the research

method and data collection approach depends not only on the objective of the study, but also on the constraints of the study (Punch, 1998:102; Sekaran, 2003:223).

This study engaged in an in-depth, intensive interviewing method, in order to obtain rich, thick, descriptive data from which a case study was compiled. In-depth semi-structured interviews attempted to elicit from each participant their interpretation or experience of the respective strategic planning and budgeting processes (Charmaz, 2006:25). According to Charmaz (2006:26), “intensive” semi-structured interviews allowed the interviewer to go beneath the surface of the described experience to request more detail or an explanation where required. The data collected also consisted of writing extensive field notes relating to observations made, compiling detailed narratives from the interview transcripts.

The semi-structured interviews were conducted after the research proposal, approval to conduct the research, sample of the questionnaire and consent form was sent to the individual participants via e-mail communication. The transcripts are stored electronically as a Microsoft Word document with a coded name/number for each participant to provide confidentiality of their responses. Electronic back-up copies are stored on a USB flash drive. Printed hard copies are also kept for back-up.

#### **4.2.7. Framework for empirical investigation**

SASSA’s strategic planning and budgeting processes at strategic, tactical and operational level provided a framework for the semi-structured interviews. The aim was to test the extent to which the principles of strategic planning and budgeting processes are applied in the implementation of its mandate. Therefore, the next section will outline the data sources used in the collection of data.

#### **4.2.8. Data sources**

The hallmark of case study research is the use of multiple data sources, a strategy which also enhances data credibility (Patton, 1990:171; Yin, 2003:181). Yin (2003:181)

further reiterates that potential data sources may include, but are not limited to, documentation; archival records; semi-structured interviews; physical artefacts; direct observations; and participant-observation. In a case study, data from multiple sources are then converged in the analysis process rather than handled individually (Patton, 1990:172). Besides the semi-structured interviews, the researcher also perused and analysed documentary data sources such as: the SASSA's strategic plan 2012-2014; SASSA's website; SASSA Act, Act 9 of 2004; Social Assistance Act, Act 13 of 2004; MTEF Budgeting Guidelines; Green Paper on National Strategic Planning; the Framework for Strategic Plans and Annual Performance Plans; as well as SASSA's Annual Report.

Triangulation is evident where different data collection methods are employed to ensure that: "... the data is telling you what you think they are telling you" (Saunders *et al.*, 2003:99). For this reason, the author used questionnaires to supplement evidence from semi-structured interviews. A number of studies have used questionnaires to assess the effectiveness of strategic planning processes (Kukalis, 1991:145; Powell, 1992:121; Hopkins and Hopkins, 1997:641; and Shea-Van Fossen *et al.*, 2006:3).

#### **4.2.9. SASSA's case study database**

Yin (2003:201) and Stake (1995:50) recognise the importance of effectively organising data. According to Yin (2003:201) and Stake (1995:51), the advantage of using a database to accomplish data organisation, is that raw data is available for independent inspection. Yin (2003:202) and Stake (1995:53) further state that using a database improves the reliability of the case study. This is because it enables the researcher to track and organise data sources including notes, key documents, tabular materials, narratives, photographs and audio files that can be stored in a database for easy retrieval at a later date. In addition to the semi-structured interviews, the same data sources as outlined in paragraph 4.2.3.5. above, was used to develop a database to support the case study. The materials, including the completed questionnaires, are kept for inspection and to ensure reliability of the SASSA case study.

#### **4.2.10. Data analysis**

The semi-structured interviews were conducted at different times, with the relevant participants, due to their tight work schedules. It was extremely difficult to schedule the face to face semi-structured interviews, hence the researcher, opted for telephonic semi-structured interviews. The responses by interviewees are captured verbatim in order to write a case study report. Different research methods such as a case study and action research can be positivist, interpretive or critical, though often this distribution is extremely contentious (Walsham, 1995a:380). The epistemological stance on interpretive approaches is that knowledge of reality is gained only through social constructions such as language, shared meanings, tools, documents and so forth (Walsham, 1993:76).

variables, but a focus on the complexity of human sense-making as the situation emerges (Kaplan and Maxwell, 1994:46). Interpretive approaches give the researcher a greater scope to address issues of influence and impact as well as the ability to ask questions such as 'why?' and 'how?', (Boland, 1985:195; Boland 1991:451; Orlikowski and Baroudi, 1991:10; and Deetz, 1996:125). The empirical findings were analysed using an interpretive data analysis strategy, which took consideration of all the data sources mentioned in paragraph 4.2.3.5. above. The validity and reliability of the case study was also taken into account.

#### **4.2.11. Validity and reliability of SASSA's case study**

Patton (2001:123) states that validity and reliability are two factors which any qualitative researcher should be concerned with while designing a study, analysing results and judging the quality of the study. This corresponds to the question: "How can an inquirer persuade his or her audiences that the research findings of an inquiry are worth paying attention to?" (Lincoln and Guba, 1985:290). The answer to this question is asserted by Healy and Perry (2000:120) in that the quality of a study, in each paradigm, should be judged by its own paradigm's terms. To be more specific with the term of reliability in

qualitative research, Lincoln and Guba (1985:300) use “dependability” in qualitative research, which corresponds closely to the notion of “reliability” in quantitative research. Lincoln and Guba (1985:317) further emphasise an “inquiry audit” as one measure which might enhance the dependability of qualitative research. This can be used to examine both the process and the product of the research for consistency (Hoepfl, 1997:49). In the same vein, Clont (1992:56) and Seale (1999:467) endorse the concept of dependability with the concept of consistency or reliability in qualitative research. The consistency of data will be achieved when the steps of the research are verified through examination of such items as raw data, data reduction products and process notes (Campbell, 1996:129). Lincoln and Guba (1985:316) state that: "Since there can be no validity without reliability, a demonstration of the former [validity] is sufficient to establish the latter [reliability;]".

To ensure validity and reliability within SASSA’s case study the following aspects were taken into consideration:

- ❑ The problem statement to be researched as outlined in paragraph 2 of Chapter 1;
- ❑ The research design as outlined under Section 4.2.1 of this chapter;
- ❑ The database of the case study as reflected under Section 4.2.3.6 of this chapter is kept for inspection if necessary; and
- ❑ An interpretive data-analysis strategy was used in analysing the empirical findings to draw inferences and conclusions.

#### **4.2.12. Ethical considerations**

The researcher ensured that the ethical considerations as outlined in Chapter 1 under paragraph 1.6.4. were adhered to. Therefore, in order to highlight the considerations of case studies, the next section will outline the SASSA’s case study.



### **4.3. STRATEGIC PLANNING AND BUDGETING ALIGNMENT: THE CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA).**

The section below provides a background of the SASSA as an organisation.

#### **4.3.1. Background of SASSA**

SASSA is a national agency of the South African Government created in April 2006. SASSA was created to administer the application, approval and payment of social grants in the Republic of South Africa. It was also designed to reallocate the function of social security from nine provinces, located within South Africa to the national sphere of government. The agency reports to the Ministry of Social Development. The current Chief Executive Officer is Ms. Virginia Peterson. SASSA is a Section 3A Public Entity, the focused institution responsible to ensure that government pays the right grant, to the right person, at a location which is most convenient to that person (SASSA's Strategic Plan 2012/13 to 2014/15:71).

The following data is an extract from the SASSA's strategic plan 2012/13 to 2014/15:

**Vision:** "A leader in the delivery of social security services".

**Mission:** "To administer quality customer-centric social security services to eligible and potential beneficiaries".

**Values:**

"SASSA, as a public entity, subscribes to those values that promote democracy and a culture of respect for human rights. In addition, in building social cohesion, the following values are paramount; transparency; equity; integrity; confidentiality and customer care-centred approach".

The Social Assistance Act, Act No. 13 of 2004 provides for the rendering of social assistance to persons as follows: to provide for the mechanism for the rendering of such assistance; to provide for the establishment of an inspectorate for social assistance; and to provide for matters connected therewith.

Section 3 of the Social Assistance Act, Act No. 13 of 2004 states that the objects of this Act are to:

- (a) "Provide for the administration of social assistance and payment of social assistance grants.
- (b) Make provision for social assistance and to determine the qualification requirements in respect thereof.
- (c) Ensure that minimum norms and standards are prescribed for the delivery of social assistance.
- (d) Provide for the establishment of an inspectorate for social assistance."

Section 4 of the Social Assistance Act, Act No. 13 of 2004 further states that the Minister must, with the concurrence of the Minister of Finance, out of moneys appropriated by Parliament for that purpose, make available:

- (a) "a child support grant";
- (b) "dependency grant";
- (c) "a foster child grant";
- (d) "a disability grant";
- (e) "an older person's grant";
- (f) "a war veteran's grant"; and
- (g) "a grant-in-aid".

The South African Social Security Administration was established in order to provide cash payments to eligible beneficiaries of the respective social grants. Social security administration forms an integral part of the broader domain of social security. In essence, social security plays an important role in the alleviation of poverty, particularly

to the majority of the African communities. According to Van der Berg (1994:27) social old age pensions play a crucial role in combating poverty in South Africa, not only because many pensioners would otherwise be amongst the poorest, but also because pension money circulates widely in many poor communities.

There is little understanding of the significant role played in the past by social assistance support in alleviating poverty. Surveys show that the grants for the elderly and disabled people have significant impact on the incomes of households that receive social grants (White Paper on Social Welfare, 1997:49). At the same time, the right to appropriate social assistance to people in need, whether old, disabled or young, as enshrined in the South African Constitution of 1996, Section 27(1), obliges the department to develop sound administrative mechanisms geared toward ensuring that the beneficiaries of social assistance are best served in the most effective, efficient and satisfactory manner (RSA, 1996:1255). This is further in conformity with Chapter 10, Section 195 (1) (a-j) of the South African Constitution, 1996 that provides the basic values and principles governing public administration within the South African context (RSA, 1996:1331(17)).

Previously, all nine provincial governments were responsible for the administration of social grants, but this created serious social delivery challenges, especially delays in the approval and payments of grants. There were other issues that added to the challenges including possible fraud and corruption in the system, inhumane pay-point facilities and huge administration costs in delivering social grants.

It is within this context and background that the South African government through the South African Social Security Agency Act, Act No. 9 of 2004 established a statutory Agency that would oversee the administration of social security in South Africa. The establishment of this Agency is part of the recommendations made by the Committee of Inquiry into a Comprehensive Social Security System appointed by Dr. Z. Skweyiya, the former Minister of Social Development, South Africa. This was in reaction to a court case by Mashaba who took the President and the Minister of Social Development to

court to challenge the discrepancies in social service delivery in the nine provinces located within the borders of the Republic of South Africa.

SASSA currently has 16 million beneficiaries made up as follows:

A Summary of social grants in the 9 regions (provinces) of South Africa are as follows: Eastern Cape (EC), Free State (FS), Gauteng (GP), KwaZulu-Natal (KZN), Limpopo (LP), Mpumalanga (MP), North West (NW), Northern Cape (NC) and Western Cape (WC) as at 31st March 2014. Social grants refer to Old Age grant (OAG), War Veteran's grant (WVG), Disability grant (DG), Grant in Aid (GIA), Child Support grant (CSG), Foster Child grant (FCG) and Care Dependency grant (CDG). Table 4.1 below, provides a detailed outline of the figures that represents the number of grant benefits by grant type and region as documented on the 31<sup>st</sup> March 2015 (Social Pension (SOCPEN) system, 2015: online)

**Table 4.1:** Number of grant benefits by grant type and region as at 31<sup>st</sup> March 2015

Region	Grant type							Total
	OAG	WVG	DG	GIA	FCG	CDG	CSG	
Eastern Cape	528 291	47	182 479	16 391	115 849	19 165	1 856 250	<b>2 718 472</b>
Free State	182 314	5	75 526	2 095	37 985	6 385	656 464	<b>960 774</b>
Gauteng	482 168	89	106 015	2 989	53 411	16 170	1 657 061	<b>2 317 903</b>
KZN	631 713	38	284 574	39 333	118 505	36 471	2 775 481	<b>3 886 115</b>
Limpopo	430 368	21	93 428	21 228	57 694	13 266	1 699 494	<b>2 315 499</b>
Mpumalanga	226 625	14	78 487	5 154	34 260	9 572	1 031 942	<b>1 389 054</b>
North West	233 547	11	85 517	7 217	37 984	8 940	797 289	<b>1 170 505</b>
Northern Cape	79 080	9	50 787	6 587	14 514	4 787	290 497	<b>446 260</b>
Western Cape	292 745	92	155 850	12 093	29 573	12 021	935 687	<b>1 438 061</b>
<b>Total</b>	<b>3 086 851</b>	<b>326</b>	<b>1 112 663</b>	<b>113 087</b>	<b>499 774</b>	<b>126 777</b>	<b>11 703 165</b>	<b>16 642 643</b>

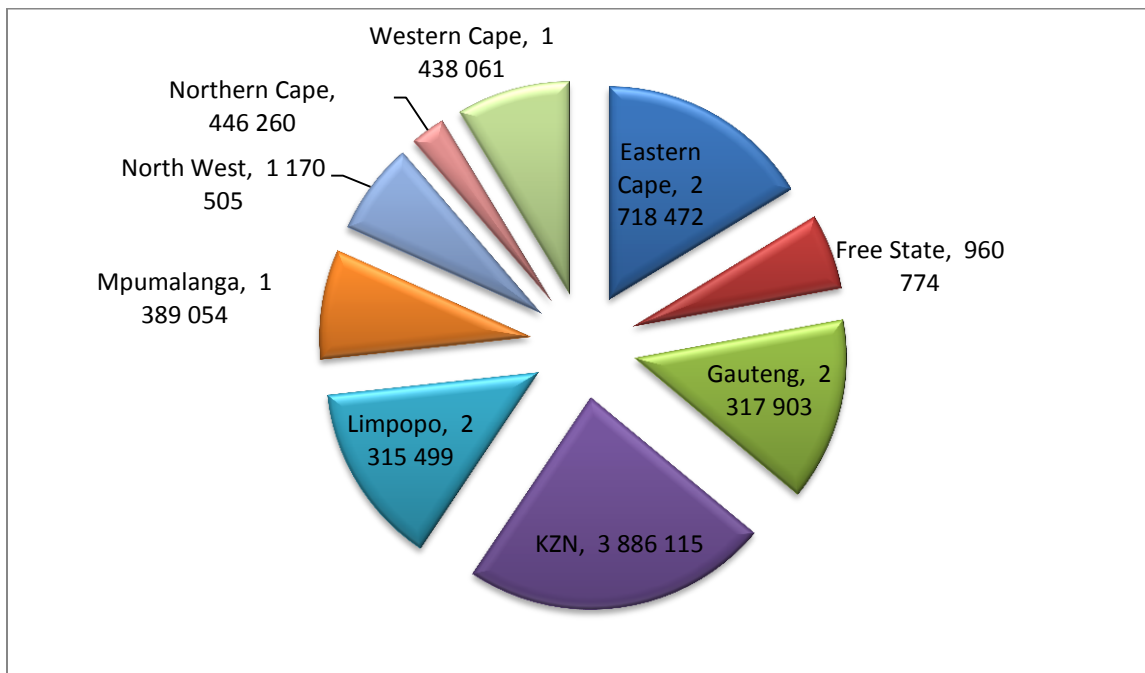
(Source: Social Pension (SOCPEN) system, 2015: online).

A brief interpretation of the data revealed in **Table 4.1** is as follows:

- ❑ Statistically, the lowest grant type is War Veterans which was only 326 as at 31<sup>st</sup> March 2015 and is declining on a yearly basis.
- ❑ Statistically, the largest grant beneficiaries is Child Support Grant which was 11 703 165 as at 31<sup>st</sup> March 2015, followed by Old Age Grant which was 3 086 851.
- ❑ Kwa Zulu Natal has the highest beneficiaries which was 3 886 115 as at 31<sup>st</sup> March 2015 followed by Eastern Cape at 2 718 472 with Northern Cape being the lowest at 446 260.

**Figure 4.1** below represents the number of grant benefits by grant type and region as displayed in a pie chart according to the Social Pension (SOCPEN) system (2015: online).

**Figure 4.1: Number of grant benefits by grant type and region as at 31<sup>st</sup> March 015 presented in a graph**

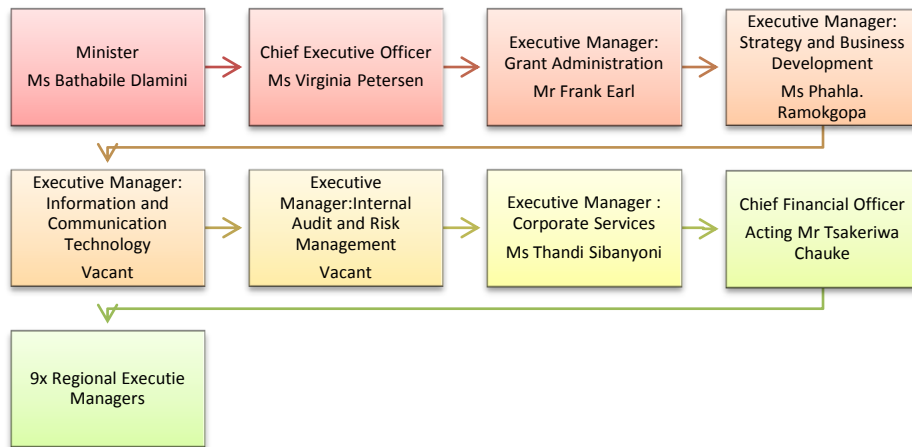


(Source: Social Pension (SOCPEN) system, 2015: online)

### 4.3.2. Governance and Regulatory Structure

SASSA as a public entity, has 8 programmes. The key programmes in SASSA as outlined in the Framework for Strategic Planning, Operational Planning and Reporting are as follows:

**Figure 4.2: SASSA’s Key Programmes**



(Source: SASSA’s Annual Report 2014/2015)

SASSA, unlike other public entities does not have a Board. The CEO reports directly to the Minister of Social Development. The management structure of SASSA, referred to as the Executive Committee (EXCO) is made up of Executive Managers and Regional Executive Managers representing the nine provinces of the Republic of South Africa.

SASSA has an Internal Audit Committee that deals with all matters relating to governance and risk management as well as a Financial Misconduct Board. The Financial Misconduct Board’s mandate is to review the facts on all reported incidents of financial misconduct and losses suffered by SASSA. The reports make recommendations to the CEO regarding corrective action to be taken. The Financial Misconduct Board is accountable to the CEO and report to the Audit Committee on a quarterly basis. SASSA furthermore has a Bid Adjudication Committee which is

responsible for adjudicating all bids above the R500,000 threshold and recommendations to the CEO.

In an endeavour to address the deficiencies surrounding the grant system, the current South African Government has established a number of mechanisms. Amongst these are: the Committee for the Restructuring of Social Security (CRSS) (1996); the Committee of Inquiry into a Comprehensive Social Security System (2000) and the Ministerial Committee on the Abuse, Neglect and Treatment of Older Persons (2001).

In case the application for a grant is not approved by SASSA, the beneficiary must be informed in writing explaining why the application was unsuccessful. The beneficiary has the right to lodge another application through the Internal Reconsideration Mechanism (Hereafter referred to as IRM). If the application is declined again, the matter can be appealed through the Tribunal at the Department of Social Development in writing, explaining why the applicant disagrees with the decision. This appeal must be lodged within 90 days of notification of the outcome of the application.

The strategic planning and budgeting processes in SASSA, which is the core of this chapter, will be explored in the next section to provide an understanding of how the strategic planning and budgeting processes are undertaken in SASSA.

### **4.3.3. Strategic Planning and Budgeting processes in SASSA**

The section will commence by providing and outlining the strategic planning process in SASSA.

#### **4.3.3.1. Strategic Planning in SASSA**

The strategic planning process in SASSA is usually held in August after the budgeting process has been undertaken. The strategic planning session is usually attended by the Agency's top management. These include, Executive Managers at Head Office as well

as Regional Executive Managers who are representatives of the nine provinces located within South Africa, the Minister and Deputy Minister of Social Development, the Director-General of the Department of Social Development. Other Department of Social Development representatives as well as General Managers for Grants, Corporate Services and Finance in the nine provinces are also invitees to the strategic planning session.

Chapter 5 of the Treasury Regulations states that the accounting officer of an institution must prepare a strategic plan that is consistent with the period covered by the Medium Term Expenditure Framework [for the forthcoming MTEF period] for approval by the relevant executive authority (RSA, 2001:15). SASSA as a Schedule 3 public entity, in terms of the PFMA (RSA, 1999:49), is thus required to comply and submit their strategic plan to the Department of Social Development. SASSA's strategic plan is in line with the Framework for Strategic Plans and Annual Performance Plans. SASSA develops its own framework referred to as Framework for Strategic Planning, Operational Planning and Reporting. During the strategic planning process the strategic intent (vision, mission, values and strategic goals) of SASSA are reviewed. This process also allows the executive team to clearly define the objectives and assess both the internal and external environment in order to formulate the strategy.

As the strategic plan is valid for five years, the Agency has a session to develop an Annual Performance Plan (Hereinafter referred to as the APP) in the four years of the non-development of the strategic plan. The APP is only valid for a particular financial year. After the APP has been developed, it is distributed to all nine Regions so that Operational Plans can be developed. After a strategic plan has been finalised, operational plans and work plans are formulated with clear timelines, targets and budget allocations. Projects to be implemented in a particular financial year are identified, prioritised in order of ranking and importance as well as the availability of funds. This ensures that the projects are aligned to the organisational strategy and the right balance is struck between resource availability and the number of projects underway. The first sessions are facilitated by Executive Managers at Head Office and invitations are sent



to all the regional offices to participate in the development of the Operational Plan for the Branch. Once the Branch Operational Plan has been developed, the different regions will have their own sessions which are attended by the Regional Executive Manager (Hereafter referred to as the REM), the General Managers, Senior Managers, Support Services Managers and all Local Office Managers.

Once the Regional Operational Plans have been developed, individuals are required to develop their Performance Agreements which includes a Work Plan. The annual work plan generally, for all categories of employees, takes the form of the table shown below:

**Table 4.2:** Example of an Annual Work Plan

KRA	Weight	Key Activities	Performance measure		
			Target Date	Indicators Quality	Quantity
1		1.1			
		1.2			
		1.3			
2		2.1			
		2.2			

**(Source:** Researcher’s own)

Progress reports are compiled on a quarterly basis and disseminated to all staff members for their information. After six months, half year review sessions are held for the review of the operational plan and compilation of a six months progress report. There are also monthly meetings to establish work practices and foster relationships. In some instances, SASSA is expected to give a progress report to Ministerial Members of the Executive Committee (MINMEC) which is a structure made up of the Minister and MEC’s.

Considering the Research question, the theory from Chapter 2, Legislation and the process outlined above, the following gaps have been identified in terms of the strategic planning process:

SASSA does not outline in detail initiatives to be adopted to improve service delivery. In addition it does not indicate projected income and expenditure over the MTEF period as well as current staff capacity and projected staff capacity over the MTEF period. Priorities identified in the strategic plan and APP are not costed, which makes it difficult to correctly budget for the said priorities.

#### **4.3.3.2. Budgeting Processes in SASSA**

Once the strategic plan has been formulated, the day-to-day activities of the organisation need to be defined in a business plan. A budget is the financial aspect of that plan.

As stated in Section 53 of the PFMA, Act No. 1 of 1999 (RSA, 1999:50):

(1) “The accounting authority for a public entity listed in Schedule 3 which is not a government business enterprise must submit to the executive authority responsible for that public entity a budget of estimated revenue and expenditure for that financial year as well as a strategic plan, for approval by the executive authority. This should take place at least six months before the start of the financial year of the department designated in terms of Sub-Section,

(2) or another period agreed to between authority and the public entity.

(3) The budget and the strategic plan must be submitted to the executive authority. This must be done through the accounting officer for a department who was designated by the executive authority, and who may make recommendations to the executive authority with regard to the approval or amendment of the budget.”

Budgets are allocated to Branches and Regions on an annual basis in accordance with the MTEF guidelines which stipulate the timelines and the basis for allocations of the funds. The budget guidelines further stipulate that budget proposals are to interrelate with the Operational Plans, for purposes of improving efficiency spending and for any new initiatives or projects to be linked with the results to ensure value for money. During the budget process more emphasis is placed on the baseline alignment and identification of efficiency savings within its operations. However, SASSA also takes cognisance of priority shifts and the new thinking and approaches on how service delivery is going to be undertaken. These initiatives will generally require a once off capital injection in the first year of implementation, but projecting efficiency savings in the long term.

It is evident that the strategic planning process takes into consideration the internal and external factors affecting the organisation. However, the budgeting process is based on the availability of funds and approval of projects by EXCO with a final approval by the Budget Committee. Budget monitoring is used to measure how closely SASSA is meeting its objectives. Comparisons of actual expenditure against the budgeted expenditure are done on a monthly basis. To do this, the business unit heads are expected to prepare variance reports that show month by month where the unit is over spending, under spending or on target. The variance report compares the expected expenditure with the actual expenditure. The variance report provides an overview of what has happened in the reporting period, in other words, one month, three months and so on. It also gives an overview of the financial performance for the year to the current period. This report also demonstrates trends that are developing in financial performance. These trends could be used for decision making purposes and for implementing actions.

Taking account of the research question, the theory from Chapter 3, Legislation and the process outlined above, the gaps identified in terms of the budgeting process are as follows:

In early June of 2013/14 financial year after SASSA had received the MTEF budget guidelines for that fiscus, specific guidelines were developed. This led to the development of a Budget Submission Template which was sent to all the Regions and Branches for submission of the Budget Bid. After the budget guidelines were distributed, all Management Accounting staff from all nine provinces were invited to a workshop, where the guidelines and templates were thoroughly explained and all questions clarified. The nine regions in turn hold workshops with all district offices as well as the branches to ensure, that there is a clear understanding of how the inputs are to be submitted before being consolidated for final submission to Head Office.

A budget bid was then compiled and submitted to Head Office on a specific day by all Branches and Regions. After which a presentation was prepared and presented to the Budget Committee at Head Office. A further process of consolidating the various budgets and plans led to further cuts in the budgets, which was usually done in accordance with the business priority and value addition of the specific item. However since 2014/15 financial year, Head Office has discontinued the budget bid bilateral meetings and opted to do a budget allocation without inputs from the Regions and Branches. This has in a way deprived Regions and Branches a platform or an opportunity to negotiate for budget requirements and therefore the Regions and Branches are not able to negotiate for additional funding.

There is no uniform costing model for the Agency and therefore, the costing of operational plans are done differently by all nine regions, including Branches at Head Office.

#### **4.4. INFERENCES ON THE SASSA CASE STUDY REPORT**

As indicated under paragraph 4.2.3. the researcher utilised an interpretive data analysis strategy to arrive at the deductions and inferences as set out in the table below:

**Table 4.3: Features of SASSA case study at strategic level**

<b>Features from the literature review (Chapter 2 and 3)</b>	<b>Features in the SASSA case study</b>
Factors which government and public agencies should consider in strategic planning (Bryson & Delbecq, 1979:170)	5 identified priorities set during the State of the Nation Address in 2009 include: decent work, education, crime, health and rural development and agrarian reform as well as the implementation of the National Development Plan (RSA,2014).
Focus the attention of key decision makers on what is important for their organisations (Bryson & Delbecq, 1979:170).	SASSA has governance structures such as EXCO, MANCO, Budget Committee, Portfolio Committee, Audit Committee, Bid Adjudication Committee and Financial Misconduct Board.
Priorities for action (Bryson & Delbecq, 1979:170).	SASSA's key priority is to inform the work of the Agency to deliver quality social security services by focusing on excellent customer care, the automation of systems, improving organisational capacity and promoting good governance.
Strategies into action (Bryson & Delbecq, 1979:170).	SASSA has key strategic issues such as service delivery improvement, automation of business processes, mass beneficiary enrolment, New Payment Model and Clean Audits.

Features from the literature review (Chapter 2 and 3)	Features in the SASSA case study
Key aspects of strategic planning and budgeting (Armstrong,1986:184; Bonner, 2008:98; Bierman, 2010:56)	SASSA has a vision, mission, values, strategic objectives and budget allocations.
Barriers and challenges in strategic planning (Baird,1984:46; Wheelwright,1984:23; Pearce <i>et al.</i> , 1987:661; Alexander, 1999:74; Peel & Bridge 1998:857; Noble, 1999:132; Mara, 2000:212).	<p>This Strategic Plan (2012/13–2016/17) has been informed by the following key challenges:</p> <ul style="list-style-type: none"> <li>✓ Service delivery improvement based on a customer-centric approach.</li> <li>✓ Contracting a new payment service provider that is cost-efficient.</li> <li>✓ Implementing the audit plan to the satisfaction of the AGSA.</li> <li>✓ The automation of systems to improve on turnaround times, from the application to the approval of grants.</li> <li>✓ Reduction of fraud and corruption.</li> <li>✓ Improvement in financial management</li> </ul>
Stakeholders in strategic planning	The Agency's top management, the Minister and Deputy Minister of Social Development, the Director-General of the Department of Social Development, as well as other DSD

Features from the literature review (Chapter 2 and 3)	Features in the SASSA case study
	representatives.
Incorporation of NDP in strategic Planning	SASSA incorporates the NDP in the strategic planning process.
Compliance with National Treasury guidelines	The strategic planning and budgeting processes are done in line with National Treasury guidelines including the utilisation of templates, the Treasury Regulations 2007, Chapter 5, Section 5.1.1 and Section 5.2.2.3, National Treasury Instruction No. 5 of 2001 section 6.1.1

**(Source:** Researcher’s own and extracts from Bryson & Delbecq (1979:170), Baird (1984:46), Wheelwright (1984:23), Armstrong(1986:184), Pearce *et al.* (1987:661), Alexander (1999:74), Peel & Bridge (1998:857), Noble(1999:132), Mara (2000:212), Bonner (2008:98), Bierman (2010:560) and RSA (2014).

Taking account of the research questions, the researcher’s observations are that there is no clear indication of best practices and principles, in terms of strategic planning and budgeting processes, being implemented. This is despite SASSA complying with statutory frameworks and regulations that prescribe the processes for strategic planning and budgeting in the South African Public Service.

**Table 4.4: Features of SASSA case study at tactical level**

<b>Features from the literature review (Chapter 2 and 3)</b>	<b>Features in the SASSA case study</b>
<p>Resource allocation (Weetman,1996:552; Gildenhuys, 1997:393; Horngren <i>et al.</i>, 2006:183).</p>	<p>The planning and reporting cycle within SASSA starts in April of the preceding year and ends in March of the following year which involves planning, implementation, monitoring and evaluation. This includes the budgeting process. The Agency receives two kinds of transfers from the Department of Social Development namely, transfers in respect of grants disbursed to grant beneficiaries (referred to as the “big money”) and transfers in respect of the administrative budget.</p>
<p>Budget process (Brook &amp; Palmer, 1984:26; Hubbard &amp; Luthy, 1988:201; Appiah-Mensah, 1993:63).</p>	<p>SASSA does a desktop allocation at Head Office level without inputs from the Regional Offices and Branches.</p>
<p>Improvements of strategic planning and budgeting processes (Hope &amp; Fraser, 2001:9-10; McGonagle &amp; Vella, 2003:53; Mittenthal, 2003:120; Daum, 2004: 7-9)</p>	<p>The intention of the automation of the grant project is to improve service delivery by streamlining the current grant application process. The project also intends to ensure that all application processes across the Agency’s regions are standardised and uniform.</p>



Features from the literature review (Chapter 2 and 3)	Features in the SASSA case study
<p>Best practices within SASSA in terms of budgeting (Griesemer, 1983:8; Schick, 1990:18; Brimson &amp; Amos, 1999:26; Horngen, <i>et al.</i>, 2000:182; Daum, 2002:7-10; McNab &amp; Melese, 2003:93).</p>	<p>The administration of the social assistance function has resulted in the introduction of various service delivery initiatives. The first among these initiatives is the automation of the grant business process.</p>
<p>Evolution of strategic planning and budgeting processes (Bryson, 1981:182; Eadie, 1983:447; Schick, 1986:127; Bryson &amp; Roering, 1987:11; Ansoff, 1984:6; Gibson, 1993:15; Nutt &amp; Backoff, 1993:209; Hope &amp; Frazer, 1997:20 . Calitz &amp; Siebrits, 2003:52)</p>	<p>During the establishment of the Agency, the grants administration functions were integrated at both regional and head office levels. While the strategic leadership and management competencies (including reporting and accountability) have been largely centralised, the social assistance and administration services are still delivered through various regional, district and local offices. While the payment function has been centralised, the actual cash disbursements, excluding electronic payments through banks, are still conducted by cash payment contractors at various pay points throughout the country.</p>
<p>Strategic Planning and budgeting approaches and models (Griesemer,</p>	<p>SASSA follows the National Treasury guidelines and utilize</p>

Features from the literature review (Chapter 2 and 3)	Features in the SASSA case study
1983:8; Brimson & Amos, 1999:26; Schick, 1990:18; Bryson, 1991:23-29; Barry, 1994:186; Horngen, <i>et al.</i> , 2000:182; . McNamara 2007:131)	incremental and zero-based budgeting.

(Source: Researcher's own and extracts from (Bryson, 1981:182; Eadie, 1983:447; Griesemer, 1983:8; Ansoff, 1984:6; Brook & Palmer, 1984:26; Schick, 1986:127; Bryson & Roering, 1987:11; Hubbard & Luthy, 1988:201; Schick, 1990:18; Bryson, 1991:23-29; Appiah-Mensah, 1993:63; Gibson, 1993:15; Nutt & Backoff, 1993:209; Barry, 1994:186; Weetman, 1996:552; Gildenhuis, 1997:393; Hope & Frazer, 1997:20; Brimson & Amos, 1999:26; Horngen *et al.*, 2000:182; Hope & Fraser, 2001:9-10; Daum, 2002:7-10; Calitz & Siebrits, 2003:52; McGonagle & Vella, 2003:53; McNab & Melese, 2003:93; Mittenthal, 2003:120; Daum, 2004: 7-9; McNamara, 2007:131; Horngren *et al.*, 2006:183).

**Table 4. 5: Features of SASSA case study at operational level**

Features from the literature review (Chapter 2 and 3)	Features in the SASSA case study
Measuring of actual performance against budgeted performance (Emmanuel et al., 1990:31).	SASSA is experiencing increased pressure on financial resources because of an increase in demand for social assistance. Standardisation and uniformity of business processes are still very problematic and much pronounced at local office levels. While some business processes are standardised, there are many others

Features from the literature review (Chapter 2 and 3)	Features in the SASSA case study
	that are not. The lack of uniform business processes across the Agency not only project a negative image of the Agency, but also results in the rendering of uneven levels of services.
Budget control (Welsh et al., 1988:73; Lee and Johnson, 1998:16; Daum, 2004: 7).	The moratorium on the filling of vacant funded posts has had an adverse effect on service delivery.
Incorporation of NDP in strategic planning (RSA, 2010:17; NDP 2012:5; Zarenda, 2013:4).	SASSA incorporates the objectives of NDP especially priority 1, 3, 6 and outcome 13 into its strategic planning process.

(Source: Researcher’s own and extracts from (Welsh et al.,1988:73; Emmanuel *et al.*, 1990:31; Lee & Johnson, 1998:16; Daum, 2004: 7; RSA, 2010:17; NDP, 2012:5; Zarenda, 2013:4).

#### 4.5. CONCLUSION

Chapter 4 presented a case study on the strategic planning and budgeting processes within the SASSA. The background relating to how and when SASSA was established, its vision, mission and values were also highlighted. The data analysis on the case study was undertaken through an interpretive case study strategy. The main purpose was to explore the extent to which the features of the literature review conducted in Chapter 2 and Chapter 3 applied in SASSA. In order to achieve the purpose of Chapter

4, the descriptive case study was presented on SASSA and empirical data through semi-structured interviews and documentary data sources. In using the descriptive case study, the researcher examined the validity and reliability of the case study. The data was collected and presented as a case study report. Inferences and conclusions were drawn on strategic, tactical and operational levels. Chapter 5 will address the title, the research problem and document findings. The chapter will highlight recommendations to be considered in the processes of strategic planning and a model to transform budgeting. This entails the presentation and analysis of findings. The findings will be linked to the literature and conclusions will be drawn.

## **CHAPTER 5**

### **EMPIRICAL RESEARCH: METHODOLOGY AND FINDINGS, SEMI-STRUCTURED INTERVIEWS ON STRATEGIC, TACTICAL AND OPERATIONAL LEVELS WITHIN SASSA.**

#### **5.1. INTRODUCTION**

Chapter 4 provided a case study on the strategic planning and budgeting processes within the SASSA. The background relating to how and when SASSA was established, its vision, mission and values were also highlighted. The data analysis on the case study employed an interpretive case study strategy. The main purpose was to explore the extent to which the features of the literature review in Chapter 2 and Chapter 3 applied in SASSA. In order to achieve the purpose of Chapter 4, the descriptive case study approach was utilised on SASSA and empirical data through semi-structured interviews and documentary data sources. By using the descriptive case study, the researcher examined the validity and reliability of the case study. The data was collected and presented as a case study report. Inferences and conclusions were drawn on strategic, tactical and operational levels within SASSA.

Chapter 5 addresses the title, the research problem and document findings. The chapter highlights the findings and recommendations considered in the processes of strategic planning and suggested model to transform budgeting. To achieve the above entails the presentation and analysis of findings. The findings will be linked to the literature and conclusions will be drawn. Chapter 5 thus aims to present and analyse the findings regarding the alignment between the strategic planning and budgeting processes in SASSA.

The next section will explore a qualitative research methodology employed during the data collection process.

## **5.2. QUALITATIVE RESEARCH METHODOLOGY**

The data analysis on the case study was done through an interpretive case study strategy in order to explore to what extent were the features of the literature review in Chapter 2 and Chapter 3 applied in SASSA. Fenley (2005:3) maintains that qualitative research is used to gain insight into people's attitudes, behaviours, value systems, concerns, motivations, aspirations, culture or lifestyles. According to Denzin and Lincoln (2003:5) qualitative research is naturalistic; it attempts to study the everyday life of different groups of people and communities in their natural setting; it is particularly useful to study educational settings and processes. "...qualitative research involves an interpretive, naturalistic approach to its subject matter; it attempts to make sense of, or to interpret, phenomena in terms of the meaning people bring to them. Domegan and Fleming (2007:24) state that qualitative research aims to explore and to discover issues about the problem at hand, because very little is known about the problem. Domegan and Fleming (2007:24) further state that there is usually uncertainty about the dimensions and characteristics of a problem. It uses 'soft' data and gets 'rich' data".

According to Myers (2009:8), qualitative research is designed to help researchers understand people and the social and cultural contexts within which they live. Philip (1998:267) reiterates that such studies allow the complexities and differences of worlds-under-study to be explored and represented. The researcher collected detailed and in-depth data through semi-structured interviews at strategic, tactical and operational levels, in order to determine how strategic planning and budgeting processes are aligned within SASSA. Having outlined qualitative research methodology, the next section will look at the frame of reference of this study.

### **5.2.1. The frame of reference**

The frame of reference was to test the features of the literature review in Chapter 2 and Chapter 3 at strategic, tactical and operational levels within SASSA. This was done with reference to the problem statement which was to determine the issue that the strategic

planning and budgeting processes in SASSA are not aligned to place SASSA in an effective position to implement its mandate as well as an alignment with the primary objective of the study as highlighted in paragraph 3 of Chapter 1.

### **5.2.2. The unit of analysis**

The unit of analysis consisted of individuals familiar with the strategic planning and budgeting processes in SASSA, as practitioners or subject matter experts. There are no specific rules for sample size in a qualitative inquiry as the sample size depends on the purpose of the inquiry such as, what will be useful, what will be credible, the available time and resources (Patton, 2002:219). The target group will consist of the CEO, the Executive Managers and staff from the Strategy and Business Branch responsible for the compilation of the strategic plans, the Grant Administration Branch which is the core function of SASSA as well staff in the Finance Branch who are responsible for the budgeting process, including the CFO. The next section will outline how the relevant data for this study was collected.

### **5.2.3. Data collection**

This study followed a qualitative research methodology which included a literature review presented in Chapter 2 and Chapter 3. A fundamental position among researchers is that the more one knows about the peripheral investigations germane to one's own study, the more knowledgeable one can approach the problems inherent to one's own area of investigation (Leedy, 2005:64). According to Villian and Vogt (2011:187-188) a literature review is a process of engaging in a dialogue with other writers on a particular topic and how it is dealt with in different literature. A literature review lays the foundation on which the research is based and also provides current knowledge on the topic of the study (Fink, 2010:196). Subsequent to the literature review, empirical data collection was done through semi-structured interviews at strategic, tactical and operational levels.

#### 5.2.4. Semi-structured interviews and questionnaires

According to De Vos *et al.* (2003:152) a questionnaire is defined as a set of questions on a form, which is completed by respondents in respect of a research project. De Vos *et al.* (2003:152) further state that a questionnaire can have either open or close-ended questions and can also be classified as mailed, telephone or a group questionnaire. Schmacher and McMillan (1993:238) define a questionnaire as a data collection strategy, which is the most generally used instrument of all. Other authors who are in agreement with this view are TerreBlanche and Durrheim (2002:293) who suggests that a questionnaire is regarded as one of the most common tools of gathering data.

Wolf (1988:478-479) indicates that a survey questionnaire is a self-report instrument, used for gathering information about the variables of interest to the researcher. It consists of a number of questions or items that a respondent reads and answers. Furthermore, it satisfies the assumptions on which questionnaires are based which are as follows:

- ❑ “that the respondents can read and understand the questions”;
- ❑ “that the respondents are in a position to supply the information to answer the questions”;
- ❑ “that the possibility of willingness to answer the questions exists”; and
- ❑ “that the respondents will be interested in the outcome of the research and its implications for the improvement of their situations”.

Kitavi (1995:197) describes a questionnaire as an appropriate tool for collecting information directly from people about their feelings, opinions, motivations, plans, beliefs and personal educational as well as financial backgrounds. According to Legotlo (1994:162) a questionnaire helps in gathering the information for the study and the gathering will be guided by the purpose of the study. According to De Vos *et al.* (2002:172), in a group-administered questionnaire, the respondent completes the



questionnaire while the field worker is present to give certain instructions and clear up possible uncertainties.

As TerreBlanche and Durrheim (2002:294-295) put it, there are two ways of designing a questionnaire, these are either open-ended or close-ended questions. In this study open-ended questions were used. Close-ended questions limit the respondent to the set of alternatives being offered, while open-ended questions allow the respondent to express an opinion without being influenced by the researcher (Foddy, 1993:127). A structured questionnaire is chosen for this research because of its benefits. These include the possibility of discovering the responses that individuals give spontaneously. Thus avoiding the bias that may result from suggesting responses to individuals which constitutes a bias that may occur in the case of close-ended questions (Foddy, 1993:127). A noteworthy advantage of a structured questionnaire is that it helps to keep respondents on the subject, is less time consuming, relatively objective and easy to tabulate and analyse (Best and Kahn, 1993:23).

The questionnaires in this study, attached as Appendix A, B and C represents the strategic, tactical and operational levels within SASSA respectively. Appendix A has 9 questions which relate to the strategic level of SASSA, targeting the CEO and CFO. Appendix B has 11 questions which are aimed at the tactical level of SASSA, targeting the Executive Managers and General Managers. Appendix C has 10 questions which are aimed at the operational level of SASSA and targets Senior Managers and officers in the lower occupational levels.

De Vos and Strydom (2001:83) state that for a questionnaire to be valid, it must be able to be used as a measuring instrument to measure accurately what it is supposed to measure. TerreBlanche and Durrheim (2002:61) concurs with the aforementioned statement that an instrument should be usable for the particular purposes for which it was designed. TerreBlanche and Durrheim (2002:61) however, define validity as the degree to which the research conclusions are sound. On the other hand, Gay (1996:136) describes validity as a measuring instrument that measures accurately what

it is intended to, which allows for the appropriate interpretation of results and drawing of acceptable conclusions about the population. Gay (1996:136) states that this definition suggests that if the validity of the measuring instrument is questionable then the results of the research will be questionable too because they cannot be used to inform decisions.

According to TerreBlanche and Durrheim (2002:83-84) validity can be divided into two forms of validity, namely, predictive and concurrent validities. Goodwin (1995:98) suggests that a measuring instrument can be assessed on face, predictive and construct validities. De Vos and Strydom (2001:84) indicate that validities, content, face, criteria and construct validity are the most important factors to be assessed on the measuring instrument. For the purpose of this study only content and construct validity of the questionnaire will be discussed as the questionnaire will be used to measure perceptions and opinions of respondents. The next section will explain content and construct validity.

#### **❑ Content validity**

TerreBlanche and Durrheim (2002:85) suggest that the instrument should cover all concepts of the study area. De Vos and Strydom (2001:84) maintain that content validity is the representativeness of the content of the instrument, as it should cover all topics or items reflected as the scope or area of the study. De Vos and Strydom (2001:84) indicate that two questions that should be asked are:

- ✓ "Is the instrument really measuring the concept as assumed it is"?
- ✓ "Does the instrument provide an adequate sample of items that represent the concept"?

To ensure that content validity is maintained, the questionnaire was designed to take account of data captured in the literature research, regarding an alignment between the strategic planning and budgeting processes within SASSA. The draft questionnaire was

submitted to the researcher's study supervisor for expert scrutiny regarding the relevance of each item.

### **Construct validity**

De Vos and Strydom (2001:85) define construct validity as being concerned with the validation of the instrument in that it should validate what it is measuring, how and why it operates the way it does and the theory underlying it. De Vos and Strydom (2001:85) also state that construct validity involve determining the degree to which the instrument measures a theoretical construct. De Vos and Strydom (2001:85) further maintain that construct validity is the most difficult because it measures constructs, which are highly abstract in nature. Their view is supported by Goodwin (1995:70) who states that construct validity is not directly observable, that is, it cannot be seen, felt or heard and cannot be measured directly, but is inferred from certain behaviours or evidence at hand. The questions posed at different levels are discussed below:

The interviewees at strategic level responded to the following questions:

- What do you regard as the strategic drivers to strategic planning and to budgeting in SASSA?
- How do you advice political / administrative heads in terms of issues of critical importance for the organisation?
- How are strategic priorities determined for action?
- Which strategic processes are considered to translate organisational strategies into action?
- What do you regard as the key aspects of strategic planning and budgeting in SASSA?

- Which strategic (political, economic and social) barriers and challenges have you identified as detrimental to the organisational strategic planning process during your leadership tenure?
- Which stakeholders would you include to participate in the strategic planning Lekgotla initiative that would reflect a comprehensive and inclusive stakeholder representation?
- How do you incorporate the National Development Plan in the strategic planning process within SASSA?
- How do you ensure that SASSA complies with National Treasury guidelines during the budgeting process?

The interviewees at tactical level responded to the following questions:

- How much time, resources and personnel do you spend on the planning, implementation and follow up of the strategic plan and budget?
- How does the organisation ensure meaningful citizen engagement to support the organisation's budgeting process, so that it enables administrative and political leadership to transform public priorities into strategic objectives?
- Describe the budget process within SASSA against the following items:
  - ✓ Planning
  - ✓ Implementation
  - ✓ Monitoring and evaluation
  - ✓ Reports
  - ✓ Tools
- Which advantages and disadvantages are experienced with the budget process?

- What suggestions do you have that may enhance the strategic planning and budgeting processes within SASSA?
- What are the pockets of excellence across the organisation in terms of budget management? What determines such excellence?
- Which organisational benefits can be observed with reference to the strategic planning and budgeting processes across the different branches within the organisation?
- How has the strategic planning and budgeting processes evolved within the organisation to continuously reflect contemporary models and processes that support a government in transformation?
- Which strategic planning and budgeting approaches and models are implemented in SASSA?
- In your opinion, how does the organisational budget affect the achievement of organisational strategic objectives or does the organisational strategic objectives affect the organisational budget?
- In your opinion does the budgeting process provide for an enhanced understanding of, and linkage between the strategic organisational objectives and the organisational budget?

The interviewees at operational level responded to the following questions:

- Why is it necessary for SASSA to embark on strategic planning and budgeting processes?

- Which alternative do you think is better suited for SASSA other than the budget?
- How often do you think SASSA calculate the difference between actual performance and budgeted performance?
- How can the budget goals which are used to keep the costs under control be in the way of reaching high levels of service delivery?
- How do you feel about being controlled by the budget?
- How does the budget ensure accountability to citizens and ensure that citizens are well informed about government spending?
- How does SASSA use the budget as a tool to track the accomplishment of goals and objectives?
- How does SASSA use the budget to appraise or control performance?
- How does SASSA incorporate the objectives of the NDP in the strategic planning process?
- How does SASSA communicate the strategic plan to all relevant stakeholders?

The next section will outline whether ethical considerations as outlined in paragraph 6.4 of Chapter 1 were upheld or not.

### **5.2.5. Ethical considerations**

During the collection of empirical data, the researcher ensured that the ethical considerations, as outlined in paragraph 6.4 of Chapter 1, were all upheld. The next

section will indicate how the empirical data was analysed to make inferences and draw conclusions.

### **5.2.6. Data analysis**

During the collection of empirical data at strategic, tactical and operational levels, all participants were requested to sign a letter of consent in line with the requirements of ethical considerations in paragraph 6.4 of Chapter 1. The next section will outline the validity and reliability aspects related to the study.

### **5.2.7. Validity**

Joppe (2000:1) provides the following definition of validity:

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bull's eye" of your research object? Researchers generally determine validity by asking a series of questions and will often look for the answers in others' research output (Joppe, 2000:1) The "bull's eye" of this research is to discern whether a potential misalignment of the strategic planning and budgeting processes exist and then to suggest a plan to align the processes by considering best practices.

In terms of validation, qualitative research depends on the presentation of solid descriptive data, so that the researcher leads the reader to an understanding of the meaning of the experience under study (Stake, 1995:101). In essence, validation is an interpretive understanding of truth (Angen, 2000:379). The validity of this study was demonstrated by how data was collected by means of semi-structured interviews and questionnaires at strategic, tactical and operational levels within SASSA. The use of data collection sources as well as the presentation of verbatim interview transcripts

enhanced the validity of the case study. The researcher also compared empirical findings to the literature review in Chapter 2 and Chapter 3.

### **5.2.8. Reliability**

Joppe (2000:1) defines reliability as:

“...The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability, and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.”

Reliability refers to the consistency or stability of a measure. Denzin (1970:297) states that multiple and independent methods should, if reaching the same conclusions, have greater reliability than a single methodological approach to a problem. Denzin (1970:297) further states that this combination of methodologies in the study of the same phenomenon is known as triangulation. From an interpretive perspective, Eisenhardt (1989:535) recommends that the researcher start with a broad research question, establish systematic data collection and ensure case access to create strong triangulated measures.

In light of the above considerations, empirical findings obtained from the data analysis was done. Inferences and conclusions were made on the extent to which the principles of strategic planning and budgeting processes are applied in the implementation of SASSA's mandate.

## **5.3. EMPIRICAL FINDINGS**

The empirical data was collected at different occupational levels which include the CEO, Senior Manager: Business and Strategy and Acting General Manager: Financial Accounting at strategic level; the Executive Managers and General Managers at tactical



level; and Senior Managers and lower levels at operational level. The interviews were conducted at different times with the relevant participants due to their tight work schedules. Therefore, it was extremely difficult to schedule face to face interviews, hence the researcher, opted for telephonic interviews. The responses by interviewees are captured verbatim.

### 5.3.1. The semi-structured interviews at Strategic Level

Interview Questions			
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3
What do you regard as the strategic drivers to strategic planning and to budgeting in SASSA?	"Strategic drivers are mechanisms which inform the awarding and payment of grants, the numeric target for potential beneficiaries, the resources both physical and financial, the human resources, strategic outcomes of the government as enshrined in the Constitution. The Department of Social Development strategic plan and National	"Grants Administration which is the core mandate of the Agency is the strategic driver to strategic planning and budgeting in SASSA. The mandate of SASSA is to ensure that the provision of comprehensive social security services against vulnerability and poverty within the Constitutional and legislative framework".	"The Constitution of the Republic of South Africa, the Department of Social Development, the National Treasury, SONA and the NDP are the key drivers".

Interview Questions			
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3
	Development Plan are also informants”.		
How do you advice political / administrative heads in terms of issues of critical importance for the organisation?	<p>“The organisational business case is presented. Verbal and written engagements are done in key meetings and workshops of the TOPCO, EXCO and MANCO.</p> <p>Parliamentary Committee sessions are held quarterly. Strategic stakeholder meetings are also held based on audit, research findings, etc”.</p>	<p>“Guided by the mandates, policies and priorities, Strategy and Business Development Branch presents the important issues/plans for the year to EXCO and MANCO for consideration and inputs”.</p>	<p>“SASSA has governance structures such as EXCO, MANCO, Budget Committee and Portfolio Committee”.</p>
How are strategic priorities determined for action?	<p>“The government has 5 key priorities and 13 outcomes. The social</p>	<p>“The CEO together with members of the EXCO are responsible for</p>	<p>“SASSA takes into consideration the priorities set</p>

Interview Questions			
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3
	<p>assistance provision is embedded in these priorities. The President, the Minister of Finance and the Minister of Social Development give guidance to the needs embraced in SASSA's Strategic Plan, APPs and the operational plans. The needs of our citizens and clients are core".</p>	<p>determining strategic priorities. A strategic planning session is convened where priorities are discussed, then an Annual Performance Plan will be developed. Aligned with APP, Branches and Regions will then develop their Operational Plans".</p>	<p>during SONA, the Budget Speech, the Minister of Social Development Budget Vote speech and the NDP to determine its strategic priorities. The priorities are then translated into Operational plans for implementation".</p>
<p>Which strategic processes are considered to translate organisational strategies into action?</p>	<p>"The government planning cycles (MTEC), Organisational performance reviews, audit findings and inundated executives inputs into improving service delivery in</p>	<p>"It is required that plans that are within the Annual Performance Plan are translated into an Operational Plan for implementation and actioning".</p>	<p>"Once the strategic plan has been developed, an APP is drafted, then Operational plans and workplans which are part of the performance agreements".</p>

Interview Questions			
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3
	the execution of the SASSA mandate in its 2 pieces of legislation which are SASSA Act and the Social Assistance Act”.		
What do you regard as the key aspects of strategic planning and budgeting in SASSA?	“The organisational mandate; strategic objectives; service delivery gains and gaps; impact on reducing poverty; changing the customer experience; better service to combat fraud; the budget process with Treasury and Performance monitoring. This all is against the current macro-economic environment”.	“To always ensure that strategic plans/ Annual Performance Plans are aligned to the budget”.	“The vision, mission, goals and strategic objectives have been set. The strategic plan and the budget are monitored regularly to identify variances if any”.
Which strategic (political, economic and social) barriers	“Strategic skilled staff not appropriately placed.	“Political mandates requiring implementation of	“Unfunded mandates from political heads;

Interview Questions			
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3
and challenges have you identified as detrimental to the organisational strategic planning process during your leadership tenure?	Poor social infrastructure in communities for a dignified service; pay points in the open; disability inaccessible processes and offices; poor staff integrity and fraud too high”.	projects that are not budgeted for”.	Unlimited needs from communities against limited funds”.
Which stakeholders would you include to participate in the strategic planning Lekgotla Initiative that would reflect a comprehensive and inclusive stakeholder representation?	“At the EXCO’s strategic planning and performance review sessions, Treasury, DSD, Ministry and the Auditors are always invited. Representatives of the Ministerial Advisory Committee who reflect society and are planning the SASSA future are also invited”.	“The Department of Social Development, Monitoring and Evaluation in the Presidency and SASSA Regional Offices”.	“All EXCO members, General Managers and Department of Social Development are invited to the Strategic Planning Lekgotla”.

Interview Questions			
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3
<p>How do you incorporate the National Development Plan: Vision 2030 in the strategic Planning process within SASSA?</p>	<p>"In SASSA's 2014/15 – 2018/19 Strategic Plan we have indicated the intention to deepen the service delivery efficiency in line with NDP 2030. The directives of the social protection chapter are embedded in SASSA's want. The care for the vulnerable, but also looking at socio-economic impact for the poor and vulnerable".</p>	<p>"NDP talks to outcome 13 "An inclusive and responsive social protection system". There is a need to ensure that both the strategic plan and APP are aligned to the milestones as set in the NDP. On a quarterly basis reports on the milestones achieved are consolidated and submitted to the National Department of Social Development".</p>	<p>"The NDP talks to SASSA in terms of social protection system and therefore, it is incorporated in the strategic planning process".</p>
<p>How do you ensure that SASSA complies with National Treasury guidelines during the budgeting process?</p>	<p>"SASSA has regular engagements with Treasury. There are Annual Planning meetings and quarterly monitoring meetings. The Audit opinion annually guides the</p>	<p>"By ensuring that the Operational Plans are costed so that financial performance can be compared with the organisational performance".</p>	<p>"When the budget is compiled, the Agency takes into consideration, the increase or decrease on the baselines as per</p>

Interview Questions			
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3
	<p>leadership in SASSA's compliance to Treasury guidelines. The ACFO and the CEO conducts regular meetings for EXCO and MANCO. There are also provincial visits to get and give feedback on the organisational performance".</p>		<p>National Treasury guidelines and will therefore not exceed it".</p>

**□ Summary of inferences of questions**

On the basis of the semi-structured interviews above at strategic level, the inferences and conclusions are summarised as follows:

- ✓ The strategic drivers are Grant Administration Branch, the beneficiaries, the Constitution and the different stakeholders such as National Treasury and Social Development.
- ✓ Governance structures such as EXCO, MANCO, Budget Committee, Portfolio Committee and others within SASSA are utilised to inform different stakeholders about the strategic planning and budgeting processes as well as the implementation, monitoring and evaluation of set targets against actual performance.

- ✓ SASSA's strategic priorities are in line with government priorities and outcomes.
- ✓ SASSA experiences a challenge of politically unfunded mandates as well as recurring needs from communities whereas there are limited funds.
- ✓ There is a challenge with regard to the infrastructure of some of the pay-points. They are in the open and are not accessible to disabled persons within the nine provinces of South Africa.
- ✓ SASSA incorporates the NDP in the strategic planning process.

Drawing from the summary of the above findings on the strategic level, the following gaps were identified:

In terms of the literature review in Chapter 2, the barriers and challenges to strategic planning is the lack of a model for implementation of strategic planning. None of the interviewees made reference to SASSA model for implementation. Therefore, the strategic plan may not be implemented correctly. The literature review indicated that the key aspects of strategic planning are vision, mission, values, SWOT analysis, implementation, evaluation and monitoring but none of the interviewees mentioned those aspects in their responses.

### 5.3.2. The semi-structured interviews at Tactical Level

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
How much time, resources and personnel do you spend on the planning, implementation and follow up of the strategic plan	"The Revenue Unit's main function is to ensure that there is implementation of the strategic plan in terms of debt and revenue management across the country. This	"Usually the process starts in June of the preceding year until March of the following year when the allocation letters are issued to



Interview Questions		
	Response Interviewee 1	Response Interviewee 2
and budget?	<p>means that we have to monitor the 9 Regions throughout the financial year to ensure that our plans are implemented and that officials are trained where necessary.</p> <p>So our resources, time and budget are 80% deployed in the monitoring of the strategic plan and training of Regional officials. This could be the actual visits to the Regions and the monitoring via communication, i.e. (Letters, emails and telephone calls) when in the office”.</p>	<p>Branches and Regions. There are quarterly performance and budget reviews to check if everything is still in check”.</p>
How does the organisation ensure meaningful citizen engagement to support the organisation’s budgeting process, so that it enables administrative and political leadership to transform National priorities into strategic objectives?	<p>“The organisation has its social partners in this regard. This includes Black Sash, NGOs and CBOs who are in the main involved with disabled persons, children and pensioners. These engagements feed into the Social Development to change policy imperatives such as the age and the hardships that eligible beneficiaries are</p>	<p>“By having ICROPs and Imbizos which will indicate what type of infrastructure is needed and how many people still need to be registered as beneficiaries and budgeted for accordingly”.</p>

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
	<p>confronted with; the amount that is paid to different grant beneficiaries and influencing other Departments for example, the Home Affairs to expedite documents on behalf of these beneficiaries”.</p>	
<p>Describe the budget process within SASSA against the following:</p> <ul style="list-style-type: none"> <li>✓ Planning</li> <li>✓ Implementation</li> <li>✓ Monitoring and evaluation</li> <li>✓ Reports</li> <li>✓ Tools</li> </ul>	<p>“The budget process starts In June until the budget speech in February when the budget is allocated. After the allocations, the budget is implemented and monitored on a monthly, quarterly and annual basis by reporting on any variances and taking corrective action”.</p>	<p>“SASSA’s budgeting and reporting cycle begins in April which is the beginning of the financial year and ends in March of the following year. The whole budget process from the initiation of the process starts in June until the uploading of the budget on Oracle System which is the Accrual Financial System being used by SASSA in March of the following year. Before the budget is uploaded, the cost centres are required to develop demand plans in line with the budget</p>

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
		<p>allocations projecting when the budget is going to be spent. Then on a monthly and quarterly basis, the budget is monitored for any variances whether favourable or unfavourable. Reports with explanations for variances are submitted and analysed”.</p>
<p>Which advantages and disadvantages are experienced with the budget process in SASSA?</p>	<p>“Monitoring of expenditure against approved budgets, continuous implementation and refinement of the annual action plan by the Agency’s Advisory Committee. As a result of other pressures there is constant scheduling of regular meetings dealing with financial policy and management issues with the Agency’s Budget Advisory Committee”.</p>	<p>“There are budget reviews although meetings are not consistent. The budget is monitored on a monthly basis by means of an In Year Monitoring Report (IYM). SASSA no longer involves the Branches and Regions to make inputs into the budget, but instead makes desktop allocations. This has in a way deprived Regions and Branches a platform</p>

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
		or an opportunity for negotiation for the budget requirements. The Budget Committee meetings are also not consistently held to address underfunding of some of the priorities”.
<p>What suggestions do you have that may enhance the strategic planning and budgeting processes within SASSA?</p>	<p>“At a macro level SASSA should involve other stakeholders in terms of the big money when bidding and policy is done at a level of both National Treasury and Social Development. At a micro level the Regions and Branches should engage on their demand plans before the bidding and then prioritise their projects and do the costing. After allocations the same process must be followed and re-prioritisation finalised. SASSA must then comply with the approved and costed demand plan”.</p>	<p>“Branches and Regions should be given an opportunity to make inputs into the strategic plan before it is finalised. Budget Bilaterals should be held with Regions and Branches to make inputs into the budget before the budget is submitted to the National Treasury. A costing model for costing of operational plans should be developed and adopted for SASSA. Budget guidelines should be developed and</p>

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
		implemented within SASSA”.
<p>What are the pockets of excellence across the organisation in terms of budget management? What determines such excellence?</p>	<p>“The fact that planning is centralised. There is some consultation internally with branches and regions. Although the continuous budget meeting can be cumbersome, there is however continuous monitoring and support. This is as a result of skilled personnel and the awareness of the pressures that is on SASSA as a developmental Institution”.</p>	<p>“There are budget reviews that are done on a monthly and quarterly basis. Although the allocations are normally issued late, the budget is readily available on Oracle system by the 1<sup>st</sup> April for implementation”.</p>
<p>Which organisational benefits can be observed with reference to the strategic planning and budgeting processes across the different branches within the organisation?</p>	<p>“Planning and budget processes aligned and ensuring there is service delivery creating an opportunity to re-direct funds when necessary”.</p>	<p>“There is no alignment with regard to priorities and the budget as in some instances, the Branches at Head Office do fiscal dumping towards the end of the financial year which, results in the funds not being spend due to time constraints”.</p>

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
<p>How has the strategic planning and budgeting process evolved within the organisation to continuously reflect contemporary models and processes that support a Government in transformation?</p>	<p>“Initially all the planning was done at HO, the Regions are now required to prepare and budget for their leases, shared services and other goods and service, then discuss with HO Budget Office”.</p>	<p>“Initially when SASSA was established, the Regions and Branches were involved in strategic, operational and budgeting processes. However, the only involvement in terms of strategic planning is by the Regional Executive Managers and General Managers. Some branches involve Regions in the compilation of the Operational plans. Head Office had discontinued the budget bid bilateral meetings and opted for a desk top budget allocation for the Regions and Branches”.</p>
<p>Which strategic planning and budgeting approaches and models are implemented in SASSA?</p>	<p>“Four Phase Budget Approach</p> <ul style="list-style-type: none"> <li>✓ Phase 1: Budget Compilation</li> <li>✓ Phase 2: National Treasury Interaction</li> </ul>	<p>“In terms of strategic planning the approach being used, it is top down. In terms of budgeting, the Agency</p>

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
	<ul style="list-style-type: none"> <li>✓ Phase 3: Budget Allocation</li> <li>✓ Phase 4: Budget Control”</li> </ul>	<p>will use either zero-based or incremental budgeting, although in most instances, the incremental approach is preferred especially since the introduction of the desktop allocation”.</p>
<p>In your opinion, how does the organisational budget affect the achievement of organisational strategic objectives or does the organisational strategic objectives affect the organisational budget?</p>	<p>“The budget is influenced by the strategy. This happens in situations where, after the demand plan is set out flowing from strategy it is costed later”.</p>	<p>“The budget is supposed to be influenced by strategy, but in most instances especially with regards to the operational plan, the budget is allocated without taking into consideration what will be contained in the operational plans as they are, in most instances, drafted after the budget has been allocated”.</p>

Interview Questions		
	Response Interviewee 1	Response Interviewee 2
In your opinion, does the budgeting process provide for an enhanced understanding of and linkage between the strategic organisational objectives and the organisational budget?	"Refer to the answer given for question 7 which, states that Planning and budget processes are aligned and ensure that there is service delivery. Opportunity to re-direct funds when necessary".	"As a result of the comments above, in my opinion, there is no linkage as the processes are done in isolation".

**□ Summary of inferences of questions**

Based on the semi-structured interviews above at tactical level, the inferences and conclusions are summarised as follows:

- ✓ The planning and reporting cycle within SASSA starts in April of the preceding year and ends in March of the following year which involves planning, implementation, monitoring and evaluation. This includes the budgeting process.
- ✓ SASSA regularly has meetings to discuss the set targets versus actual performance as well as the budget versus expenditure to identify variances and take corrective action if necessary.
- ✓ There are platforms created by SASSA to inform beneficiaries about services rendered and to make sure that all eligible beneficiaries are identified and brought into the social assistance grant system
- ✓ There is a concern about the desktop budget allocation which is not done with inputs from Regions and Branches. There is no longer an opportunity



for Branches and Regions to indicate what their needs are and motivate for additional funding.

Based on the summary of the above findings on the tactical level, the following gaps were identified:

In terms of the literature review presented in Chapter 2, there must be a strategic planning model. It is not clear whether a model is being used in SASSA, although stakeholders are considered during the process. In terms of how the process is undertaken, it appears that the model being implemented is a process approach. This referred to as the Harvard Policy Model because there is involvement of stakeholders and SWOT analysis is undertaken. However, none of the interviewees mentioned any Model in their responses. The literature review in chapter 3 indicated that the budgeting process has evolved from agricultural wave to industrial wave and finally to information wave. The interviewees also indicated that SASSA’s budgeting process has changed because Head Office no longer solicit inputs from Regions, but instead has opted for a desktop allocation. Furthermore, the literature review in chapter 3 indicated that one of the best principles and best practices of budgeting is the utilisation of a Balanced Scorecard. Although SASSA is utilising the Balance Scorecard, there is no documentary evidence and as such the interviewees did not refer to it.

### 5.3.3. The semi-structured interviews at Operational Level

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
Why is it necessary for SASSA to	“The strategic planning re-alignment the	“The budget is a financial plan that ensures that	”A budget is in essence a financial plan	“A strategic plan is necessary to

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
<p>embark on strategic planning and budgeting process?</p>	<p>broad objectives of SASSA with its operations. It seeks to put means on how to put activities to achieve goals set by the government. The budget process involves allocation of funds to ensure goods and services are procured and/or processed to meet goals and targets set out in the strategic plan”.</p>	<p>government priorities are well captured and provided for. It is therefore necessary for SASSA to embark on strategic planning and budgeting processes to encapsulate strategic goals into a strategic financial plan. This comprehensive process seeks to address these priorities with limited financial resources”.</p>	<p>which provides a roadmap as far as planning the activities is concerned. Therefore, planning at strategic level is necessary to ensure uniformity of vision &amp; common purpose. SASSA needs to plan strategically as well as budget in a systematic manner so that its</p>	<p>determine the priorities of SASSA and align them with government priorities as well as ensuring that funding is available to implement those priorities. It is also important to monitor if the priorities are achieved or not and take corrective action when necessary”.</p>

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
			objectives are achieved”.	
Which alternative do you think is better suited for SASSA other than the budget?	“SASSA deals with allocation of the budget for poor people who could not accumulate enough money during their working times; children; disabled persons; etc. Improving education which must be made compulsory will create more job opportunities and there will be no need to provide this service.	“One cannot detach the budget as it does not happen in a vacuum. It is the engine that propels service delivery. The budget is of strategic significance in monitoring and evaluation of government performance. It is a key parameter in measuring performance versus plans”.	“Budgeting is inseparable from strategic planning. The two are intertwined and therefore cannot do without each other. Therefore, there cannot be any alternative in this regard as SASSA requires a budget to fund its strategic objectives”.	“At the moment there is no alternative to the budget. However, SASSA must move with the times and explore other alternatives to budget, especially since there is a plan to make SASSA one of the big banks in South Africa”.

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
	Orphans will be provided for by non-profit organisations”.			
How often do you think SASSA calculates the difference between actual performance and budgeted performance?	“It does that every quarter through performance review sessions by comparing what it set itself in a particular quarter against the actual activities achieved. The budget is also compared against the actual spending in line with targets set”.	“It’s done Monthly; quarterly; mid-term and annually. SASSA strategic outputs are broken down into smaller targets. The performance targets are aligned with projected expenditure for the period. The difference between the target and the actual performance is calculated and deviation	“This is done on a monthly, quarterly and yearly basis. The latter is connected to the AFS”.	“It is done on a monthly, quarterly and yearly basis by means of an Annual Report and where there are variances, corrective action is taken”.

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
		<p>explained. Where necessary remedial measures are implemented”.</p>		
<p>How can the budget goals which are used to keep the costs under control be in the way of reaching high level of service delivery?</p>	<p>“This can happen if the value for money principle is applied. Programmes and activities which meant higher targets such as high performing activities must be prioritised and those which are not performing be discarded”.</p>	<p>“Ideally these efficient should be a balance between cost control and service delivery. Budgets facilitate service delivery when the strategic plan is properly costed. Budget goals will not hamper service delivery, but enforce efficient cost management”.</p>	<p>“They can only be in this way if they are not thought through properly and are not focused only on frills. However, if these are directed at curbing unnecessary expenses they are able to support achievements of</p>	<p>“Due to limited sources of income, some of the priorities cannot be implemented and therefore will have a negative impact on service delivery”.</p>

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
			objectives”.	
How do you feel about being controlled by the budget?	<p>“Budget tells me what needs to be procured upfront against the target set in strategic plan. Any deviation will manifest itself through either under-spending or overspending and will be saying I must do something to correct the situation. Under-spending could be saying activities are not being performed or cost less whilst</p>	<p>“Budgets instill financial discipline and encourage financial accountability. To a great extent, budgets can be used as a tool to curb deviations from the plan. I feel that the budget also helps to prevent sporadically unplanned spending”.</p>	<p>“A budget should not be a stumbling block, but rather a support tool that allows for the funding of priorities”.</p>	<p>“Due to the fact that there cannot be overspending or spending in a case whereby there is no budget, one has no option, but to comply and therefore in a way is controlled by the available budget”.</p>

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
	overspending could be saying there is wastage or things cost more”.			
How does the budget ensure accountability to citizens and ensure that citizens are well informed about government spending?	“Citizens are informed in advance what services and at what cost they are going to be procured. This offers them an opportunity in an event of overspending or under-spending in a particular period. They can question the government thus holding it accountable if the budget	“The budget is a document in the public domain. The ENE is published and tabled in parliament. This ensures accountability because the Agency is obliged to reply to parliamentary questions and to respond to Portfolio Committee as well as Auditor-General’s queries”.	“Budgets are done in a transparent manner & documented for citizens to analyse. We have a budget speech each year and this demonstrate the transparency of the Executive and then be held accountable as a result”.	“As the budget is normally published, citizens are informed about which services are to be rendered and therefore can request management to account if they fail to implement the budget as projected”.

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
	does not go according to plan”.			
How does SASSA use the budget as a tool to track the accomplishments of goals and objectives?	“It costs its activities according to goods and services in line with accounts on the Oracle system. On or before the 15 <sup>th</sup> of every month in line with section 40 (c) of the PFMA through the In Year Monitoring (IYM) Report it compares the budget against the expenditure and come up with means of correcting any	“SASSA holds budget review sessions to reflect on planned performance versus actual performance. The budget is used to track possible deviations from pre-determined targets and expenditure projections. Reasons for variances are listed and evaluated, remedies for deviations are explained”.	“The budget is aligned to the strategic plan and APP. All the budgeted activities are documented. Reporting is done both in financial and non-financial performance format”.	“As the budget is monitored against the expenditure on a regular basis, SASSA is able to track whether the goals and objectives have been met and in cases of variances, corrective action is taken”.



Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
	errors. The budget and expenditure are then measured against set targets”.			
How does SASSA use the budget to appraise or control performance?	<p>“Not very well as it seems managers avoid under-spending such that the budget is not spent every month as no action was ever taken against anyone who has under-spent. Overspending can hardly be experienced as the accounts on Oracle have been set to stop such</p>	<p>“By tracking of actual expenditure translates into planned objectives and performance. There is a monitoring and evaluation department that focuses on appraisal of performance. The department makes recommendation s on performance issues”.</p>	<p>“As mentioned above”.</p>	<p>“There are monthly, quarterly, mid-term and annual performance as well performance assessments of employees which are used to check whether the overall performance of the organisation is in line with the budget spending”.</p>

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
	overspending”.			
How does SASSA incorporate the objectives of the NDP in the strategic planning process?	<p>“The NDP’s objectives amongst other things are to minimise unemployment and reduce poverty. For the 2014/15 financial year, SASSA has Extended Public Works Programme (EPWP), to include new as well as interns. This shows commitment to employ more workers which is in line with the NDP. It has also taken a</p>	<p>“SASSA aligns performance indicators to NDP’s strategic outcomes. Performance indicators are reflected on the APP, the ENE and the National Treasury database. These are also projected into programmes. SASSA ensures that strategic objectives are linked to those indicators and are budgeted for”.</p>	<p>“SASSA incorporates the objectives of NDP especially priority 1,3 and 6”.</p>	<p>“SASSA as an institution that serves the vulnerable incorporates the objectives of NDP which are priority 1,3 and 6”.</p>

Interview Questions				
	Response Interviewee 1	Response Interviewee 2	Response Interviewee 3	Response Interviewee 4
	stance that all posts vacated must be filled within 3 months”.			
How does SASSA communicate the strategic plan to all relevant stakeholders?	“Through engagement with senior officials in meetings such as performance review sessions, budget forum meetings, staff meetings, Internal Communication , informal publications such as Enjalo, emails and circulars”.	“The plan is published and tabled in parliament. The strategic plan is also displayed on SASSA website”.	“Once the strategic plan has been developed, it is circulated to all stakeholders such as staff, National Treasury, Department of Social Development and published on the website”.	“By publishing it on the website, forwarding it to National Treasury, Social Development and staff through internal communication” .

## ❑ **Summary of inferences of questions**

On the basis of the semi-structured interviews above at operational level, the inferences and conclusions are summarised as follows:

- ✓ It is important for SASSA to embark on strategic planning and budgeting processes to ensure that funding is available for identified priorities to address the needs of beneficiaries.
- ✓ There is no alternative best suited for SASSA other than the budget as it is a tool used to improve service delivery.
- ✓ Budgets are used as a mechanism to hold management of SASSA accountable
- ✓ Due to limited funding available, some of the activities will not be implemented and this will have a negative impact on service delivery.
- ✓ A budget is seen as a tool to assist in carrying out the mandate of SASSA and not as a controlling tool. It is also used to track progress in terms of implementation of priorities and performance appraisals.
- ✓ SASSA incorporates the objectives of NDP especially priority 1, 3, 6 and outcome 13 into its strategic planning process.

Based on the summary of the above findings on the operational level, the following gaps were identified:

In terms of the literature review in chapter 3, one of the best practices and alternatives to budgets is Beyond Budgeting. The interviewees indicated that there is no alternative to the budget. Such responses might be an indication of lack of information on current developments involving budgets. The literature review in chapter 3 also indicated that the budget is a tool to ensure accountability to citizens. The interviewees indicated that the operational plans are costed. However, there is no uniform costing model in SASSA.

## 5.4. CONCLUSION

Chapter 5 addressed the title, the research problem and document findings. The primary objective of this research was to investigate the potential misalignment of the strategic planning and budgeting process in SASSA and the following questions are stated in Chapter 1:

- ❑ What are the principles and best practices associated with strategic planning?
- ❑ What are the principles and best practices associated with budgeting?
- ❑ Which statutory frameworks and regulations prescribe the processes for strategic planning and budgeting in the South African Public Service?
- ❑ How should strategic planning and budgeting processes be aligned with specific reference to SASSA?
- ❑ Which recommendations could be made to improve alignment of the strategic planning and budgeting processes?

The chapter highlighted recommendations to be considered in the processes of strategic planning and a model to transform budgeting. This entails the presentation and analysis of findings. The findings were linked to the literature and some conclusions drawn. Chapter 5 thus aimed to present and analyse the findings regarding the alignment of the processes in strategic planning and budgeting.

Chapter 6 will be a summary of the research, which draws conclusions from the results of the research. The Chapter will present a conclusion that synthesises all the major findings and the literature and make some recommendations. Chapter 6 thus aims to draw conclusions and make recommendations to improve the alignment of strategic planning and budgeting processes in the SASSA in future.

## **CHAPTER 6**

### **CONCLUSION AND RECOMMENDATIONS**

#### **6.1. INTRODUCTION**

Chapter 5 addressed the title, the research problem and documented findings. The chapter highlighted recommendations to be considered in the processes of strategic planning and a model to transform budgeting. This included the presentation and analysis of findings. The findings were linked to the literature and some conclusions were drawn. Chapter 5 thus aimed to present and analyse the findings regarding the alignment of the processes in strategic planning and budgeting.

In Chapter 6, a summary of the research will be put forward and it draws conclusions from the results of the research. The chapter will commence with the primary and secondary objectives as it is reflected in Chapter 1. Furthermore, it will consider the study's problem statement and the primary and secondary research questions as the chapter reflects on inferences made from the data gathered in each chapter. The chapter presents a conclusion that synthesises all the major findings and the literature and makes recommendations. Chapter 6 thus aims to draw conclusions and make recommendations to improve the alignment of the processes in strategic planning and budgeting processes in the SASSA in future.

#### **6.2. CONCLUSION**

According to Bryson (1988:75), the environments of public and non-profit organisations have changed dramatically in the last 10 years as a result of oil crises, demographic shifts, changing values, taxing limits, privatisation, centralisation or decentralisation of responsibilities, moves towards information and service-based economics, volatile macroeconomic performance, and so on. As a result, traditional sources of revenue for most governments are stable at best or highly unpredictable or declining at worst.

Bryson (1988:75) further states that while the public may be against higher taxes, and while transfers of money from central to local governments are typically stable or declining, the public continues to demand high levels of government services.

Strategic planning is designed to help public and non-profit organisations as well as communities to respond effectively to their new situations. It is a disciplined effort to produce fundamental decisions and actions shaping the nature and direction of an organisation's (or other entity's) activities within legal bounds (Bryson,1988:75).

The title of this study focused on 3 main areas which are strategic planning, budgeting processes as well as the alignment of these two processes. It is evident that the title of this study and the study's primary objective are associated as these key areas that form the pillar of the primary objective of this study. The primary objectives of this study, as outlined in Chapter 1, are to investigate the potential misalignment of the strategic planning and budgeting process in SASSA. The study aimed to discern whether a potential misalignment of the strategic planning and budgeting processes exists and then suggest a plan to align the processes by considering best practices.

The secondary objectives that supported this study were: to outline the principles and best practices associated with strategic planning by identifying the differences and techniques employed in strategic planning within SASSA; to outline the principles and best practices associated with budgeting by means of a literature review; to identify differences and techniques used within the SASSA; to determine statutory and regulatory guidelines that prescribe strategic planning and budgeting in the South African Public Service; to determine how the strategic planning and budgeting processes should be aligned, with specific reference to SASSA, to enhance service delivery; to make recommendations on improving the alignment of strategic planning and budgeting processes.

In addition to the relation between the title of this research study and its objectives, the identified key features are simultaneously recognised in the problem statement which in

turn effected the primary and secondary research questions. The primary research questions against which Chapter 6 will measure the contributions and inferences made in each chapter are noted as follows: What are the principles and best practices associated with strategic planning?; What are the principles and best practices associated with budgeting?; Which statutory frameworks and regulations prescribe the processes for strategic planning and budgeting in the South African Public Service?; How should strategic planning and budgeting processes be aligned with specific reference to SASSA?; Which recommendations could be made to improve alignment of the strategic planning and budgeting processes?. The enquiry and inferences of each chapter from Chapters 2 to 5 will be detailed against the aforementioned border posts as it is outlined in Chapter 1.

Several conclusions are drawn, namely that: strategic planning is likely to become part of the repertoire of public and non-profit planners; planners must be very careful how they apply strategic planning to specific situations; it makes sense to think of decision makers as strategic planners and strategic planners as facilitators of decision making across levels and functions; and there are a number of theoretical and practical issues that still need to be explored.

Chapter 2 conducted a literature review of strategic planning as concept and related processes, and in addition, provided a discussion of the literature review which may mediate an understanding of the various required strategic planning aspects through which optimal results may be obtained. The chapter also sheds light on the evolution of strategic planning. It also discussed traditional strategic planning processes within organisations such as SASSA in order to determine the techniques employed in strategic planning. Chapter 2 thus aimed to outline the principles and best practices associated with strategic planning. The chapter also provided a thorough explanation of why it is necessary to consider strategic planning in private sector organisations and its relation to public sector organisations as well as the applicable legislative framework. It was deduced from Chapter 2 that in a highly dynamic environment, strategic planning can be seen as a deliberate process in which institutions clearly define their objectives



and assess both internal and external environments in order to assess strengths, weaknesses, opportunities and threats. The process entails formulating strategies, implementing those strategies, monitoring progress and taking corrective action when necessary in order to enhance service delivery in a contemporary public sector.

Chapter 3 conducted a literature review of budgeting as concept and related processes, and in addition, the chapter provided a discussion on the literature reviewed that provided an understanding of the various budgeting aspects. The chapter shed light on how budgeting processes have evolved over time. It also discussed the traditional budgeting processes within organisations such as SASSA in order to determine differences and techniques employed in budgeting processes. Chapter 3 thus aimed to outline the principles and best practices associated with public budgeting.

The researcher found it relevant to first outline the budgeting process of organisations within the South African Public Sector and how it is determined through and derived from The Constitution of the Republic of South Africa (1996) and included Bill of Rights, Public Finance Management Act 1 of 1999 (PFMA), MTEF Planning cycle of government, the National Budget, the Ministerial Budget Votes and National Treasury Instruction.

It can be inferred that a budget is therefore a plan expressed in financial/monetary terms and just like strategy, a budget focuses on the future. Horngren *et al.* (2006:183) reiterate that the budget therefore, translates the strategic plan into action, which is money to be spent in order to get the planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income). Visser & Erasmus (2002:5) state that public finance is reflected in the budget which is financed mainly through taxation. Budgets therefore deal with the future allocation and utilisation of various resources to ensure that the strategy is executed (Simons, 1987:363).

However, the advocates of Beyond Budgeting, in response to a growing dissatisfaction with the traditional budgeting model, recognise that traditional budgeting is neither efficient nor effective and therefore, advocate that there is a need to release capable people from the chains of top-down performance contracts and enabling them to use the knowledge resources of the organisation to satisfy customer profitably and consistently beat the competition. According to Hope and Fraser (2003: 71-76) Beyond Budgeting is an alternative to the Command and Control philosophy on which most performance management systems are based.

Chapter 4 was a case study on the strategic planning and budgeting process within SASSA. The chapter also provided a description and a map of the planning and budgeting process in SASSA and highlighted the challenges experienced during this process. Chapter 4 thus aimed to determine how the strategic planning and budgeting processes should be aligned with specific reference to SASSA in order to enhance service delivery within the different provinces.

Chapter 4 presented the research design and methodology adopted in the study, with a discussion on reasons for selecting the research methodology and data sources employed in this study. In accordance with the primary objective of this study, a descriptive case-study design was preferred as it allowed the research to discern whether a potential misalignment of the strategic planning and budgeting processes exists and then suggested a plan to align the processes by considering best practices. A descriptive case study also allowed triangulation of the analysed data against the findings of the entire study.

The chapter also provided a discussion on the selection of the population, as well as details regarding the analysis and interpretation of the findings from the empirical study. The researcher collected detailed and in-depth data through semi-structured interviews at strategic, tactical and operational levels, in order to determine how strategic planning and budgeting processes are undertaken within SASSA. Validity and reliability were checked against the problem statement, research design, database of the case study as

well as an interpretive data analysis strategy in designing a study, analysing results and judging the quality of the study. Inferences and conclusions were drawn on strategic, tactical and operational levels within SASSA.

Chapter 5 addressed the title, the research problem and documented findings. The chapter highlighted findings and recommendations to be considered in the processes of strategic planning and a model to transform budgeting by presentation and analysis of findings. The findings were linked to the literature and conclusions were drawn. Chapter 5 offered data that confirms the qualitative methodology and the pertinent data collection techniques that were applied to construct valid and reliable scientific facts that support the study's problem statement, research questions, research objectives and central theoretic statements as alluded to in Chapter 1. Chapter 5 articulated empirical findings from data obtained from the strategic level, tactical level and operational level. This study adopted a qualitative inquiry as a supportive methodology that included a literature review and semi-structured interviews to establish resolutions to the problem statement and research questions identified in Chapter 1. The literature or thematic review largely contributed to and enabled the researcher to extrapolate data in support of the fundamental purpose of this study. Chapter 5 thus aimed to present and analyse the findings regarding the alignment between the strategic planning and budgeting processes in SASSA.

The primary objective of this research was to investigate the potential misalignment of the strategic planning and budgeting process in SASSA. A conclusion can therefore be drawn that the objectives of the study have been achieved. The conclusion drawn from the results of the study, as well as the recommendations on how SASSA can implement best principles and practices to ensure that the strategic planning and budgeting processes are aligned are outlined in the next section.

### **6.3. RECOMMENDATIONS**

The purpose of this study was to address the following research problem: the issue that the strategic planning and budgeting processes in SASSA are not aligned enough to place SASSA in a better position to implement its mandate. The study aimed to explore the strategic planning and budgeting processes, to identify possible gaps in the alignment of strategic planning and budgeting processes, and to make recommendations that may address the problems that were identified. The following are recommendations to enhance service delivery by SASSA within the nine Provinces of the Republic of South Africa:

#### **(a) Recommendation one: Development of a model for implementation of strategic planning**

The findings of this study indicated that there is no model for implementation of strategic planning. Therefore, it is crucial that a model for the implementation of strategic planning in line with good practices be developed for SASSA and communicated to all stakeholders to ensure that there are no barriers or challenges to inhibit the implementation of the strategic plan.

#### **(b) Recommendation two: Communication of key aspects of strategic planning**

The key theoretical aspects of strategic planning are vision, mission, values, SWOT analysis, implementation, evaluation and monitoring. The findings of this study indicated that the interviewees did not mention these aspects in their responses and this might be an indication that they are not aware that these are key aspects which are crucial during the development of the strategic plan. Therefore, it is crucial that SASSA communicates these aspects to all stakeholders.

**(c) Recommendation three: Documentation of strategic planning model/approach**

In terms of good practice, an organisation, must document its strategic planning model or approach. The findings of this study indicated that it is not clear which strategic planning model or approach has been adopted by SASSA, although stakeholders are considered during the process as well as the fact that SWOT analysis is done during the process. Therefore, it is recommended that the strategic planning model or approach adopted by SASSA be documented and communicated to all stakeholders, including staff.

**(d) Recommendation four: Scrapping of desktop budget allocation**

The findings of this study indicated that Management Accounting which is a unit in Finance based at Head Office, no longer solicits input from the Branches and Regions towards the budget, but instead allocations are done without inputs from the Branches and the nine Regions within the Republic of South Africa.. In a way, this deprives the Regions and Branches of a platform or an opportunity for negotiation for the budget requirements. The SASSA Budget Committee meetings are also not consistently held to address underfunding of some of the priorities.

Therefore, it is proposed that SASSA revert to the budget bid bilateral where the Regions and Branches will be given an opportunity to give input into the budget and highlight priorities before the budget is submitted to National Treasury and that the quarterly Budget Committee meetings are consistently held to monitor budget *versus* expenditure.

**(e) Recommendation five: Documentation of utilisation of a Balanced Scorecard by SASSA**

A Balance Scorecard is regarded as one of the best practices and principles in terms of budgeting. The findings of this study indicated that although SASSA is utilising the Balance Scorecard, it is not documented. The recommendation is that SASSA must start documenting the fact that the Balance Scorecard is being utilised and the information must be communicated to all stakeholders, including staff.

**(f) Recommendation six: Resuscitation of the Management Accounting Forum**

Equally important is the resuscitation of the Management Accounting Forum which will ensure that the Agency develops a uniform costing model for the Operational Plans as there is currently no uniform costing model, with the result that the Regions and Branches are doing it differently and therefore the validity and reliability of the information is questionable. The Management Accounting Forum will also ensure that the standardised budget guidelines for SASSA are developed as they are currently non-existent.

**(g) Recommendation seven: Involvement of all stakeholders in strategic planning and budgeting processes**

The findings of this study indicated that when SASSA was established, all stakeholders were involved in the strategic planning and budgeting process, but SASSA then adopted a different strategy where only Executive Managers and General Managers are invited for the development of the strategic plan. The recommendation is that all stakeholders be given an opportunity to give input into the strategic plan before it is finalised and submitted to National Treasury.

#### **(h) Recommendation eight: Use of other methods than the budget**

The findings of this study indicated that there is no alternative best suited for SASSA other than the budget as it is a tool used to improve service delivery. The recommendation here is that SASSA considers alternative methods such as Beyond Budgeting. Beyond budgeting is a leadership philosophy that relates to an alternative approach to budgeting which should be used instead of traditional annual budgeting. It motivates individuals by giving clear responsibilities and challenges and authority is devolved to operational managers who are closer to the action and as a result, can react quickly. In order for SASSA to successfully implement 'Beyond budgeting' it would require a mind-set which not only moves away from control, but also requires a reduction in internal politics which has been at the heart of the public sector for many years. The managers within SASSA may have the desire for flexibility, but are likely to remain constrained by the inability of their organisation to change.

#### **(i) Recommendation nine: change of strategic planning approach**

SASSA management needs to reconsider and possibly change its planning approach from top-down approach to the bottom-up approach. The bottom-up approach will offer more room for proper consultation within the organisation and enhance a higher degree of participation. As it is indicated by many theorists on planning process, a bottom-up approach gives stakeholders an opportunity to share their vision with the management and thereby allowing them the chance to develop feelings of ownership of the planning document. By involving stakeholders in the planning process from the beginning, the organisation is likely to increase its chances of succeeding in the implementation process. This would also make it easier for SASSA to identify problem areas that may arise.

### **(j) Recommendation ten: Limitations of the research**

The case study for this research was limited to SASSA and there were time constraints. The selection of the case study could also be considered a weakness in that the selection was not random as the case study was already known to the researcher and there were no other organisations selected that could be considered as leading edge on strategic planning and budgeting processes. The fact that the researcher was already known to the senior management of the organisations to be studied could also have been considered as detrimental to this research. It is possible that this familiarity could have biased the researcher's exploration of the organisations, having already worked with management within the organisations over an extensive period of time. In addition, this familiarity could be considered to have influenced the researcher's assessment of the organisations' methods and strategies for strategic planning and budgeting processes. However, prior knowledge of the organisation, its structure and operations was also considered advantageous to this research as it facilitated much of the data gathering and added a further dimension of understanding to the data gathered.

A possible area of research would be for a researcher to select a different set of case studies to see whether the same factors are present in that case study. In addition, a researcher could see whether the potential factors which had been identified in the literature review but were not present in the SASSA case study, were in fact present in their case studies.

In conclusion, it is noteworthy to mention that SASSA has good governance structures in place such as EXCO, MANCO, Audit Committee, Bid Adjudication Committee, IRM and Financial Misconduct Board and that some stakeholders are involved in the planning process. The most critical element of good practice is the incorporation of NDP into the strategic planning process and SASSA must be commended for incorporating the NDP into the strategic plan. SASSA also has regular meetings to review plans against actual performance which is a good practice.



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# APPENDIX A

## QUESTIONNAIRE: Strategic level

**Strategic planning and budgeting alignment: The case of the South African Social Security Agency (SASSA)**

Mini-dissertation presented in fulfilment of the requirements for the degree of Master of Public Administration (School of Social and Government Studies)

at North-West University

On the 29<sup>th</sup> November 2013, I, Elizabeth Tsholofelo Mokgope received approval from the Chief Executive Officer, Ms Virginia Petersen to conduct a research study and collect data in support of my Masters' degree in Public Administration. The study is titled as follows:

**“Strategic planning and budgeting alignment: the case of the South African Social Security Agency.”**

In order to collect data that supports the completion and fulfilment of the requirements of the Master's degree in Public Administration a questionnaire was designed from the literature study within the study. The questionnaire seeks to determine the extent to which strategic planning and budgeting is approached on strategic, tactical and operational levels within the South African Social Security Agency (SASSA). The questionnaires will be administered to senior managers, managers and staff within the SASSA respectively.

Participation in an interview is voluntary. Participants need not to identify themselves and their anonymity, if requested, will be respected wholly.

\_\_\_\_\_  
Name of Interviewer

\_\_\_\_\_  
Name of Interviewee

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **THE RESEARCH**

Ms Mokgope is conducting an investigation on **Strategic planning and budgeting alignment:** in SASSA as part of studies for the degree of Master of Public Administration.

## **PURPOSE OF RESEARCH**

The primary objective of this research is to investigate the potential misalignment of the strategic planning and budgeting process in SASSA.

The study will aim to discern whether a potential misalignment of the strategic planning and budgeting processes exist and then suggest a plan to align the processes by considering best practices. The study will furthermore highlight strategies and recommendations to help improve the strategic planning and budgeting processes, if the research identifies and proposes any procedural improvements.

## **PARTICIPATION IN THE RESEARCH**

The target group will consist of the Chief Executive Officer (CEO), the Executive Managers and staff in the Strategy and Business Branch responsible for the compilation of the strategic plan, as well staff in the Finance Branch who are responsible for the budgeting process, including the Chief Financial Officer (CFO) who are requested to participate in the study. Participation in this study is voluntary. Respondents are therefore not forced to participate in the survey. However respondents are encouraged to participate to help the researcher on the study.

## **WHAT WILL YOU BE ASKED TO DO?**

Each participant is required to answer the questions in the research survey to the best of his/her understanding.

## **WHAT WILL YOU GAIN FROM PARTICIPATING?**

Benefits from participating in the survey include: a full analysis of organisations' strategic planning formation process and budgeting process; benchmarking of organisations' current practices with other public organisations; identification of main barriers & obstacles for each participating organisation. In addition to that, a copy of the final research thesis will be provided to the CEO, the strategic planning and Finance units

## **HOW WILL THIS RESEARCH BE CONDUCTED?**

The researcher will use a structured questionnaire so as to guide respondents on the kind of information they are expected to provide. The researcher will hold interviews with all of the identified respondents. To achieve this aim, semi structured, open-ended interviews will be employed. Such questions would mould the respondent's frame of reference, while at the same time giving him/her the freedom to respond in whatever way he/she feels like. This means: whatever answer the respondent replies with to a question, would be accepted as a response

## **CONFIDENTIALITY**

All the information collected will be treated with complete confidentiality. Specimens and questionnaires will not contain any names or surnames. No direct results on any individual will be reported to any authority. The information provided in the reports will not make it possible for individuals to be identified.

## **COMPOSITION OF THE QUESTIONNAIRE**

**The strategic questionnaire contains 9 questions. Kindly answer all the questions on the questionnaire.**

## CONTACT DETAILS

If you have any questions on the survey, kindly contact Ms Tsholofelo Mokgope, Senior Manager: Management Accounting on 078 457 0447 or (011)241-8382.

## Questionnaire:

1. What do you regard as the strategic drivers to strategic planning and to budgeting in SASSA?

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2. How do you advise political / administrative heads in terms of issues of critical importance for the organisation?

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3. How are strategic priorities determined for action?

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4. Which strategic processes are considered to translate organisational strategies into action?

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5. What do you regard as the key aspects of strategic planning and budgeting in SASSA?

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6. Which strategic (political, economic and social) barriers and challenges have you identified as detrimental to the organisational strategic planning process during your leadership tenure?

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7. Which stakeholders would you include to participate in the strategic planning Lekgotla initiative that would reflect a comprehensive and inclusive stakeholder representation?

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8. How do you incorporate the National Development Plan in the strategic planning process within SASSA?

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9. How do you ensure that SASSA complies with National Treasury guidelines during the budgeting process?

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# APPENDIX B

## QUESTIONNAIRE: Tactical level

**Strategic planning and budgeting alignment: The case of the South African Social Security Agency (SASSA)**

Mini-dissertation presented in fulfilment of the requirements for the degree of Master of Public Administration (School of Social and Government Studies)

at North-West University

On the 29<sup>th</sup> November 2013, I, Elizabeth Tsholofelo Mokgope received approval from the Chief Executive Officer, Ms Virginia Petersen to conduct a research study and collect data in support of my Masters' degree in Public Administration. The study is titled as follows:

**“Strategic planning and budgeting alignment: the case of the South African Social Security Agency.”**

In order to collect data that supports the completion and fulfilment of the requirements of the Master's degree in Public Administration a questionnaire was designed from the literature study within the study. The questionnaire seeks to determine the extent to which strategic planning and budgeting is approached on strategic, tactical and operational levels within the South African Social Security Agency (SASSA). The questionnaires will be administered to senior managers, managers and staff within the SASSA respectively.

Participation in an interview is voluntary. Participants need not to identify themselves and their anonymity, if requested, will be respected wholly.

\_\_\_\_\_  
Name of Interviewer

\_\_\_\_\_  
Name of Interviewee

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **THE RESEARCH**

Ms Mokgope is conducting an investigation on **Strategic planning and budgeting alignment:** in SASSA as part of studies for the degree of Master of Public Administration.

## **PURPOSE OF RESEARCH**

The primary objective of this research is to investigate the potential misalignment of the strategic planning and budgeting process in SASSA.

The study will aim to discern whether a potential misalignment of the strategic planning and budgeting processes exist and then suggest a plan to align the processes by considering best practices. The study will furthermore highlight strategies and recommendations to help improve the strategic planning and budgeting processes, if the research identifies and proposes any procedural improvements.

## **PARTICIPATION IN THE RESEARCH**

The target group will consist of the Chief Executive Officer (CEO), the Executive Managers and staff in the Strategy and Business Branch responsible for the compilation of the strategic plan, as well staff in the Finance Branch who are responsible for the budgeting process, including the Chief Financial Officer (CFO) who are requested to participate in the study. Participation in this study is voluntary. Respondents are therefore not forced to participate in the survey. However respondents are encouraged to participate to help the researcher on the study.

## **WHAT WILL YOU BE ASKED TO DO?**

Each participant is required to answer the questions in the research survey to the best of his/her understanding.

## **WHAT WILL YOU GAIN FROM PARTICIPATING?**

Benefits from participating in the survey include: a full analysis of organisations' strategic planning formation process and budgeting process; benchmarking of organisations' current practices with other public organisations; identification of main barriers & obstacles for each participating organisation. In addition to that, a copy of the final research thesis will be provided to the CEO, the strategic planning and Finance units

## **HOW WILL THIS RESEARCH BE CONDUCTED?**

The researcher will use a structured questionnaire so as to guide respondents on the kind of information they are expected to provide. The researcher will hold interviews with all of the identified respondents. To achieve this aim, semi structured, open-ended interviews will be employed. Such questions would mould the respondent's frame of reference, while at the same time giving him/her the freedom to respond in whatever way he/she feels like. This means: whatever answer the respondent replies with to a question, would be accepted as a response

## **CONFIDENTIALITY**

All the information collected will be treated with complete confidentiality. Specimens and questionnaires will not contain any names or surnames. No direct results on any individual will be reported to any authority. The information provided in the reports will not make it possible for individuals to be identified.

## **COMPOSITION OF THE QUESTIONNAIRE**

**The strategic questionnaire contains 11 questions. Kindly answer all the questions on the questionnaire.**

## CONTACT DETAILS

If you have any questions on the survey, kindly contact Ms Tsholofelo Mokgope, Senior Manager: Management Accounting on 078 457 0447 or (011)241-8382.

## Questionnaire:

1. How much time, resources and personnel do you spend on the planning, implementation and follow up of the strategic plan and budget?

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2. How does the organisation ensure meaningful citizen engagement to support the organisation's budgeting process, so that it enables administrative and political leadership to transform public priorities into strategic objectives

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3. Describe the budget process within SASSA against the following:

- ✓ Planning
- ✓ Implementation
- ✓ Monitoring and evaluation
- ✓ Reports

✓ Tools

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4. Which advantages and disadvantages are experienced with the budget process?

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5. What suggestions do you have that may enhance the strategic planning and budgeting processes within SASSA?

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6. What are the pockets of excellence across the organisation in terms of budget management?  
What determines such excellence?

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7. Which organisational benefits can be observed with reference to the strategic planning and budgeting processes across the different branches within the organisation?

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8. How has the strategic planning and budgeting process evolved within the organisation to continuously reflect contemporary models and processes that supports a Government in transformation?

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9. Which strategic planning and budgeting approaches and models are implemented in SASSA

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10. In your opinion, how does the organisational budget affect the achievement of organisational strategic objectives or does the organisational strategic objectives affect the organisational budget?

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11. In your opinion does the budgeting process provides for an enhanced understanding of, and linkage between the strategic organisational objectives and the organisational budget?

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# APPENDIX C

## QUESTIONNAIRE:           Operational level

**Strategic planning and budgeting alignment: The case of the South African Social Security Agency (SASSA)**

Mini-dissertation presented in fulfilment of the requirements for the degree of Master of Public Administration (School of Social and Government Studies)

at North-West University

On the 29<sup>th</sup> November 2013, I, Elizabeth Tsholofelo Mokgope received approval from the Chief Executive Officer, Ms Virginia Petersen to conduct a research study and collect data in support of my Masters' degree in Public Administration. The study is titled as follows:

**“Strategic planning and budgeting alignment: the case of the South African Social Security Agency.”**

In order to collect data that supports the completion and fulfilment of the requirements of the Master's degree in Public Administration a questionnaire was designed from the literature study within the study. The questionnaire seeks to determine the extent to which strategic planning and budgeting is approached on strategic, tactical and operational levels within the South African Social Security Agency (SASSA). The questionnaires will be administered to senior managers, managers and staff within the SASSA respectively.



Participation in an interview is voluntary. Participants need not to identify themselves and their anonymity, if requested, will be respected wholly.

\_\_\_\_\_  
Name of Interviewer

\_\_\_\_\_  
Name of Interviewee

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **THE RESEARCH**

Ms Mokgope is conducting an investigation on **Strategic planning and budgeting alignment:** in SASSA as part of studies for the degree of Master of Public Administration.

## **PURPOSE OF RESEARCH**

The primary objective of this research is to investigate the potential misalignment of the strategic planning and budgeting process in SASSA.

The study will aim to discern whether a potential misalignment of the strategic planning and budgeting processes exist and then suggest a plan to align the processes by considering best practices. The study will furthermore highlight strategies and recommendations to help improve the strategic planning and budgeting processes, if the research identifies and proposes any procedural improvements.

## **PARTICIPATION IN THE RESEARCH**

The target group will consist of the Chief Executive Officer (CEO), the Executive Managers and staff in the Strategy and Business Branch responsible for the compilation of the strategic plan, as well staff in the Finance Branch who are responsible for the budgeting process, including the Chief Financial Officer (CFO) who are requested to participate in the study. Participation in this study is voluntary. Respondents are therefore not forced to participate in the survey. However respondents are encouraged to participate to help the researcher on the study.

## **WHAT WILL YOU BE ASKED TO DO?**

Each participant is required to answer the questions in the research survey to the best of his/her understanding.

## **WHAT WILL YOU GAIN FROM PARTICIPATING?**

Benefits from participating in the survey include: a full analysis of organisations' strategic planning formation process and budgeting process; benchmarking of organisations' current practices with other public organisations; identification of main barriers & obstacles for each participating organisation. In addition to that, a copy of the final research thesis will be provided to the CEO, the strategic planning and Finance units

## **HOW WILL THIS RESEARCH BE CONDUCTED?**

The researcher will use a structured questionnaire so as to guide respondents on the kind of information they are expected to provide. The researcher will hold interviews with all of the identified respondents. To achieve this aim, semi structured, open-ended interviews will be employed. Such questions would mould the respondent's frame of reference, while at the same time giving him/her the freedom to respond in whatever way he/she feels like. This means: whatever answer the respondent replies with to a question, would be accepted as a response

## **CONFIDENTIALITY**

All the information collected will be treated with complete confidentiality. Specimens and questionnaires will not contain any names or surnames. No direct results on any individual will be reported to any authority. The information provided in the reports will not make it possible for individuals to be identified.

## **COMPOSITION OF THE QUESTIONNAIRE**

**The strategic questionnaire contains 10 questions. Kindly answer all the questions on the questionnaire.**

## CONTACT DETAILS

If you have any questions on the survey, kindly contact Ms Tsholofelo Mokgope, Senior Manager: Management Accounting on 078 457 0447 or (011)241-8382.

## Questionnaire:

1. Why is it necessary for SASSA to embark on strategic planning and budgeting process?

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2. Which alternative do you think is better suited for SASSA other than the budget?

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3. How often do you think SASSA calculate the difference between actual performance and budgeted performance?

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4. How can the budget goals which are used to keep the costs under control be in the way of reaching high level of service delivery?

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5. How you feel about being controlled by the budget?

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6. How does the budget ensure accountability to citizens and ensures that citizens are well informed about government spending?

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7. How does SASSA use the budget as a tool to track the accomplishment of goals and objectives?

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8. How does SASSA use the budget to appraise or control performance?

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9. How does SASSA incorporate the objectives of the NDP in the strategic planning process?

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10. How does SASSA communicate the strategic plan to all relevant stakeholders?

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