

**INTEGRATED PERFORMANCE MANAGEMENT SYSTEMS AND  
MOTIVATION IN THE SOUTH AFRICAN PUBLIC SECTOR**

by

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## ABSTRACT

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Performance management processes in the South African public service are often perceived and implemented in isolation from other organisational and management policies, strategies, systems and processes. The central problem addressed in this study concerns the lack of integration of different aspects of performance management into a coherent system. This problem affects motivation and performance of staff.

This study provides an overview of the broad field of performance management and specifically focuses on public service integrated performance management systems. One of the main objectives of this study is to identify performance management challenges from an integrated perspective and to develop potential solutions for these challenges.

In order to achieve this objective, a literature review and data collection processes were conducted, which served as the foundation on which the research was based. The qualitative research methodology was chosen as it allows for interpretative research and a holistic approach to the research process, which ensures the best way of representing and addressing the complexities of integrated performance management systems and motivation within the context of the public sector. Seventy-six respondents, mainly senior and middle managers from various national and provincial government departments, participated in the study.

The fieldwork results identified major strengths, weaknesses and proposed suggestions for the improvement of the existing performance management systems in the public service. Results were analysed, interpreted, discussed and incorporated into the recommendations. Contrary to some negative public perceptions and anecdotal evidence of poor public service performance management, the majority of senior managers in government departments are satisfied with the overall quality, value for money, relevance, appropriateness

and simplicity of the process. Integration of various subsystems of performance management system is facilitated by policy initiatives such as cooperative governance and intergovernmental relations. One of the major areas of dissatisfaction is the time required for conducting the performance management process, which is often seen as a last minute compliance exercise. The performance management system has become an isolated activity, not linked to organisational strategy and processes. Additional major weaknesses of the performance management system are identified in the areas of the reward system, design of the system, objectivity of performance judgement, lack of skills and leadership support in the implementation process, communication, and monitoring and evaluation processes.

The study recommends that performance management has to be approached from an integrated perspective. The process of the design of performance management must include a thorough consultation with major stakeholders. The implementation of the system has to be supported and driven by top leadership and management. The change management process should be supported by a proactive communication strategy and it should be managed strategically and by competent staff. A reward system that distinguishes high from mediocre performance should be put in place. Programmes must be implemented to ensure high levels of staff motivation. Monitoring and evaluation mechanisms must be put in place to ensure implementation of sustainable performance management systems. These recommendations led to the design of an integrated performance management system.

The study concludes that integrated performance management, as a multidisciplinary methodology related to organisational strategy, structure, culture, systems and processes, should be regarded as a critical tool for improving motivation and performance of individuals, teams, departments and the public service as a whole.

## DECLARATION

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I declare that this thesis is my own work. It is being submitted for the degree of Doctor of Philosophy in the Faculty of Economic and Management Sciences, School of Government, University of the Western Cape.

I further testify that it has not been submitted for any other degree or at any other university or institution of higher learning.

Signed: .....

January 2010

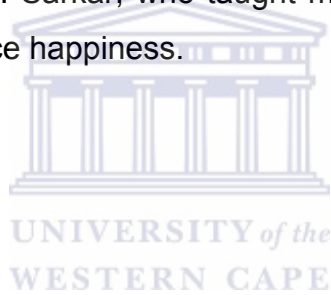


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## ACRONYMS AND ABBREVIATIONS

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AIDS	Acquired Immune Deficiency Syndrome
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CMC	Core Management Criteria
DDG	Deputy Director General
DPSA	Department of Public Service and Administration
ERG	Existence, Relatedness and Growth Motivation Theory
EQ	Emotional Intelligence
EU	European Union
HIV	Human Immunodeficiency Virus
HR	Human Resources
ICT	Information and Communication Technology
IQ	Rational Intelligence
IT	Information Technology
KRA	Key Result Areas
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
PFMA	Public Finance Management Act of 1999
PUMA	Public Management Service Unit of OECD
SABS	South African Bureau of Standards
SARS	South African Revenue Service
SQ	Spiritual Intelligence
TQM	Total Quality Management
UK	United Kingdom

# CHAPTER 1: INTRODUCTION AND BACKGROUND

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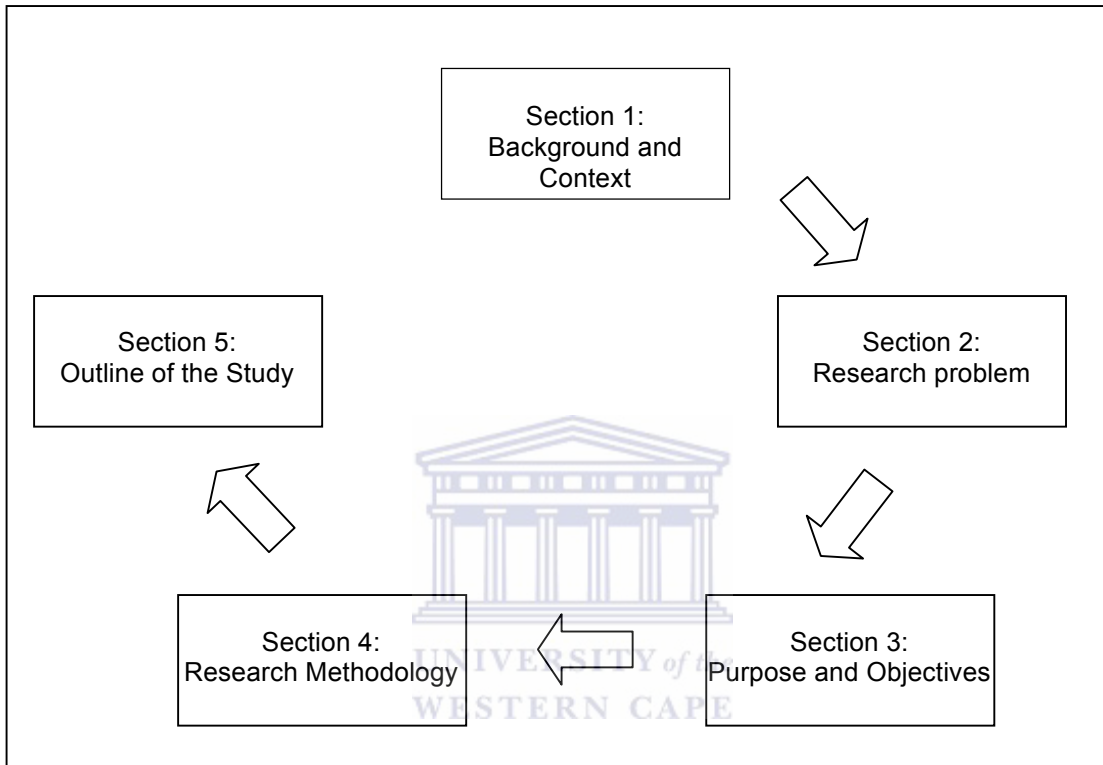
## 1.1 INTRODUCTION

Since South Africa's democratic transition in 1994, the public service has undergone fundamental changes. These changes were driven by the need to increase the quality of public services to all South African communities, and especially to those communities that were underserved and disadvantaged during the Apartheid dispensation. Improving public service performance management has been one of the main aims of these change management interventions. Improving public service performance in a sustainable manner, within the context of financial constraints, requires improvements in leadership and management of limited resources, and most of all it requires motivated staff.

The South African public service has been confronted with the serious challenge of improving its performance on the one hand and with constrained human and financial resources on the other hand. The problems facing public service range from low staff morale, to issues such as a lack of an integrated approach to performance management, high staff turnover, mismanagement, corruption, poor quality of service delivery and organisational power struggles and politics. The bureaucratic organisational structure of the public service, comprising political and administrative arms, intergovernmental structures, and involvement of unions and bargaining chambers, leaves public sector management with almost no authority to manage its own staff, resources and strategy.

The introductory chapter provides an overview of the study and its organisation as illustrated in Figure 1.1.

**FIGURE 1.1: COMPOSITION OF CHAPTER ONE**



This chapter is organised in five sections. The background to the study (section 1.1) provides a broad context of public service performance management challenges. The research problem (section 1.2) provides focus for the study and leads to identification of the research purpose and objectives (section 1.3), significance of the study, delineation and limitations to the study. Research methodology (section 1.4) describes research methodology employed in this study and processes of data collection, sampling, data analysis and interpretations. Section 1.5 presents the overall composition of the study and the different components of the study.

## 1.2 BACKGROUND AND CONTEXT

An integrated performance management system has been identified as a central theme of this study. The concept of integrated performance management will be defined as a process of enhancing congruence between various organisational subsystems, strategies, structure, processes and culture, which have a significant impact on improving the performance of individuals, teams and the organisation as a whole (Armstrong, 1994; Noutomi and Nakakishi, 2007; Vicker, Balthazar and MacMillan, 2007; Cederbloom and Pernerl, 2002).

The concept of integration is based on Systems Theory, which suggests that all systems are interconnected and that change in one system affects change in all other systems. Complex systems, such as organisations or human beings are “intelligent, creative, adaptive, self-organising and meaning-seeking” (Wheatley and Lellner-Rogers, 1983:3). Capra (1983:285) suggests that individuals, organisations and societies do not exist in isolation or as separate entities, because they are all interrelated and interdependent. Accordingly, in order to ensure maximum performance of a system, there should be a harmonious and developmental interaction with other systems. Therefore this study will use systems theory as a conceptual framework to study the complex phenomenon of performance management and its relation to motivation in the public service.

Global forces and public service management trends, which are based upon effectiveness and efficiency factors, increasingly emphasise quality of service delivery, customer focus, competition, information and communication technology development, and new management styles and paradigms. The global economic crisis and local challenges of the brain-drain, HIV/AIDS pandemic, poverty and crime are having a significant impact on public service and are creating additional demands for improving its performance.



Intergovernmental relations between the three spheres of government are often characterised by conflict and power struggles, which result in duplication of services and wastage of scarce resources. This negatively affects service delivery. Inequitable fiscal relations are perceived to be detrimental to the development needs of local government.

Internally, the public service is faced with enormous challenges of:

- Moving from 'policy development' to 'implementation and service delivery'
- Decentralising bureaucratic organisational structure
- Improving efficiency of organisational processes
- Transforming organisational culture, work-ethics and values
- Motivating its staff
- Developing management and leadership capacity for improving performance and quality of service delivery.

The transformation process of the public service is guided by the following key policies:

- Batho-Pele, The Transformation of Public Service Delivery
- Public Finance Management Act of 1999
- Performance Management System, developed by the Department of Public Service and Administration
- Public Service Regulations including policies related to employment equity, skills development and labour relations.

All of the above policies have a common goal: to improve the performance of the public service. However, several years after the adoption of these policies, their contribution to improving the performance of the public service is questionable – the implementation of these policies remains a great challenge. Conflicting internal and external forces are causing deep-rooted problems within the public service. These problems often produce multiple and vicious 'cause and effect' cycles of destruction, which are reflective of low staff motivation and performance.

The success of the public service in pursuing its purpose of service delivery and sustainable development of the country depends on its ability to change and respond proactively to both external and internal challenges. The proactive response to these challenges is essentially to transform the vicious cycles of destruction into virtuous cycles of development. This transformation requires the development and implementation of an integrated performance management system directed at resolving the deep-rooted problems facing public service departments. An Integrated performance management system impacts positively on staff motivation, which in turn impacts on overall organisational performance.

This study will consider both public sector and business management strategies, principles and methodologies in investigating performance improvement challenges and motivation in the public service. The study originated from the researcher's involvement in performance improvement interventions in both public and private sectors over a period of fifteen years. These interventions included various performance management, strategic management, HR management and organisational development activities. During this time the researcher realised that performance management practice in most of the public sector organisations is an isolated and fragmented activity, which does not necessarily enhance staff motivation and performance. This has inspired the researcher to investigate challenges and to develop solutions to performance management and motivation in the public sector.

### **1.3 RESEARCH PROBLEM**

The problem addressed in this study concerns the lack of integration of different aspects of performance management into a coherent system, which negatively affects staff motivation and performance of individuals, teams and the organisation as a whole. Performance management processes in the public service are often perceived and implemented in isolation from other

organisational and management policies, strategies and processes. This isolated and haphazard process has unintended negative consequences - staff demotivation and performance problems. The research problem investigated in this study is that the need exists to manage performance in an integrated manner to ensure synergy of the component parts within the system, and staff motivation which is a prerequisite for performance improvement.

Governments all over the world are under pressure to improve their performance in terms of effectiveness, efficiency and quality of service delivery. This is increasingly done through the application of performance management models. The South African public service is under increasing pressure to improve its performance, both qualitatively and quantitatively. The public is concerned about quality and 'value for money' of public services delivered by public service departments. Considering the budgetary constraints within which the public service operates, performance improvement strategies must be internally driven and they must be approached from an integrated perspective in order to create synergy and optimise the potential of all available resources, processes and organisational elements. It is generally recognised that people are the greatest assets of an organisation, and therefore motivation, as one of the most important aspects of human capital, is a cornerstone of any successful performance improvement intervention. No performance management system can work without motivated staff. Therefore this study will explore motivation as one of the most critical success factors of integrated performance management systems.

Performance management is practised in both public and private sectors. New Public Management (NPM) attempts to apply private sector management principles in the public sector. Some of the instruments that are commonly used in both sectors are strategic planning, budgeting, business planning, impact evaluations and annual reporting. However, in addition to these instruments the public sector utilises political oversight, which is a distinguishing feature from the private sector. Application of performance management to the public sector

is a complex activity and therefore it requires a diligent, integrated and sustained change management effort that is appropriate to a specific organisational context.

Traditionally, performance management interventions have focused on technical aspects of management such as measuring goals, targets, and indicators, while neglecting soft or human aspects of performance management, such as motivation, emotional and spiritual factors. This often results in conflict, staff demotivation and subsequent poor performance, which undermine the objectives of a performance management system. Without staff motivation, no performance management system can ensure high performance. Staff motivation is an absolute requirement for high performance of individuals, teams and the organisation as a whole.

## **1.4 PURPOSE AND OBJECTIVES OF THE STUDY**

### **1.4.1 PURPOSE AND PRIMARY OBJECTIVE**

The purpose of this study is to investigate the performance improvement and motivation challenges of the public service from an integrated point of view, and to develop recommendations and solutions to these challenges.

Particular emphasis will be given to exploration of the critical aspects of performance management systems and processes that lead to staff demotivation.

The study is organised hierarchically into a research problem, the purpose of the study and the objectives. The purpose comprises several objectives and each objective covers several key elements of the objective. Attainment of the objectives leads to attainment of the purpose of the study.

## 1.4.2 SECONDARY OBJECTIVES OF THE STUDY

In order to achieve the purpose of the study, the research will cover the following objectives:

- Objective One: To review literature on contemporary local and international performance management systems and their effects on staff motivation and performance.
- Objective Two: To analyse the internal and external factors and challenges that influence performance management and staff motivation in the public service.
- Objective Three: To make recommendations and provide possible solutions to address public service performance management and motivation challenges.

## 1.4.3 GUIDING QUESTIONS

Below are some of the critical guiding questions and assumptions that guided the research process and enabled achievement of the research objectives and purpose.

- What are the new performance management trends, locally and internationally?
- What is the role of motivation in improving the performance of the public service?
- What are the principles and design considerations for integrated performance management systems in the public sector?
- What are the critical management and leadership competencies of senior managers in the public service which are necessary for developing, implementing and sustaining performance improvement interventions?
- What are the challenges of ensuring integration between performance management and other management areas such as strategic management, policy management, human resource management, financial management,

quality management, organisational culture, and information and communication technology management?

- What are the critical success factors for successful implementation of performance management systems and improving staff motivation in the South African public service?

#### **1.4.4 SIGNIFICANCE OF THE STUDY**

This study is significant for a variety of reasons. Its primary significance is in the contribution to science and knowledge development in the area of performance management and motivation in the public sector. This includes the identification of challenges, problems and weaknesses of public service performance management. The development of recommendations and solutions to address these challenges, will enable public service departments to develop and implement effective performance management systems, and ultimately improve their overall staff motivation and performance.

This study will highlight ways of changing from an ad hoc, reactive and crisis management mode to a proactive, strategic and integrated approach to performance management. This will enable policy makers and practitioners to develop better policies and programmes, which will ultimately have a positive impact on service delivery and organisational improvements.

The public service is a major player in the South African economy. Therefore improved performance management of the public service would have a significant positive impact on the economy and subsequently on the lives on millions of South Africans and Africans.

## **1.5 RESEARCH METHODOLOGY**

This section presents the research methodology employed in this study in order to achieve the research objectives. The methodology includes theoretical review, an empirical study and analysis. The theoretical component includes the review of the literature on integrated performance management systems in the public sector, locally and internationally. The empirical component contains interviews and questionnaires.

The key phases of research in this study comprised the definition of the problem, objective setting, theoretical research, empirical research, as well as analysis and synthesis of findings, recommendations and conclusions.

### **1.5.1 SCOPE AND DELINEATION**

The uniqueness, differentiation and focus of this study is established in the following ways:

- This study focuses on senior management in the South African public service
- This study focuses on national and provincial government and it excludes local government
- The study focuses on one “community of meaning” in the organization, namely, senior managers
- The focal point of the study is on an integrated approach to performance management and staff motivation.

### **1.5.2 MOTIVATING THE METHODOLOGY AND DESIGN**

This study explores complex patterns of relationships between the multiple organisational elements that influence integrated performance management systems. These elements include strategy, culture, structure, processes, systems and capacity. Because the interrelationships between these elements cannot be quantified and measured, the research methodology on which this

study is based, is mainly qualitative. This qualitative methodology was chosen for its value in best representing and addressing the complexities of integrated performance management systems and motivation within the context of the public sector.

Although this study utilises mainly qualitative research methodology, there are some aspects of quantitative research. For example, questionnaires were designed to gather both qualitative and quantitative information on various aspects of performance management. Quantitative information comprised rating different aspects of performance management according to a five-level scale and the presentation of findings in bar charts. This was complemented by qualitative responses which provided explanations and substantiations of quantitative ratings.

A qualitative approach, according to Leedy (1993), ensures a holistic approach to the research process, while a quantitative approach tends to be particularistic. Performance management and motivation are dynamic, not static processes, and therefore a quantitative approach would be limiting in analysing and interpreting the complex and changing organisational realities. Qualitative research allows more flexibility in the process of conducting research, in the sense of adding information or sources of information, which enables acquiring deeper insights and exploration into the mysteries of organisational life and performance management. Qualitative research allows approaching problem solving processes from a systems theory perspective and the exploration of cause-effect relationships amongst various organisational elements. Identification of deep-rooted causes of the problems and separating them from the symptoms of the problems supports the process of the development of sustainable solutions. Therefore, qualitative research is the most appropriate methodology for this study because it will allow the researcher to explore how respondents construct meaning with regard to “multiple constructed realities” and perceptions amongst respondents in relation to



integrated performance management systems and motivation in the public sector (Leedy, 1997:109).

This study will utilise case study research methodology. Case study research is the common qualitative method used to study topics in management and social science. The case study method is often used for the study of a particular organisation, sector or industry. Case study research is advantageous in improving our understanding of the functioning of a complex system and relationships amongst its elements or subsystems, especially where the human element is the dominant one. Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomena and context are not clearly evident, and in which multiple sources of evidence are used.

This study includes the following elements of the case study research methodology: desktop research, questionnaires and interviewing performance management experts. The study focuses on middle and senior management in the public service in national and provincial government. According to Yanow (2000), organizational studies suggest that agencies may contain numerous internal communities of meaning i.e., Directors, managers or administrators, groups of professionals and lower level employees.

The Department of Public Service and Administration (DPSA) is a department responsible for the development of performance management systems across all public service departments within national and provincial government. Although public service departments vary in terms of size, geography, skills, effectiveness and efficiency, the same performance management system has been implemented across the national and provincial government departments. The case study approach as a research method was appropriate to study the same performance management system that is applied across several departments but within the same public service. Therefore, a case study was

chosen as the most appropriate method of empirical inquiry that investigates a contemporary phenomenon of performance management system implementation, within the real-life context of the public service, at a particular point in time of its evolution in South Africa, and in which multiple sources of evidence are used.

Considering the complexity of the process, colourfulness and richness of the context, multifaceted experiences and perceptions, and the number of variables, forces and stakeholders involved, the case study methodology was considered as the most appropriate methodology capable of taking a snapshot or capturing the case of performance management systems in the South African public service. The qualitative research approach will use the case study method to analyse root-causes of the problems, to explore in-depth experiences and perceptions and to understand “the uniqueness and the idiosyncrasy of a particular case in all its complexity” (Welman and Kruger, 2001:190). According to Yin (2003), one rationale for a single case is the representative or typical case. The idea is that “the lessons learned from these cases are assumed to be informative about the average person or institution” (Yin, 2003:41). So, in summary, case study was used as the most appropriate research methodology to study in-depth one complex system, in one organisation comprising various departments, within one community of middle and senior managers, and in one point in time of the evolution of the performance management system in the South African public service.

Multiple sources of evidence were collected through desktop research, questionnaires and interviews, which enabled triangulation of evidence, information and knowledge. Furthermore, this contributed to the trustworthiness, validity and reliability of the research process, findings and recommendations.

### **1.5.3 DATA COLLECTION STRATEGIES**

This section presents an overview of the desktop research, data collection tools, sampling strategies, expert input and structured questionnaires and interview forms.

#### **1.5.3.1 DESKTOP RESEARCH**

A review of the relevant literature, or desktop research, was conducted on available public service performance management documentation, annual reports, research reports, policies and legislation. This included both local and international literature reviews and ensured that the latest global trends in performance management are explored and incorporated in the study. The latest and relevant textbooks on performance management from local and international authors were reviewed. International and local journal articles were accessed using the Ebsco electronic library. Extensive use of Internet search engines, in particular Google, was made. Websites containing free information, research publications and methodologies on public service reforms, monitoring, evaluation, and performance management, from institutions such as the World Bank, the UK, USA, Australian and South African governments were extensively consulted.

#### **1.5.3.2 SAMPLING STRATEGIES**

Target population includes senior management in the public service in the national and provincial government departments. The data collection tools have been designed to collect the information required to achieve the stated research objectives. Interviews and the questionnaires were used as primary tools to collect data from the target population. A semi-structured questionnaire was used to conduct interviews with key respondents. Interviews were used to verify data collected through questionnaires as well as to investigate further areas needing deeper exploration.

Morse (1994:230) suggests that in qualitative research, the investigator samples until repetition from multiple sources is obtained. The chosen sample has been adequate, as it has obtained saturation and repetition of information from multiple sources. This has provided concurring information, insights and knowledge. Purposive sampling has also contributed towards the adequacy, validity and reliability of the study.

A purposive sampling technique was used to select key respondents, who have experience in performance management, for the questionnaires and interviews.

### **1.5.3.3 STRUCTURED QUESTIONNAIRES AND INTERVIEW FORMS**

Questionnaires containing open and closed-ended questions were used to collect primary data. The instruments were structured in such a way to also serve as a structured schedule for conducting individual interviews. This was done in order to ensure and enhance consistency across the categories of the data. The items on the instrument were structured in such a way to ensure accessibility across a wide spectrum of respondents as well as to ensure that the data would fulfil the research objectives.

The questionnaire comprised three sections. The first section comprised open-ended generic questions related to weaknesses, challenges, strengths and suggestions for improvement of the integrated performance management systems.

The second section focused on specific aspects of the integrated performance management system, such as design, implementation and monitoring. This section comprised 34 questions which enabled the collection of rich data, which is required for the case study methodology. Respondents were asked to provide both quantitative and qualitative information on these aspects of performance management.

Quantitative information comprised rating different aspects of performance management according to a five-level scale as presented below:

- 5 – Very high (or excellent)
- 4 – High (or good)
- 3 – Medium (or satisfactory)
- 2 – Low (or poor)
- 1 – Very low (or very poor)

Qualitative information was requested for each question to substantiate the quantitative rating.

Section three of the questionnaire focused on any other general issues that respondents wished to mention, which may have an impact on the integrated performance management systems and motivation in the public service.

Questionnaires were sent randomly to 615 middle and senior managers in twenty national and provincial government departments. Sixty-six middle and senior managers from the following departments responded to the questionnaire: Education; Health; Social Services; Trade and Industry; Labour; Water Affairs and Forestry; Foreign Affairs; Housing; Public Transport; Roads and Works; Justice; Finance; Communication; Provincial and Local Government; Land Affairs; Culture, Sports and Recreation; Government Printing Works; Eastern Cape Office of the Premier and Office of the Public Service Commission. The 66 people out of 615 managers who responded to questionnaires constitute a response rate of 10.7%.

In addition to the questionnaires, interviews were conducted with people who are considered experts in the field of public service performance management. This contributed to a meaningful description of the context for the study, and interdisciplinary contributions enhanced triangulation, validity and verifiability (Cole, 1996). Face-to-face interviews were conducted with ten experts. Face-to-face interviews allowed for further in-depth questioning of critical issues and

themes that emerged from information collected through desktop research and questionnaires. The following criteria for selecting respondents for interviews and questionnaires were used:

- An experience of the public service
- Senior managers in the public service on the levels of Deputy Director, Director, Chief Director, Deputy-Director General and Director General
- A representative sample of respondents from across public service departments on national and provincial levels
- Experience and expertise in performance management.

The former Deputy Director General (DDG) in the Department of Public Service and Administration, who was involved in the development and implementation of the performance management system across the public service, was among the experts who were interviewed. An interview with the DDG, and several subsequent conversations, enabled the gathering of rich contextual information on process, politics and stakeholders involved in the development and implementation of the performance management system. Interviews with senior public service managers enabled the gathering of information from sources who have deep experiences of performance management systems in the public sector. These experiences and views have prevented the 'in-breeding problem' of relying on data and recommendations for solutions from respondents who responded by questionnaires and who might themselves be part of the problem, after spending many years in the public service and losing their independence and objectivity.

#### **1.5.4 DATA ANALYSIS AND INTERPRETATION**

After completion of the data collection process, data was analysed, interpreted, discussed and recommendations were made for resolving the problems, weaknesses and challenges of integrated performance management systems and motivation in the public service. The development and coding of categories was guided by the questions on the data collection instrument and by the data

itself. Data analysis and interpretation processes have considered the complexity of integrated performance management systems, motivation and the ever-changing nature of the public sector.

### **1.5.5 LIMITATIONS TO THE METHODOLOGY**

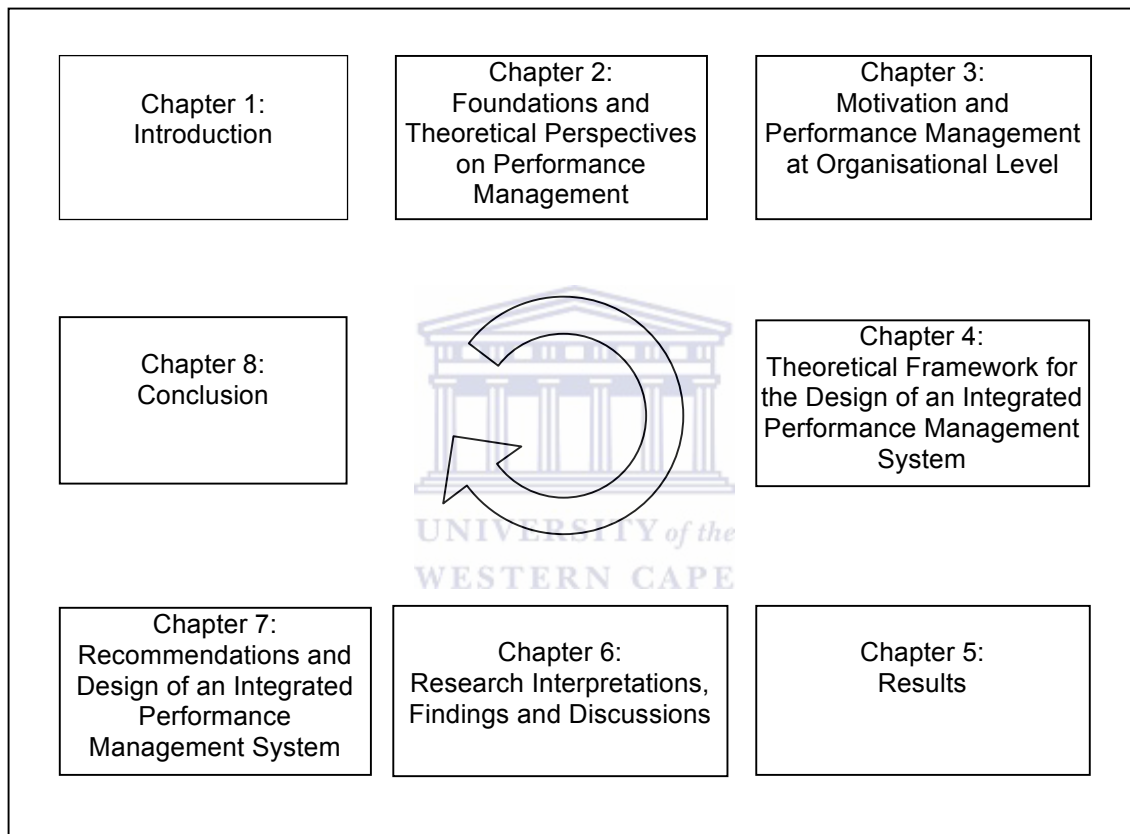
The following research limitations are identified:

- The study focuses on one “community of meaning” in the organization, namely, senior managers. Future research could look at other possible communities of meaning.
- Because the study will take the form of a single-case holistic case study this limits the generalisations of the findings. Consequently the results will be most applicable to other similar government organizations.
- The public service operates within a unique legislation and culture, and therefore the research findings may not necessarily be applicable to private sector or non-governmental organisations.
- Research findings and recommendations are related to the South African public service and therefore the generalisation of the findings to other countries might be limited.
- Although the public service utilises the same generic performance management system across diverse departments, the research findings may not be entirely applicable due to diversity in terms of size, geographic location, exposure to technology, leadership and the management sophistication of various public service departments.

## 1.6 OUTLINE OF THE STRUCTURE OF THE THESIS

This section presents the overall composition of the study and the different components of the study, as illustrated in Figure 1.2.

**FIGURE 1.2: COMPOSITION OF THE STUDY**



Chapter 1 provides an introduction and overview of the study. It presents the background to the study and defines the problem statement, research goals, objectives, significance of the study, scope and delineation, research methodology and study limitations.

Chapter 2 provides an overview of theoretical perspectives on performance management in general and public service performance management in particular. Section 2.2 presents an overview of public service reforms nationally and internationally. Public service reforms have a strategic impact on



performance management systems and this section provides a broader context and trends in public service performance management.

Sections 2.3 and 2.4 present an overview of performance management in general and public service performance management in particular. Specific attention has been given to conceptual clarification and definitions of performance management. Section 2.5 provides an analysis of the influence of the external organisational environment on public service performance management systems. Section 2.6 provides an overview of monitoring and evaluation, as being the critical success factors of integrated performance management systems.

Chapter 3 explores performance management and motivation at the organisational level. The influence of the institutional environment on performance management is examined in section 3.2. Various management processes, systems and elements are defined and their impact on performance management is analysed. Relationships between performance management and major management functions and processes are investigated and harmonisation of various elements of a performance management system within the context of the South African public service is explored. Section 3.3 explores the role of motivation in performance management and the relationship between motivation and staff performance. Different models, techniques and approaches to performance management are explored in section 3.4.

Chapter 4 provides a theoretical framework for the design of an integrated performance management system. This chapter explores issues of integration of various subsystems within the performance management system. This is done on individual, team and organisation-wide levels of performance. The following aspects of performance management system design within the public service context are explored: external context; organisational environment; individual needs; team context; designing the performance management system; implementing and managing the performance management system;

rewarding performance; and monitoring and evaluation of the performance management system.

Chapter 5 presents fieldwork results. The literature review on performance management identified critical strategic issues, challenges and opportunities for implementation of integrated performance management systems within the context of the public service. Fieldwork data collection tools and questionnaires were developed based on the identified strategic issues, challenges and opportunities. In addition to strategic issues identified via the literature review, new strategic issues were identified during fieldwork. All strategic issues were combined, integrated, and presented in this chapter according to the following categories: overall quality of the performance management system; relevance; appropriateness and simplicity; integration; strategic objectives, design, training, implementation, and staff inspiration and motivation.

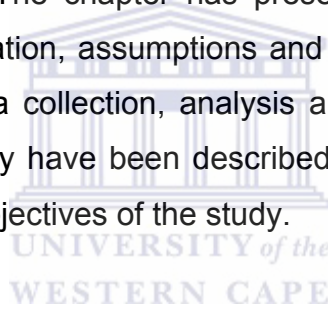
Chapter 6 presents research findings, analysis, interpretations and discussions of the fieldwork results and data collected through questionnaires, desktop research and interviews. Knowledge, insights and information from the literature review are combined, interpreted and synthesised with fieldwork results. This provides insight for the creation of a new integrated performance management framework that will be able to address key public service performance management challenges, weaknesses, obstacles and failure factors.

Chapters 7 and 8 present the recommendations and conclusions of the study. One of the main aims of this study was to identify performance management challenges from an integrated perspective and to develop potential solutions for these challenges. In order to achieve this objective, a literature review and data collection processes were conducted, which served as the foundation on which the research could be based. The fieldwork results identified major strengths, weaknesses and suggestions for improvement of the existing performance management systems in the public service. Results were analysed, interpreted, discussed and incorporated in the recommendations.

These recommendations, which subsequently informed the design of an integrated performance management system, were grouped into the following categories: integration; design; leadership; implementation; competence; rewards system; communication; motivation; monitoring and evaluation.

## **1.7 SUMMARY**

This chapter has introduced the study and placed particular emphasis on the integrative nature of performance management systems. It has been highlighted that integrated performance management systems are a critical success factor in improving performance and motivation of the public service. High performing public service is a major success factor for achieving sustainable development objectives of the country. The chapter has presented the research problem, research objectives, delineation, assumptions and limitations to the study. The research methodology, data collection, analysis and interpretation, as well as the composition of the study have been described. The following chapters will address the purpose and objectives of the study.



## **CHAPTER 2: FOUNDATIONS AND THEORETICAL PERSPECTIVES ON PERFORMANCE MANAGEMENT**

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### **2.1. INTRODUCTION**

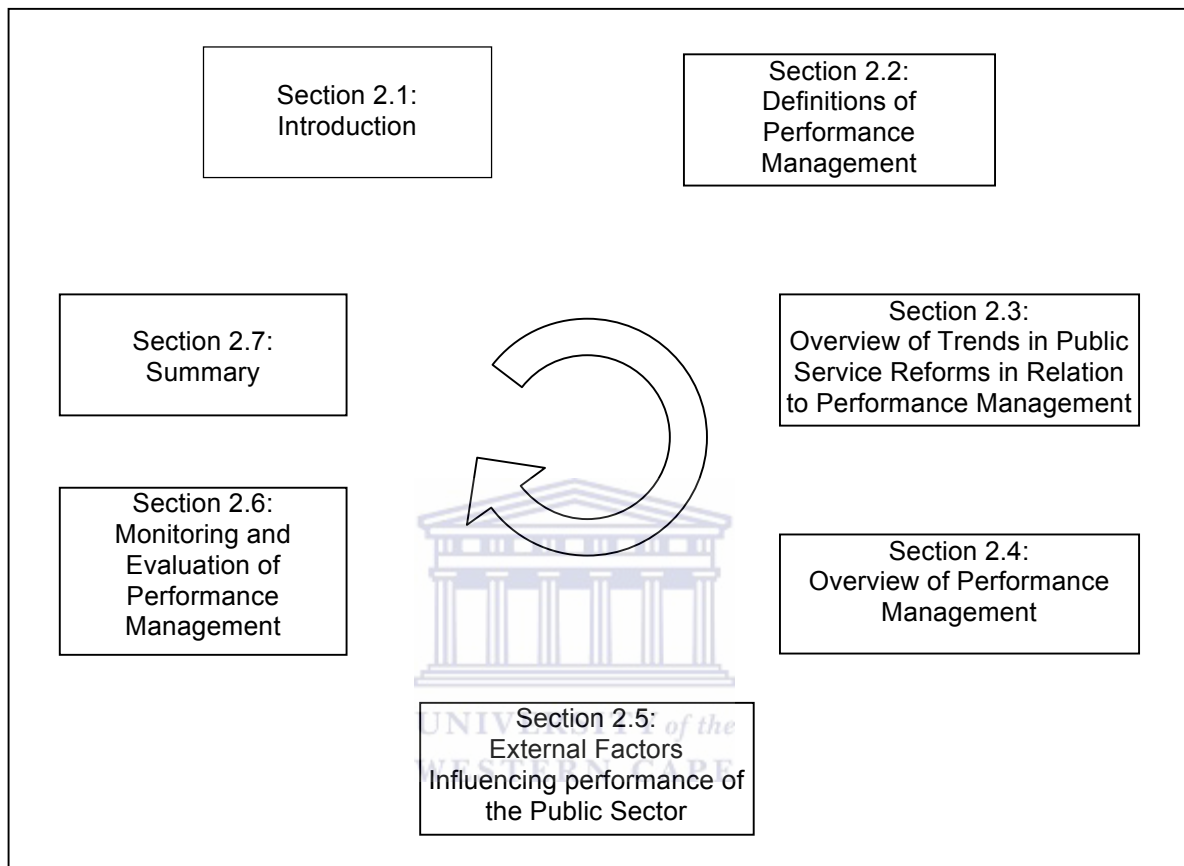
The study of performance management provides us with fascinating insights into ways in which people and organisations organise themselves in pursuit of their visions. It enables us to better understand the complex and rich nature of the ever-changing organisational life. Every organisation faces a common challenge of continuously improving its performance. For government, performance management is of paramount importance because it enables it to find solutions to complex challenges of continuous quality service improvement and development.

The South African public service is under tremendous pressure to improve its performance, both qualitatively and quantitatively. Qualitatively, there is an ever-increasing pressure from the citizens for better quality service. Quantitatively, there is a need to deliver public services to the previously disadvantaged population living in under-serviced areas. Furthermore, there is a large influx of people to South Africa from poverty stricken countries in Africa, which places an additional burden on the South African public service.

Performance management processes in the South African public service are often perceived and implemented in isolation from other organisational and management policies, strategies and processes. The central problem addressed in this study concerns the lack of integration of different aspects of performance management into a coherent system. This problem affects the motivation and performance of staff. Therefore, the focus of the literature review will be on integrated performance management systems and motivation as a key aspect of the performance management system.

The structure of this chapter is presented in Figure 2.1.

**FIGURE 2.1: COMPOSITION OF CHAPTER TWO**

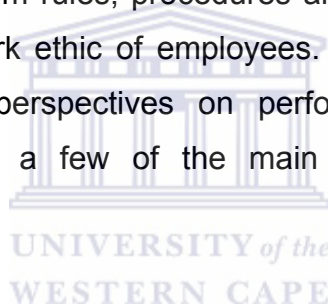


Section 2.2 provides definitions of performance management representing various experts and authors, and considering various schools of thought and perspectives on performance management. Section 2.3 provides an overview of public service reforms nationally and internationally. The concept of New Public Management will be explored. Section 2.4 provides an overview of the public service performance management system in South Africa. Section 2.5 presents an analysis of the influence of the external organisational environment on performance management systems. Key external factors, such as social, cultural, economic, and political factors, are highlighted and their impact on performance management systems is investigated. Section 2.6 explores monitoring and evaluation aspects of performance management.

## 2.2 DEFINITIONS OF PERFORMANCE MANAGEMENT

Performance management is an abstract, multidisciplinary and complex field of study. Public sector performance is influenced by a myriad of factors such as staff motivation, efficiency, effectiveness, value for money, equity, quality, accessibility, integrity and funding. Therefore, there is great value in exploring key concepts and processes and understanding the basics of performance management.

Public sector performance does not depend only on the human and financial resources allocated, but also on the organisational environment in which public servants operate. The environment is influenced by multiple, formal and informal factors, ranging from rules, procedures and systems to organisational culture, values and the work ethic of employees. Therefore there are various schools of thought and perspectives on performance management. The following section presents a few of the main definitions of performance management.

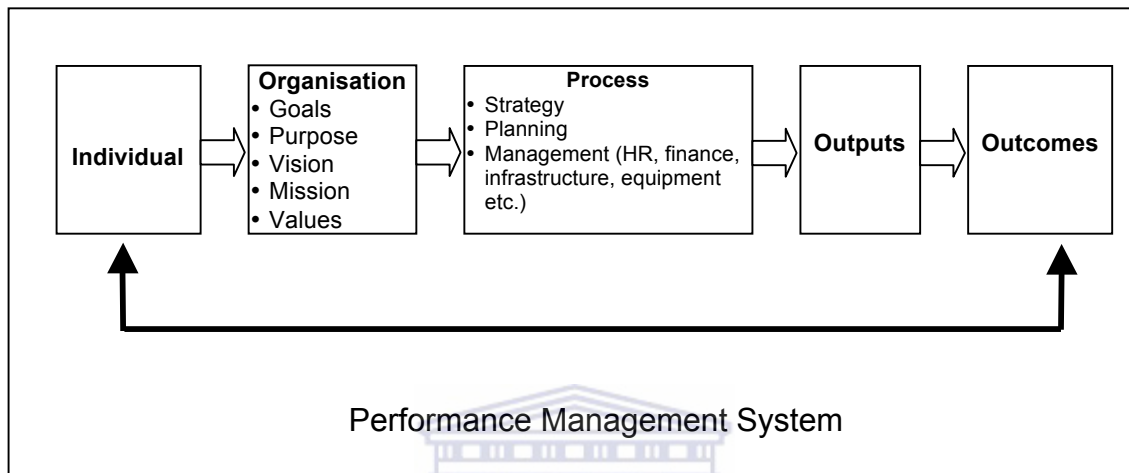


The DPSA's Guide on Performance Management and Development (2002:11) defines performance management as follows:

*“In its widest definition, performance management refers to all the processes and systems designed to manage and develop performance at the level of the public service, specific organisations, components, teams and individuals. In its most narrow definition, it is used to refer to specific systems for managing and developing individual performance, especially performance appraisal systems.”*

Performance management is a management tool that links individual performance with organisational purpose and goals. It integrates various management elements and processes as illustrated in Figure 2.2.

**FIGURE 2.2: PERFORMANCE MANAGEMENT SYSTEM**



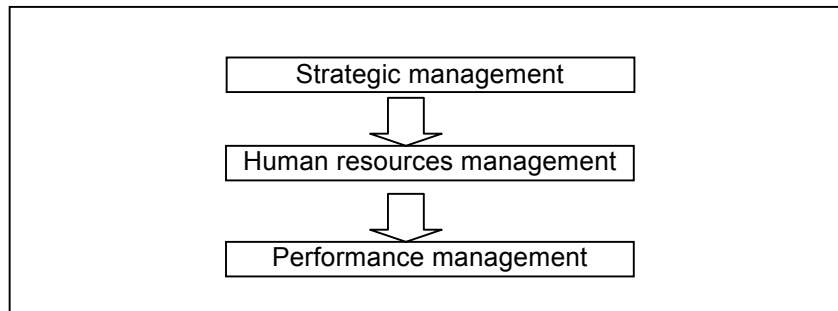
Source: The Department of Public Service and Administration (2002:110).

Let us reflect on this model by using an example of a school whose purpose is 'human development through education'. In order to realise this purpose, certain resources are required such as a school, teachers, equipment and money. These resources are then transformed through classroom teaching and learning into outputs, for example qualified learners. Outputs produce certain outcomes in the external world, for example, qualified learners contribute towards economic development, peace and prosperity. Based on this model, performance management is concerned with optimal utilisation of human and financial resources and efficiency of management processes in order to achieve maximum outputs and outcomes.

Du Toit, Knipe, van Niekerk, van der Waldt, and Doyle (2002:187) state that performance management is about managing systems which translate strategic goals into individual performance terms through human resource management.

This view gives performance management a strong strategic focus, as illustrated in Figure 2.3.

**FIGURE 2.3: PERFORMANCE MANAGEMENT**



Source: Du Toit *et al.* (2002).

Cederblom and Pernerl (2002:132) define performance management as an umbrella of all organisational components and activities affecting individual, group and agency performance. Furthermore, they state that a performance management system would include performance appraisal, as well as other components such as strategic plans, manager accountability, pay, promotion, training / development, and discipline.

Vickers, Balthazard and MacMillan (2007) assert that performance management systems require the coordination of multiple key management practices, and the more of these practices which are in place, the more likely a performance management system will be effective.

Armstrong (1994:23) defines performance management as 'a means of getting better results from the organisation, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and attribute/competence requirements'.

Similarly, Abedian, Strachan and Ajam (1998:81) suggest that 'performance management is basically concerned with measuring, monitoring and evaluating

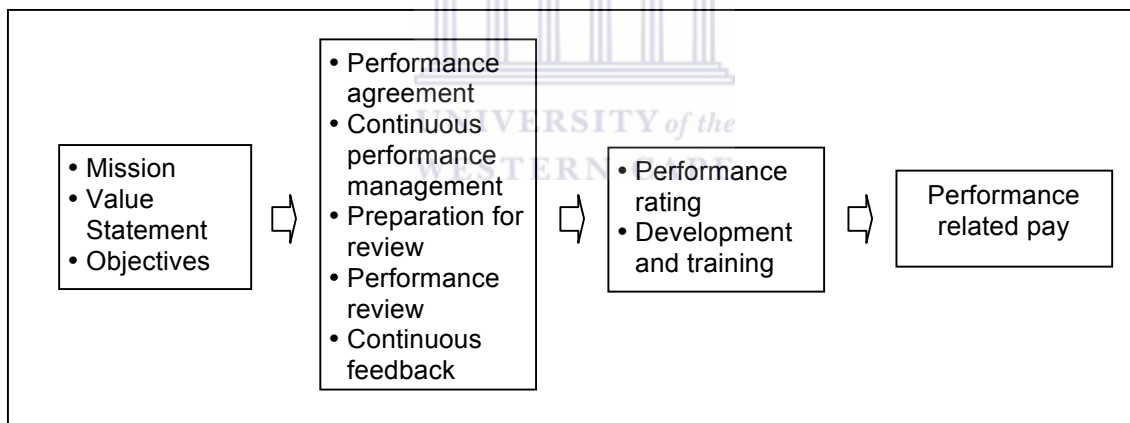


performance and then initiating steps to improve performance where it is warranted'.

Armstrong (1994) argues that the philosophy of performance management is holistic. A holistic approach takes an all-embracing view of the constituents of good performance across organisational levels and elements. It also considers an integrated approach to human resource management activities such as recruitment and selection, performance evaluation, training and development, and reward management.

Armstrong (1994:42) presents a holistic performance management process which links performance with performance related pay as depicted in Figure 2.4.

**FIGURE 2.4: PERFORMANCE MANAGEMENT AND REWARD**



Source: Armstrong (1994).

It is clear that several schools of thought exist in the area of performance management. Different authors emphasise different aspects of performance management. Abedian, Strachan and Ajam (1998) and Du Toit, Knipe, van Niekerk, van der Walddt, and Doyle (2002) emphasise goal setting, monitoring and alignment of individual and organisational performance, while authors such as Armstrong (1994), Cederblom and Pemerl (2002) and Vickers, Balthazard and MacMillan (2007) emphasise the importance of a holistic approach and

alignment of various processes and systems. Although there are differences in approaches to performance management, there are also significant commonalities among various authors. Consensus exists among various scholars that performance management is ultimately about improving individual and organisational performance and developing the potential of staff.

## **2.3 OVERVIEW OF TRENDS IN PUBLIC SERVICE REFORMS**

The development strategy of South Africa is influenced by globalisation and the international socio-economic and political environment. Similarly, the size and shape of the public service is influenced by the socio-political and economic agenda of the country. This implies that public service reforms are influenced by the country's broader development strategy, as well as globalisation and international trends. A performance management system, as an important aspect of public service reforms, is therefore located within the broader local and international context of public service reforms.

This section will explore the international and local public service reforms and New Public Management.

### **2.3.1 INTERNATIONAL PUBLIC SERVICE REFORMS**

Public service reforms internationally are driven by increasing demands on governments to deliver their services in more effective and efficient ways. Integrated performance management is about improving performance, effectiveness and efficiency of public service delivery.

Citizens all over the world are increasingly losing confidence in their governments to deliver on their promises. In this regard Moore (2005:1) states the following:

*“They are no longer confident that governments can shield them from war or terrorism launched from without, or ethnic violence and crime launched from within. They fear that widespread corruption has undermined government's capacity to secure basic civic rights such as the right to hold property, to form voluntary associations, and to participate in democratic governance. They doubt whether governments can make good on their frequent promises to provide jobs, increase material welfare, and provide at least minimum levels of health and education.”*

A review of global trends in public sector reforms over the last 20 years reveals various approaches to change, emanating from deep and diverging schools of thought represented by major interest groups such as the state, civil society, private sector and unions. Fundamental to this debate is the question of the role of the state in development, that is, should the state play a minimalist or maximalist role in development?

Given declining hope in government, the private sector and non-profit organisations are increasingly taking a greater role in delivering public services, which traditionally governments were responsible for. This occurs in a variety of forms such as private-public partnerships, outsourcing and privatisation. However, there are risks associated with overly-simplistic privatisation of government's service delivery functions. These risks are reflected in potential increase of costs of service and the non-delivery of service in non-profitable areas, for example in rural areas. Moore (2005:22) warns against overly-simplistic approaches to privatisation of government and argues that we need to have a balanced approach, that is, to combine public and private assets, strengths and aspirations to achieve purposes that are publicly valuable.

Moore (2007), known for construction of a concept of 'public value' which proposes that a collective, which is elected and represented by a government

institution, should define public value rather than an individual or private sector. This assumes that individual and private interests are often driven by their self-centred needs and that they are not always aligned to the interests of collective or 'public good'. In this regard Moore (2007:2) states the following:

*“If you have a picture of a world in which there is a state and the state is maximising individual freedom of choice making and then providing a stock of resources necessary to fulfil everybody's aspirations for health, welfare, and employment, you are actually operating in a world where you are highly interdependent but pretending that you aren't. So one reason public value is a challenging idea is precisely because it brings out of the world of the individual and back into the world of interdependence and the collective. And that runs contrary to the direction that everyone seems to be going in.”*

Although Moore's argument on public value, collectivism and interdependence sounds convincing, it should not be confused with emphasis on increasing efficiency, effectiveness and value for money from the public service. Privatisation of public service does not necessarily have to be associated as an initiative acting against collective societal interests and interdependency. The private sector is not the enemy of the state, as perceived by many socialists who still romanticise old and fallen ideals of communism – the private sector is an important part of society, responsible for job creation, technological developments, funding of the government and creation of wealth. So, the argument should not be ideological or public versus private, because corrupt and lazy public servants and greedy and exploitative businessmen are equally bad for society – the issue at hand is about creating public value and delivering public goods and services in the best possible way by whoever can do it the best.

The World Bank (2003) conducted research on public sector reforms and performance in developing countries with the aim of developing a methodology that can be used to guide public service reforms and performance development interventions. The study identified rule of law, meritocracy and good governance

as key principles for public service reforms and performance improvement strategies. The following are key research findings:

- Building a meritocratic civil service is of universal importance to performance
- The quality of personnel management influences public sector performance
- Transparent and competitive recruitment and selection procedures should be among the earliest public service reform efforts
- Existence of complaint systems have a positive influence on performance, especially in relation to corruption and the integrity of public service delivery
- Leadership and organisational culture play important roles in the performance of individual public entities
- Strengthening administrative systems lays the foundation for meritocracy, prevents corruption and improves performance
- Effective courts help to check poor government performance
- Country strategies for public sector reforms must support a pro-competition policy.

Generally, governments worldwide increasingly regard the private sector as being inherently more efficient than the public sector. Non-government service delivery and outsourcing of government activities, wherever possible, are some of the performance improvement strategies. Private sector paradigms are introduced into the public sector. Powers and responsibilities are decentralised and a 'let the manager manage' philosophy is introduced (Sanger 2008; Rainey 2003; The World Bank 2003; Moore 2007).

Heads of departments are becoming Chief Executive Officers accountable for results and outcomes and not for bureaucratic processes and inputs. On a financial front, long-term financial planning is being introduced and cash accounting is being replaced by accrual accounting (Department of Finance, 1999). Governments increasingly advocate principles of sound management practice, effectiveness and efficiency, monitoring and evaluation. Private sector performance management models, such as the Balanced Scorecard, are being increasingly introduced into the public sector.

In the last 30 years, the public service in developed countries such as the United Kingdom, Australia and New Zealand has changed dramatically (Manning, 2001). This change is characterised by a decreasing role of the state in development and an increasing role of the private sector (World Bank, 2003). This change is generally referred to as neo-liberalism, 'free market-oriented reforms' and 'Thatcherism', while the new approach to public management has been labelled New Public Management (Van der Waldt *et al.*, 2002). In many other nations, reforms as part of the New Public Management movement often emphasised using more business-like arrangements in government, including contracting out and privatising government activities (Rainey, 2003:359).

## **2.4 APPROACHES TO PUBLIC SECTOR REFORMS**

### **2.4.1 NEW PUBLIC MANAGEMENT**

New Public Management (NPM) is a term generally used to describe management philosophy and culture that emphasise greater accountability for results, decentralisation of management and focus on the needs of citizens/customers (Rainey, 2003). Structurally, it suggests a wide variety of delivery mechanisms such as purchaser/provider split, public-private partnerships and privatisation of state enterprises. New Public Management was introduced with the aim of increasing competition between providers and ultimately delivering better quality of service and better value for money (Manning, 2001). New Public Management suggests that governments should 'enable' and 'regulate' the private, development and parastatal sectors rather than directly provide services. A major feature of what can be termed the 'new public management' is the introduction of market mechanisms for the running of the public service institutions (Van der Waldt *et al.*, 2002:18).

NPM is generally associated with an application of the managerial school of thought in the public service. This includes:

- Privatisation of service delivery activities performed by the public sector

- Implementation of performance management systems and incentive-based management
- Improving accountability of public service officials
- Changing culture from 'self-serving bureaucracy' to 'serving public'
- Separation of the policy-making role from the service delivery role
- Increasing emphasis on competitiveness, effectiveness, efficiency and value for money.

The World Bank has been a strong supporter of public reforms based on the principles of NPM. According to NPM, service delivery should be subjected to competitive market forces in order to ensure quality and value for money. This should be done either by semi-autonomous agencies or the private sector, while the public service should be freed from delivery in order to focus on its core functions of policy-making, regulation, funding and oversight. The World Bank (2003) advocates the key strategies for public sector reforms that focus on anti-corruption programmes, increase in market competition and the development of a strong judiciary. The World Bank's emphasis on development of a strong judiciary and anti-corruption programmes reflects inherent mistrust in the self-managing ability of the public service bureaucracy. Saying 'power corrupts' implies that absolute power of government corrupts absolutely – hence the need to have checks and balances to ensure that judicial, legislative and executive powers of government are separated.

Bureaucratic dysfunction of state institutions is generally characterised by cumbersome rules, politics and power struggles, a culture of non-performance, and lack of credibility and integrity. In this regard, Sanger (2008:79) compares the challenge of transforming public bureaucracies to innovative performance based systems to getting elephants to dance (and perform). Public service reforms are generally characterised by efforts to transform overstuffed, centralised, and dysfunctional public bureaucracy into a decentralised and efficient public service characterised by integrity and commitment to development. New Public Management and the minimalist approach to public

service are also encouraged by fiscal concerns about the growing public sector spending trend arising from overstaffing and unsustainable wage bills (The World Bank, 2003).

Critics of NPM argue that the state should play a balanced role in development through government machinery and state-owned enterprises (Batley and Larbi, 1999; Bouckaert and van Dooren, 2003; Manning, 2001). They suggest that market forces and mechanisms are imperfect and do not necessarily generate sustainable development, so a more balanced approach is required. China and South Korea are examples of states that play a significant positive role in economic development. Some South Korean companies, such as Samsung, KIA, Hyundai and LG, have become world leaders in their respective industries.

The above example implies that the debate on the minimalist versus maximalist role of state in development is not an 'either or' debate - it is rather a question of the right mix between the roles of the public and private sectors. The 'right mix' ultimately depends on the specific context of a particular state, which is informed by social, economic, political, technological, geographical, religious and cultural factors. In this regard, Manning (2001:308) suggests that 'there are no silver bullets' to challenges of public sector management and that NPM, although it had mixed successes in different countries, has inspired much-needed fresh thinking on public management.

#### **2.4.2 RADICAL AND INCREMENTAL BOTTOM-UP REFORMS**

There are two broad perspectives concerning public service reforms: radical and incremental (Manning, 2001). Radical or 'whole of government' reform implies radical public service restructuring, a top-down driven approach characterised by major financial reforms, policy and strategy changes. In the business world, this type of change is called 'reengineering' and its main proponents are Michael Hammer and James Champy. In books *Reengineering the Corporation* and *Reengineering Management*, Champy argues that in order



to improve organisational performance, radical change is needed in an organisation's processes, structure, systems and staffing (Champy 1996; Hammer and Champy 2004). It is assumed that small or incremental changes are not effective because they do not generate sufficient momentum for overcoming resistance to change, which ultimately leads to failure to change. This argument is specifically relevant for large organisations, like government departments, where change interventions are confronted by large obstacles such as bureaucratic rules and procedures, red tape, and often militant unions.

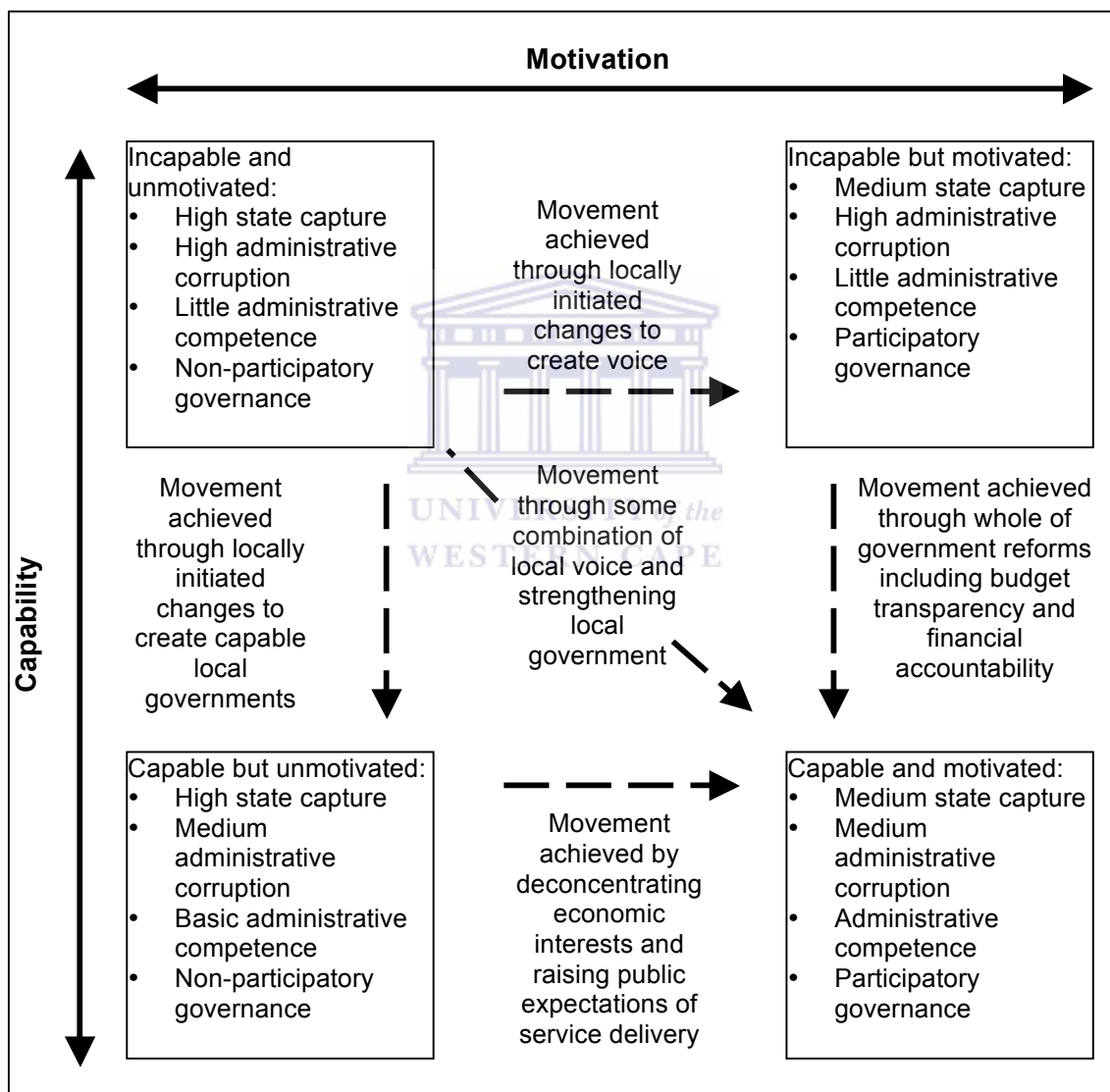
In contrast to radical public service reform is the incremental bottom-up approach to reforms (Girishankar, 2000). Incremental bottom-up reforms are a participatory approach to bringing about an enormous change over a longer period of time. It is argued that this type of approach to change is more sustainable as it involves the participation of people who are involved in the change process and who are responsible for implementing and maintaining change. This process has greater checks and balances, transparency and accountability mechanisms.

Girishankar (2000:2) argues that 'whole of government reforms' have been unsuccessful in many countries because this approach to change creates the problem of a 'captured government' whereby a new political elite and powerful business players collide, forcing government to pursue policies that serve their interests. He proposes that the bottom-up participatory approach is necessary for reforms because it enables citizens to express their preferences and to hold public officials accountable for delivery.

Girishankar (2000:3) presents a model that divides governments into four categories according to two variables of capability and motivation. This model suggests that incapable and unmotivated government leads to corruption and mismanagement. Strategies for moving towards capable and motivated government include local participation in change processes, deconcentrating economic interests, increasing budget transparency and accountability, and

strengthening local government and civil society pressure on government to continuously improve service delivery. This model is particularly relevant in developing world countries and 'new democracies' in which judicial, legislative and executive organs of state are not effective. The model proposes strategies to achieve both capable and motivated government, as depicted in Figure 2.5.

**FIGURE 2.5: CAPABILITY AND MOTIVATION**



Source: Girishankar (2000:3).

Organisational problems are of a deep-rooted and systemic nature and therefore they cannot be solved with simple and standard technocratic solutions. This implies that organisational change should not be an event - rather it should be a continuous process. Sustainable solutions require a continuous process of learning and change. A bottom-up, participatory and incremental change process generates transparency, accountability and motivation, which is much needed during the change process. A motivated government is more difficult to be 'captured' by powerful interest groups which strive to influence the formation of laws and policies.

## **2.5 INTERNATIONAL EXPERIENCES OF NEW PUBLIC MANAGEMENT**

In the United Kingdom, New Zealand, Norway, Canada, France and Australia, NPM principles are illustrated in the creation of semi-autonomous agencies for service delivery (Australian Public Service Commission, 2003; The Government of the United Kingdom, 2006; Rainey, 2003). These agencies focus on service delivery while government takes on the role of policy-making and funding or purchasing service from the agencies.

Although in the 1980s and 1990s, the NPM approach was propagated as a panacea for all government's challenges, its successes were mixed. It had better success in developed countries than in developing ones. Success has been mainly in the area of efficiency while success in the area of equity had mixed effects (Manning, 2001).

There are several explanations why NPM has not been very successful in developing countries. Firstly, many agencies (parastatals) have remained in the public sector, making it difficult for them to be managed contractually and legally. Secondly, the public sector in the developing world did not have strong institutional foundations or the public service ethos and disciplines required for this type of reform, which created challenges of performance and corruption.

Sound financial management, credible policy management, and good human resource management are pre-requisites for effective contract management. These disciplines are fundamental to any conception of performance, and few reforms can gain traction without them (Manning, 2001:302-303).

Batley and Larbi (1999) note that the transaction costs of radical reforms to autonomise service delivery agencies tend to outweigh the efficiency gains of unbundling, and those reforms that seek to separate purchasers from providers sometimes reduce accountability. By the mid and late-1990s, there was a paradigm shift. Government performance was increasingly seen as a key component of the competitive advantage of national economies and a contributory factor in overall societal performance. Minimising the public sector was no longer the dominant public management reform strategy. Effectiveness and quality concerns gained importance in many countries. For example, in 2000, the UK central government removed the compulsory competitive tendering regime in local government and replaced it with a Best Value approach, in which the quality of services has to be assessed (Bouckaert and van Dooren, 2003).

In Australia, public service reforms are focused on the decentralisation of key management functions to departments and agencies. As a result, individual departments now have greater flexibility in managing their finances and human resources. This flexibility, however, is accompanied by greater accountability for performance and stronger financial controls. In this regard, the Australian Government Public Service Commission (2003:1) states the following:

*“The reforms have given managers clear responsibility for their programmes and performance and have placed greater emphasis on responsiveness to government, parliament and the community, whilst maintaining traditional public service ethical values.”*

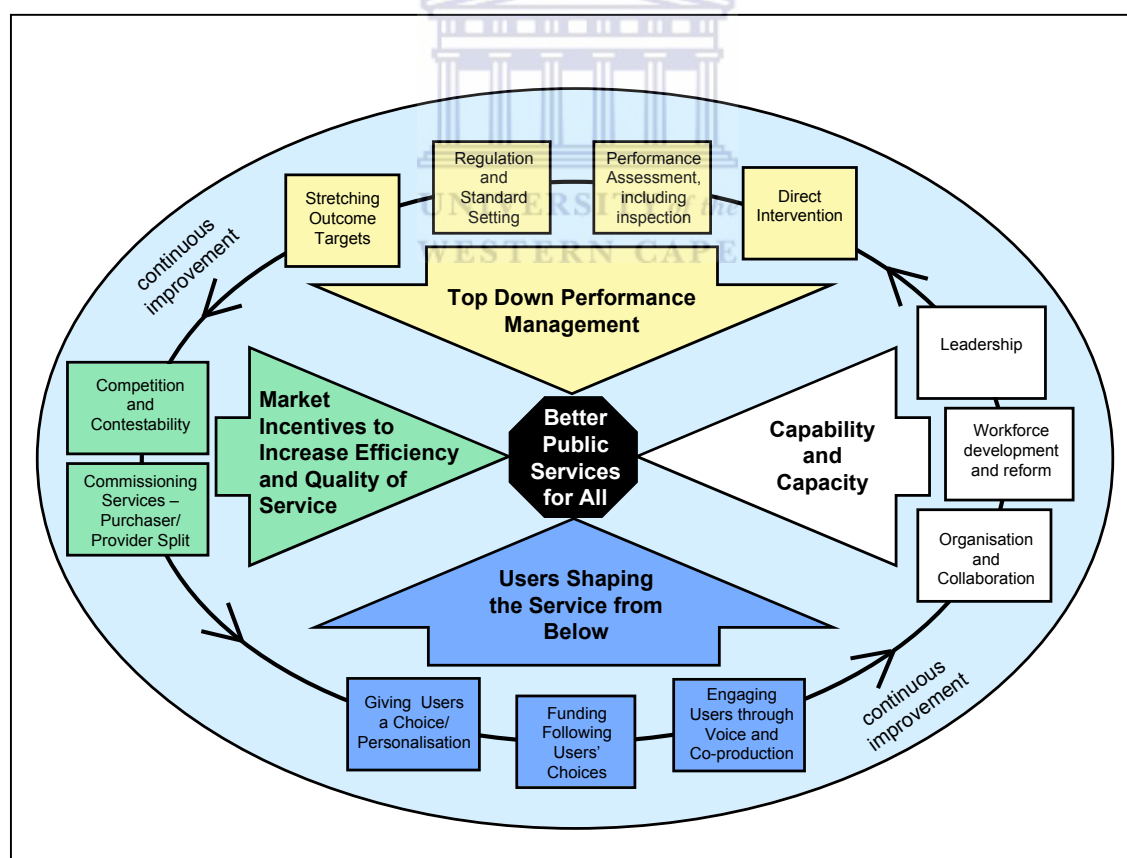
In the UK, similarly to the rest of the world, public service reforms are driven by the need to improve effectiveness, efficiency, responsiveness and innovation.

The Government of the United Kingdom (2006) presents four pillars of the UK public service reforms, which aim at creating a self-improving system, as follows:

- Top-down approaches of inspection, regulation and targets
- Horizontal pressure – market competition
- Bottom-up incentives - allowing performance management with less bureaucracy and regulation
- Improvements in capability and capacity

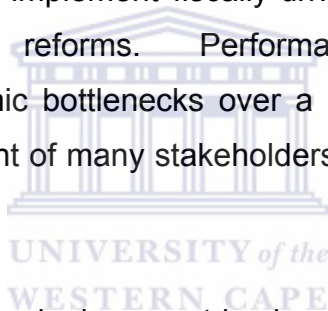
Figure 2.6 presents the strategy for public service reform in the UK (The Government of the United Kingdom, 2006:6).

**FIGURE 2.6: THE UK GOVERNMENT’S APPROACH TO REFORM**



Source: The UK Government Public Service Commission (2006).

Public service reforms in Africa have followed similar trends of minimalist public service. Mutahaba (2002:50) argues that public service reforms in Africa in the late 1980s and 1990s were driven by fiscal discipline and structural adjustment programmes. Reviews conducted in five African countries reveal mixed success, with some countries being successful while others were not. In some countries, especially where government institutions were still in the process of formation and development, there was no 'fat' to cut, so the reforms cut through to the bone and in some cases deformed the public administration systems (Mutahaba, 2002:48). The author further argues that there was a recognition in the 1990s that public service reforms needed to be driven by addressing systemic issues, including capacity-building, budgeting, performance management and human resources management. The author finds that the countries found it easier to implement fiscally-driven reforms as compared to performance improvement reforms. Performance improvement reforms required addressing systemic bottlenecks over a long period of time and the commitment and involvement of many stakeholders such as politicians, donors, business and unions.



Although governments of developing countries have been severely criticised for mismanagement and corruption by international institutions such as the World Bank, the developed world has not resolved the problem of corruption. Recent incidents of high-level corruption cases in arms, electronics and auto manufacturing industries include companies such as Enron, BAE, Volkswagen, Airbus, and KIA, which indicate the severity of corporate governance problems that the developed world is facing.

In summary, a survey of public service reforms in the developing and developed world does not provide a panacea for public service reforms. The New Public Management approach had mixed results. It had better success in developed countries than in developing ones. Success has been mainly in the area of efficiency and not in the area of equity.

Despite mixed experiences in public service reforms internationally, the emerging general trend is that of minimalist public service, that is, focusing public service on its key roles of policy regulation and funding while leaving service delivery to the private sector, parastatals or semi-autonomous agencies. There is no easy solution or a 'right model'. Each country must pursue reforms that fit its specific context. Improving public service performance is a mammoth task – and all countries that embark on reforms face huge challenges and obstacles. The change process is never ending and future successful public service departments will be those that embrace change as a continuous process of reinventing themselves to deliver better service and proactively respond to current and future developmental needs of societies.

## **2.6 SOUTH AFRICAN PUBLIC SERVICE REFORMS**

Countries all over the world are continuously re-examining the role, structure and functions of the public service. This has been in response to several key factors such as globalisation; economic liberalisation; political democratisation; and developments in information and communication technology.

The reforms of the South African public service have been influenced by both the international trends as well as the local realities. Local realities include a need for the public service to undo past legacies of the apartheid regime and to address key priority areas such as crime, education, health, HIV/AIDS, unemployment, poverty and inequity.

In order to proactively respond to these challenges, the public service needs to continuously change. According to the Presidential Review Commission (1998:1), human resources management and development in South Africa's public service are characterised by the following key characteristics:

- An increasing emphasis on quality, performance, efficiency and cost-effectiveness

- The devolution and decentralisation of managerial responsibility and accountability (including the introduction of performance-related contracts to give senior managers the necessary 'incentives' to perform in line with central policy directives)
- The introduction of new and more participative organisational structures
- The development of new and less rule-bound organisational cultures
- The upgrading of existing management information systems
- An increasing emphasis on equal opportunities and employment equity
- The introduction of more flexible staffing and recruitment practices
- The introduction of effective forms of career pathing
- An increasing emphasis on performance management and human resources development and training, designed to promote participative management and innovation, to build capacity, and to reward individual and team performance.

Furthermore, the Presidential Review Commission (1998:2) presents a coherent and holistic strategic framework for human resource development at both national and provincial levels, as follows:



- The elevation of the role and status of human resource development within the overall framework of government policy
- The development of effective and lifelong career development paths for all categories of public servants
- The improvement in employment conditions
- The introduction of effective performance management and appraisal systems, and the use of incentives to reward individual and team performance
- The basing of promotion and career advancement on performance rather than on seniority or qualifications
- The introduction of effective systems of staff development and training for all public servants, within the context of a national training strategy
- The introduction of affirmative action strategies to improve the representativeness of the service, so that it can draw upon the skills and



talents of all South Africans, and derive the benefits of the broader perspectives that a more representative service will bring.

Underlying these trends has been the growing awareness that 'investing in people' is the most productive investment a country or organisation can make.

Although seriously confronted by conflicting political forces from the extreme left and right, the Department of Public Service and Administration (DPSA) has maintained a balanced approach to public service reforms, skilfully manoeuvring between global economic forces that advocate a minimalist approach to public service, and local forces that advocate a greater role of state in development, which are represented by trade unions, the Communist Party and youth organisations. In the last decade, evidence of this balanced approach is seen in disciplined macro-economic policies on the one side and slowing down in privatisation activities, labour reforms and increase in welfare spending on the other.

In the post-1994 period, the South African public service reforms have been guided by the following key pieces of legislation:

- The White Paper on the Transformation of the Public Service, aimed at making the public service more representative and responsive
- The White Paper on Transforming Service Delivery (Batho Pele), aimed at improving the quality of service delivery
- A Performance Management System developed by the DPSA, aimed at improving performance management processes
- The Public Finance Management Act, aimed at improving financial management of the public service.

Recent studies on South African public service reforms reveal deep-rooted problems, complexities and challenges facing the public service. The State of the Public Service report published by the Public Service Commission (2006) identifies key challenges facing the South African public service as follows:

- Development of capacity to deliver quality service
- Improving professional ethics
- Efficient, economic and effective use of resources
- Developmental orientation of the public administration
- Improving equity in service delivery
- Responsiveness to people's needs and participation in policy-making
- Increasing accountability of the public service administration
- Improving human resource management practice
- Improvement of monitoring and evaluation mechanisms as part of performance management processes.

While much has been done to improve the functioning of the public service in the post-1994 period, significant challenges still lie ahead. One of the major challenges facing the public service is its capacity to deliver on the developmental objectives of government. The capacity of the state has been identified as a major challenge in the process of socio-economic transformation of South Africa. In the 2006 State-of-the-Nation-Address, President Thabo Mbeki stated that whilst the country had entered its age of hope, more was needed to be done to ensure that government has the capacity to discharge its responsibilities to help accelerate the process of transformation (Mbeki, 2006:12). High rates of vacancies, staff demotivation and turnover, quality of existing staff, performance management systems, recruitment and selection, succession planning and an ad hoc approach to skills development are human resource management challenges needing great attention.

Improving the professional ethics of the public service remains a great challenge. Without ethics, government and society cannot function properly – ethics is the glue that keeps different elements of a society together. Ethics

must be integrated into the public service culture. Although a basic structure for the development of professional ethics exists, a strategic approach is required to develop a high standard of professional ethics. Corruption, if not tackled appropriately, has the potential to damage South Africa's development. Therefore, government leaders will have to invest more and more in the development of ethical corporate governance. There is a need for greater accountability and transparency of government departments.

In terms of financial management, although there have been improvements in efficiency, economy and effectiveness of the public service, there is still much room for improvement (Public Service Commission, 2007; Government Communication and Information System, 2003). Better planning, alignment of policies, strategic priorities, programmes, projects and budgets, and greater emphasis on 'value for money' are required. Management capacity building is also required to ensure better planning and management of state resources.

In relation to a poverty reduction strategy, although there are a lot of activities by various government departments in poverty reduction projects, there are serious concerns about their effectiveness. There is a great need for a coherent strategy and integration of programmes and projects amongst the three spheres of government, private and development sector organisations. The Ten Year Review report published by the Government Communication and Information System (2003) suggests that a national development strategy is required to create greater synergy amongst stakeholders involved and to harmonise all poverty reduction projects and activities.

Significant progress has been made in addressing the poverty and inequity legacy of the apartheid government in the last 16 years (Public Service Commission, 2007). However, there is much room for improvement in making the government a more people-centred one that listens to its people. Crime problems and the HIV/AIDS pandemic are some of the examples of government's lack of responsiveness to citizens' needs and demands. Much

more needs to be done to ensure strong and consistent public participation in policy-making. The sustainable development of the country requires coordinated effort and participation of all role players, public sector, private and development sectors.

Mhone (2003:359) has succinctly captured the need for a participatory structure and processes required for sound governance and sustainable development in South Africa, as follows:

*“In this respect, the need for a 'hand-in-glove' relationship between the state and civil society is needed, as called by the notion of embeddedness. Such embeddedness needs to entail structures of participation and consultation in an appropriate bottom-up and top-down synergy. Such structures should not necessarily entail co-optation of civil society, nor should they mean some artificial harmony of interests among various inherently antagonistic groups within civil society. It merely provides a structured environment for contestation and lobbying, in the hope that through numbers and organisation the majority can assert its interests against those of narrow elites by pushing for a developmental agenda.”*

In conclusion, the South African public service has made considerable progress in undoing the legacy of apartheid in the post-1994 period. Public service reform has had its successes and failures, but overall South Africa has developed a more representative and effective public service that is making a significant contribution towards the sustainable development of the country. The ability of the public service to deliver basic services and create an enabling environment for the development of the private sector, will determine whether the country becomes a stable political economy driving development in Africa, or remains a volatile one beset by massive inequities (Kroukamp, 2003:2). In this regard, Kroukamp (2003) notes that the leadership and management skills of its politicians and office bearers and the professionalism of public servants, will be decisive.

South Africa has one of the most progressive constitutions in the world and policies required for sustainable development have been developed. However, significant challenges still lie ahead for the public service in the area of policy implementation.

## **2.7 OVERVIEW OF PERFORMANCE MANAGEMENT**

Organisations today are paying more attention to employee performance and productivity than ever before in a bid to not only remain competitive but to survive (Abu-Doleh and Weir, 2007:75). This is true for both private and public sectors. Shareholders shut down nonperforming companies or business units, while legislators and politicians fire leaders or restructure nonperforming public service departments.

In the late 1980s and 1990s, there was a new emphasis on performance management, mainly because of rising fiscal deficit, but often also inspired by ideologies of keeping the state as small as possible (Tolofari, 2005:75). In this phase, the main objective of performance management was to identify how to increase efficiency and cut spending. The New Public Management (NPM) approach actively emphasises the significance of performance management as an important management tool in government.

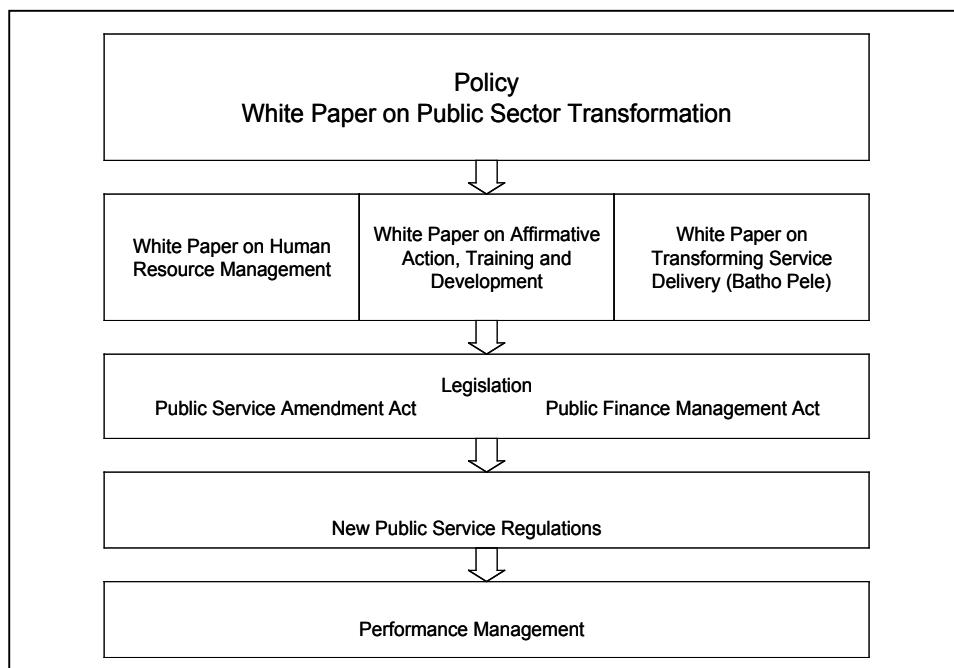
In South Africa, the debate around performance management has been focused on improving both the quality and quantity of public service delivery. Performance management has been accepted as a dominant management tool within the entire public service. Although guidelines for development of the performance management system have been developed by the Department of Public Service and Administration (DPSA), the responsibility for development of the system and implementation remains with individual departments. However, this remains a great challenge for most individual public service departments.

## 2.8 PUBLIC SERVICE PERFORMANCE MANAGEMENT

Public sector organisations, worldwide, all face the challenge of increasing outputs with fewer resources. This is particularly so in South Africa where, with the advent of democracy and a new constitution, the public service is charged to extend its services to more people, in more places, yet without a significant increase in resources. Therefore, accelerating service delivery by increasing organisational productivity has become a key challenge for government.

Government has introduced numerous new policies and initiatives since 1994 to improve service delivery. The new approach to manage the South African public sector was first outlined in the White Paper on the Transformation of the Public Service (1995), which has since been elaborated in several other new policies and regulations, which aim at improving the performance of the public service. The Figure 2.7 depicts the legislation most pertinent to the development of a performance management system in South Africa.

**FIGURE 2.7: POLICY AND LEGAL CONTEXT**

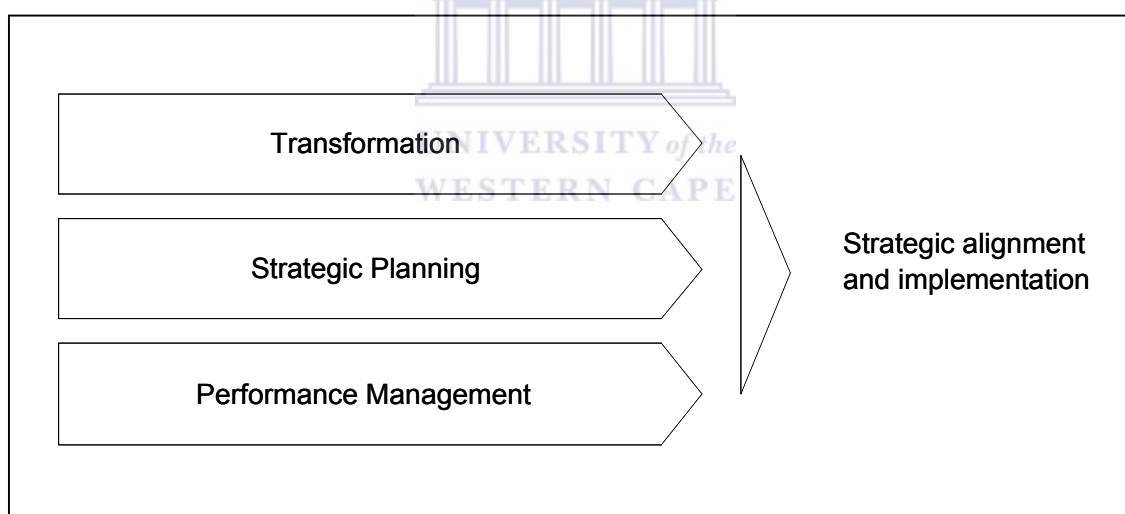


Source: Government of South Africa, DPSA (2002:18)

Each public service department has special mandates, core functions and priorities, which are reflected in its strategic plan. Apart from the need to achieve strategic objectives of service delivery, the South African public service needs to transform internally in terms of its diversity, organisational culture and ethos. Performance management is about considering both the transformational and strategic objectives and assigning responsibility for them to specific organisational units, teams and individuals and then tracking how far these objectives have been achieved.

Effective delivery requires the seamless integration of all these thrusts - transformation, strategic planning and performance management, as presented in Figure 2.8.

**FIGURE 2.8: ACCELERATING DELIVERY**



Source: The Department of Public Service and Administration (2002:24)

The systems approach to performance management integrates the organisational strategy, business plans, policies, systems, processes, structure, capacity and culture within the context of internal and external environment factors. In this regard, Armstrong (1994) notes that performance management is

a process which is designed to improve organisational, team and individual performance and which is owned and driven by line managers.

The DPSA supports a performance management system based on the Balanced Scorecard approach. Realising that only 10% of organisational strategies are ever implemented, Kaplan and Norton (1996) attempted to find a better way to approach strategic planning and performance management. Their research identified four major dimensions that any successful plan needs to balance: customer, finance, operations and capacity.

## **2.9 EXTERNAL FACTORS INFLUENCING PERFORMANCE OF THE PUBLIC SECTOR**

This section explores the importance and role of the external environment in performance management systems. Key external factors, such as social, cultural, economic, and political factors, are highlighted and their impact on performance management systems is investigated.

Although public sector managers do not have a direct influence on the external environment, this section will present some proactive steps that public sector managers can undertake in order to minimise the negative impact of these factors on performance management of the public sector departments.

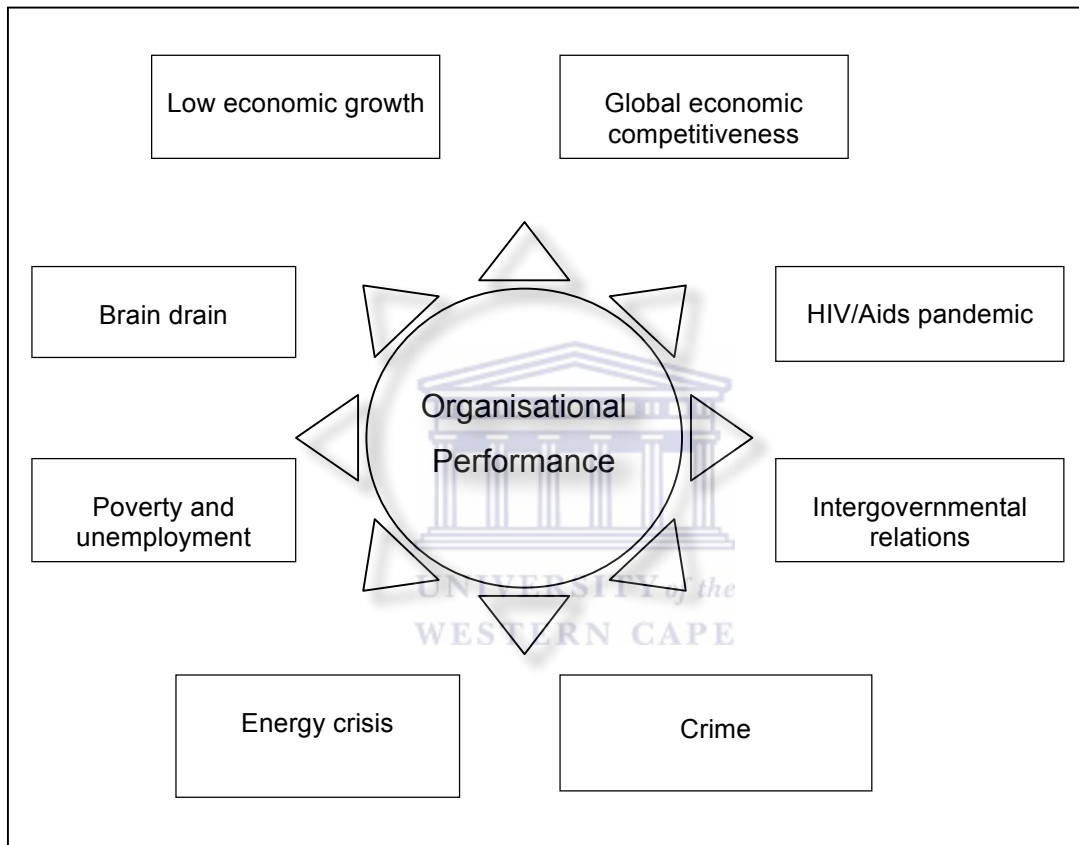
### **2.9.1 EXTERNAL ENVIRONMENT**

In addition to the internal organisational environment, the organisational performance of the public service is influenced by external factors. External factors are those outside of a public sector and include economic and socio-political issues such as economic growth, global economic competitiveness, the HIV/AIDS pandemic, intergovernmental relations, crime, poverty, the 'brain drain', unemployment and the energy crisis. Figure 2.9 presents key external factors that impact on organisational performance. Although a public sector



manager has no direct influence on these factors, it is important to be aware of them because they indirectly influence the motivation and performance of staff.

**FIGURE 2.9: EXTERNAL ENVIRONMENT AND PERFORMANCE MANAGEMENT**



The HIV/AIDS pandemic is increasingly affecting the performance of organisations negatively. This is expressed in several ways, for example, an increase in sick leave of personnel, a decrease in productivity and a decrease in the availability of skilled staff in the labour market already characterised by a serious shortage of skills. Erasmus (2005) states that as we enter the new millennium, HIV/AIDS infection will transcend most other problems in South Africa. This is borne out by the fact that at present it is estimated that between three and eight million South Africans are carriers of the AIDS virus. In 2001, the South African Medical Research Council issued a report in which it was

stated that, by 2000, AIDS was the leading cause of death in South Africa (Erasmus, Swanepoel, Schenk, van der Westhuizen, Wessels, 2005:419).

Erasmus further states that the HIV/AIDS implications for the economy and employers are clear: not only are we losing people in whom a substantial amount has already been invested in terms of schooling and training (i.e. a net loss to society) but, by 2020, the labour force in South Africa will be 17% smaller than it was in 2000.

Without sufficient budgets, public sector departments cannot perform optimally. To enable government institutions to perform their duties, governments make laws to generate revenue. Examples of Acts in terms of which revenue in South Africa is generated are the Value-Added Tax Act (89 of 1991), the Income Tax Act (36 of 1996), and the Tax on Retirement Funds Act (38 of 1996). The sources of revenue for public institutions vary from taxes to loans and rates (Du Toit *et al.*, 2002). The performance of the South African economy influences government's tax collection and subsequently budget allocations and the performance of various government departments.

Governmental relations form an important part of the management of government. By establishing more and better ties between departments and the different spheres of government, duplication of functions will be reduced and cost effective services can be delivered to the public (Van der Walddt *et al.*, 2002). Poor intergovernmental relations create destructive power struggles between the three spheres of government.

Lack of coordination of service delivery between local government on one side and national and provincial governments on the other, leads to duplications and the waste of scarce resources. Major examples of this problem are evident in the delivery of health service, the fight against the HIV/AIDS pandemic, crime and poverty. The challenge of delivering quality service to the entire population of South Africa requires coordination and the utilisation of all available resources and working in synergy towards the common vision of a better life for all.

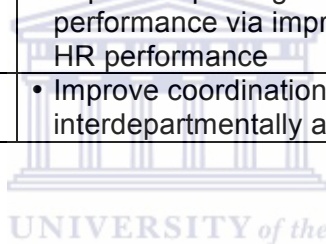
Crime has become another serious obstacle affecting the performance of public sector organisations. Robberies, theft of computers, car hijacking, organised crime and corruption are depleting organisational resources and affecting staff morale, security and wellbeing. Crime is one of the major causes of the brain drain, where skilled professionals emigrate to more stable and developed countries. Subsequently, the 'brain drain' and shortage of skills becomes one of the major stumbling blocks on the path of economic development. In addition, the high crime rate negatively affects foreign and local investment in South Africa, which in turn affects the economic growth rate negatively.

Although the above-mentioned external factors are beyond the direct influence of public sector managers, much can be done to minimise the negative impact of these factors on organisational performance. Public sector managers need to be aware of these problems, understand them and take proactive measures to address them.

Figure 2.10 presents some of the potential responses and strategies in mitigating the impact of these factors on organisational performance.

**FIGURE 2.10: POTENTIAL RESPONSES TO EXTERNAL CHALLENGES**

Problem area or challenge	Potential responses or solutions
Crime	<ul style="list-style-type: none"> <li>• Improved security at premises</li> <li>• Self-defence training</li> <li>• Improved relationship with local community</li> <li>• Improved relationship with local police station</li> </ul>
HIV/AIDS	<ul style="list-style-type: none"> <li>• HIV/AIDS workshops to educate staff and managers</li> <li>• Free condom distribution</li> <li>• Counselling</li> <li>• Assistance with medication</li> </ul>
Low economic growth	<ul style="list-style-type: none"> <li>• Reduce budget for the following financial year in expectation of budget cuts</li> <li>• Explore improving competitiveness, efficiency and performance via improved technology or improved HR performance</li> </ul>
Intergovernmental relations	<ul style="list-style-type: none"> <li>• Improve coordination and collaboration interdepartmentally and intradepartmentally</li> </ul>



## **2.10 MONITORING AND EVALUATION OF PERFORMANCE MANAGEMENT**

This section explores the monitoring and evaluation aspects of performance management. Monitoring and evaluation concepts will be defined within the context of the public sector. The main phases and steps of monitoring and evaluation will be explored. The importance of monitoring and evaluation will be highlighted, as well as critical success and failure factors of monitoring and evaluation within the context of the public sector.

### **2.10.1 OVERVIEW OF MONITORING AND EVALUATION**

The value of performance measurement is recognized for helping executives hold their managers accountable for meeting their mandates and for promoting useful reward, sanction, and motivational efforts to improve the performance of management down the line (Sanger 2008:71). The World Bank (2002:5) states that monitoring and evaluation (M&E) of development activities provides government officials, development managers, and civil society with better means for learning from past experience, improving service delivery, planning and allocating resources, and demonstrating results as part of accountability to key stakeholders.

Although academic and professional publications give the impression that performance measurement is a growing government practice, in actuality the use of this technology is not as deep or as widespread as it may appear (Coplin, Merget and Bourdeaux, 2002:700). The authors argue that even when performance measures are used, governments rarely integrate them into planning, budget, personal, and other management processes.

A focus on outcomes, improved service delivery and performance of the public sector is a strategic objective of recent public sector reforms in South Africa. Evaluation is important in a results-oriented environment because it provides feedback on the efficiency, effectiveness and performance of public policies and can be critical to policy improvement and innovation (OECD, 1999:4).

Public sector managers are often uncertain about the quality and impact of their programmes and projects because measuring the quality and impact of public service delivery is a highly complex and difficult process. This is because problems are often multifaceted and resolving them requires the coordinated intervention of several organisations. For example, crime is related to poverty, unemployment, education, cultural and ethical factors, and not only to problems within the police and justice systems.

It is generally accepted that monitoring and evaluation are underdeveloped areas of management in the public sector. They are often perceived as separate and isolated activities, which do not form part of continuous management practice.

Seasons (2003:430) argues that managers are acutely aware of the consequences of poorly-informed decision-making – missed opportunities, misallocation or waste of limited resources, and damage to political and professional reputations. Managers need information on relationships between plans devised, resources spent, impact and outcomes achieved. Managers need information on the success and failures of their policies, programmes and projects. This can be addressed by the use of monitoring and evaluation processes. Therefore, monitoring and evaluation are critical success factors for public service managers.

Monitoring and evaluation also enable performance benchmarking against similar departments, as well as comparisons with international entities. Ultimately, the integration of performance monitoring and evaluation into management practice enables departments to maximise the use of limited resources and to contribute to national development.

Monitoring and evaluation are often perceived as tools to identify and punish poor performance instead of having a developmental nature, which creates resentment and implementation problems amongst public servants. Therefore, performance monitoring and evaluation need to be understood and integrated into a broader public service management system. Staff involvement in the design, implementation and review of a monitoring and evaluation system is therefore of paramount importance. Monitoring on a continuous basis enables the early identification of problems or deviations from plans, as well as taking corrective actions.

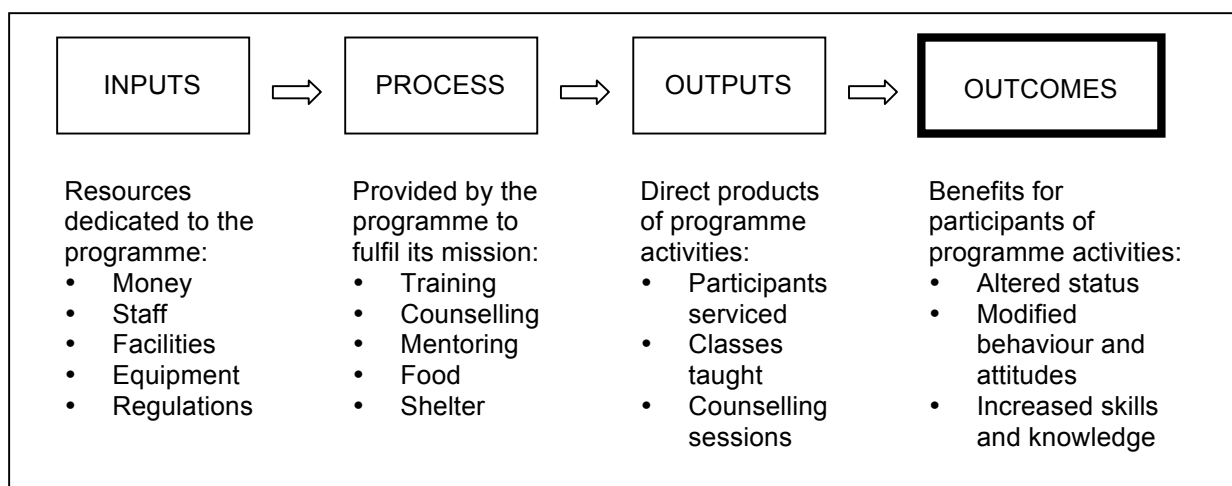
## 2.10.2 MONITORING

OECD (2002:30) defines performance monitoring as a continuous process of collecting and analysing data to compare how well a project, programme, or policy is being implemented against expected results. Seasons (2003:430) defines monitoring as a continuous assessment of activities in policies, programmes, processes or plans. This involves the collection and interpretation of data on a regular basis.

Emphasis on results, outputs and outcomes has been increasingly advocated as a way of improving government's performance. Buckmaster (1999:187) argues that outcome measurement can be used effectively as a tool for learning by providing feedback to managers as well as to improve the accountability and programme evaluation of a department.

The shift of emphasis from a traditional focus on programme inputs, process and outputs to outcomes is presented in Figure 2.11.

**FIGURE 2.11: OUTCOMES MEASUREMENT MODEL**



Source: UWA (1995).

### 2.10.3 EVALUATION

Public Management Service (PUMA) unit of OECD (1999:6) defines evaluation as follows:

*“Evaluations are analytical assessments addressing results of public policies, organisations or programmes, that emphasise reliability and usefulness of findings. Their role is to improve information and reduce uncertainty; however, even evaluations based on rigorous methods rely significantly on judgement.”*

OECD, PUMA (1998:2) suggests the following process and main steps for conducting an evaluation in the public service: definition and objectives of evaluation; identify main participants; assess benefits and costs; foster evaluation culture; manage evaluation activities strategically; enhance credibility; ensure links with decision-making processes; choose the right evaluator; and involve stakeholders and communicate findings openly.

Depending on the nature of the institution, programme or activity, there are several types of evaluation methods and frameworks utilised in the public sector, such as: research process-based evaluation; impact evaluation; surveys and financial audit.

Governments worldwide have realised that their future success will depend on their ability to continuously learn and respond to changes in new environments. This requires continuous self-introspection and evaluation processes.

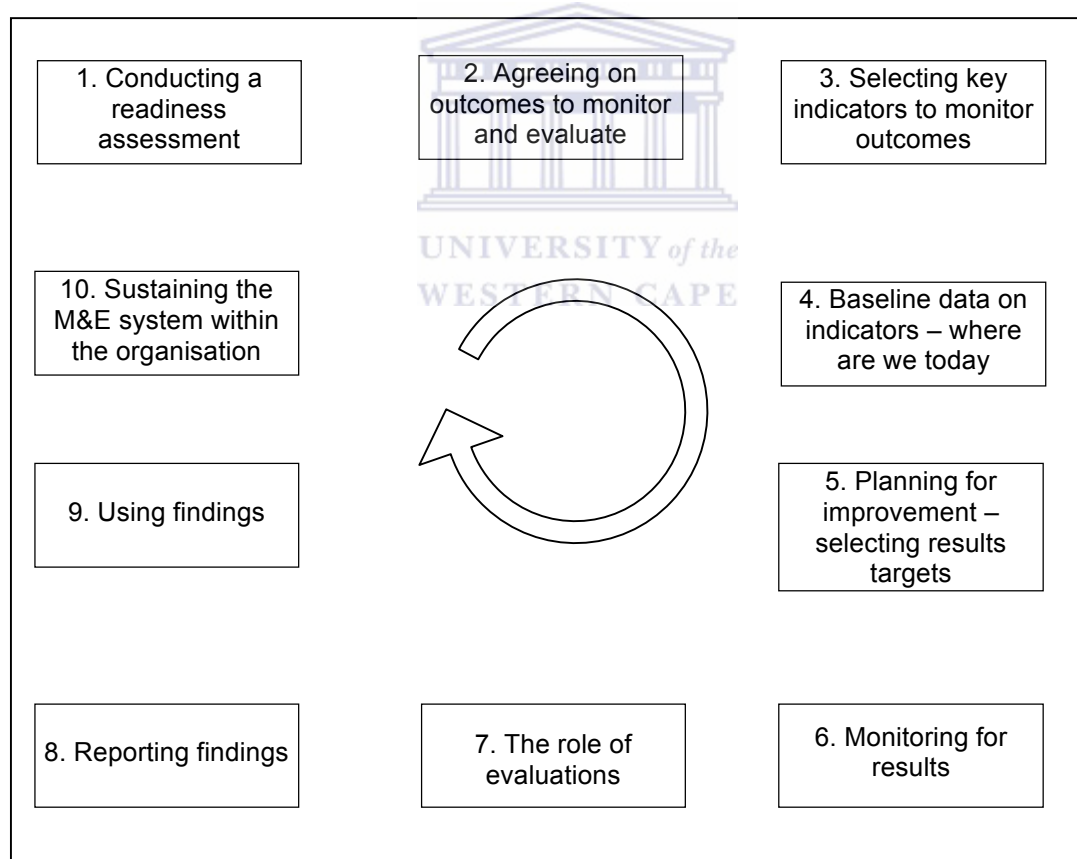
Learning and growth also require comparison with leading institutions and benchmarking. Benchmarking has been used extensively in the private sector for a variety of strategic and operational reasons, such as the evaluation of financial performance, quality of service delivery, effectiveness and efficiency. Dorsh and Yasin (1998:108) argue that the public service needs to share information and learn from its private sector counterparts about benchmarking processes. They claim that investment in benchmarking processes produces a



long-term gain in terms of enhanced strategic effectiveness and operational efficiency. Organisations that embrace benchmarking are open to self-reflection and they tend to demonstrate higher commitment to change and learning.

Governments all over the world are facing similar challenges of increasing public sector performance, increasing accountability and better governance. In response to these needs, Kusek and Rist (2004:34) developed a ten step results-based monitoring and evaluation system, that can help policymakers, national and international stakeholders to improve performance management systems, as presented in Figure 2.12.

**FIGURE 2.12: TEN STEP MONITORING AND EVALUATION SYSTEM**



Source: Kusek and Rist (2004:34).

#### Step 1: Conducting a readiness assessment

This step provides an analytical framework to assess an institution's capacity and political will to monitor and evaluate its goals. Although this phase is often omitted, it is a fundamental requirement to building a successful results-based monitoring and evaluation system. Building a monitoring and evaluation system is mainly a political activity with a technical dimension added on, rather than vice versa. So, political support is an absolute requirement for the development of a monitoring and evaluation system.

#### Step 2: Agreeing on outcomes to monitor and evaluate

This step involves choosing and agreeing on the outcomes to be monitored and evaluated. Outcomes are derived from the institution's goals. This process should be consultative and it should involve key stakeholders in order to get buy-in of the system's development and its subsequent implementation.

#### Step 3: Selecting key performance indicators to monitor outcomes

After setting outcomes, indicators should be developed for all levels of the system, that is, inputs, activities, outcomes and goals. Progress needs to be monitored to provide feedback on success, challenges and areas requiring improvement.

#### Step 4: Setting baselines and gathering data of indicators

This step is about establishing where we are at present, relative to the outcome we are trying to achieve. The baseline is the current condition against which future performance can be measured.

#### Step 5: Planning for improvement – selecting results targets

After gathering baseline indicators, the next step is to set up results targets on the level of the project, programme or policy. Target setting is the final step in building the performance framework.

#### Step 6: Monitoring for results

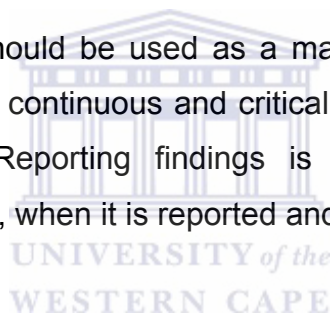
After selecting targets and developing the framework, the next step involves using the information to monitor the achievement of results and identification of any changes that may be required for a given project, programme or policy. The monitoring system provides continuous information about the speed and level of change.

#### Step 7: The role of evaluations

This step involves an assessment of an intervention to determine its relevance, efficiency, effectiveness, impact and sustainability. It also involves incorporating lessons learned into the decision-making process.

#### Step 8: Reporting findings

Performance information should be used as a management tool for decision-making because it provides continuous and critical information on the progress of a given intervention. Reporting findings is a critical step because it determines what is reported, when it is reported and to whom it is reported.



#### Step 9: Using findings

The main purpose of developing a monitoring and evaluation system is to use findings to improve performance. It is not about the generation of information and volumes of reports, which no one reads or utilises. The aim is to get the decision-makers to utilise the findings to improve the performance of their organisations.

#### Step 10: Sustaining the monitoring and evaluation system within the organisation

This step involves institutionalisation of a system within the organisation. A monitoring and evaluation system is a long-term effort intended at improving the performance management of the institution and it should not be perceived as a temporary activity that lasts only for the duration of a particular project (Kusek and Rist, 2004).

## 2.10.4 PERFORMANCE INDICATORS

An important concept in performance monitoring and evaluation is a performance indicator. OECD (2002:29) defines a performance indicator as a variable that allows the verification of changes in the development intervention or shows results relative to what was planned.

A performance indicator is a particular characteristic or dimension used to measure intended achievement defined by an organisation. Performance indicators are used to observe progress and to measure actual results compared to expected results. They serve to answer 'how' or 'whether' a unit is progressing towards its objective, rather than why such progress is or is not being made. Performance indicators are usually expressed in quantifiable terms, and should be objective and measurable (numeric values, percentages, etc). As the saying goes 'if you cannot measure it you cannot manage it' - defining sound performance indicators is a vital part of the performance monitoring and evaluation process.

Williams (2002:72) suggests that organisations need a range of indicators in order to measure performance and make judgements about their effectiveness. These include indicators of outcome, output, throughput, efficiency, effectiveness, value for money, input, goal, quality and customer satisfaction. A Balanced Scorecard performance management model, as introduced by Kaplan and Norton (1996), prescribes performance measurement in terms of four sets of indicators, that is, financial, customer, efficiency of business processes, and learning and growth.

## 2.11 SUMMARY

The review of literature on public service reforms and performance management interventions reveals diverse approaches to change, which emanate from diverging schools of thought represented by major stakeholders such as the public sector, private sector, civil society and unions. The fundamental question to this debate is the role of the state in development. Internationally, in the last few decades the pendulum has swung to the right, represented by the New Public Management philosophy, with an emphasis on managerialism, efficiency, effectiveness and value for money. Within this context and in a quest to continuously improve the performance of the public sector, results-driven monitoring and evaluation systems play an ever-increasing role.

The efforts to improve performance management systems of the South African public service have been constrained by challenges of undoing past legacies of the apartheid regime and the local realities of crime, unemployment, HIV/AIDS, education and health systems. Addressing these challenges is possible only by increasing emphasis on performance management, human resources development, and promoting decentralised and participative management. This, however, requires an integrated approach to change.

Performance management in the public sector is a complex phenomenon and there are no easy solutions to it. There are no short cuts to improving the performance of the public service. Importing a private sector model or models which work in a developed country does not guarantee success in the public sector of a developing country. Each country has its unique context, social, economic, political and cultural. Therefore, public service reforms and performance management initiatives must be customised to respond to these unique circumstances, if they are going to be successful. The following chapter will explore issues of institutional arrangements, motivation and different approaches to performance management.

## **CHAPTER 3: MOTIVATION AND PERFORMANCE MANAGEMENT AT THE ORGANISATIONAL LEVEL**

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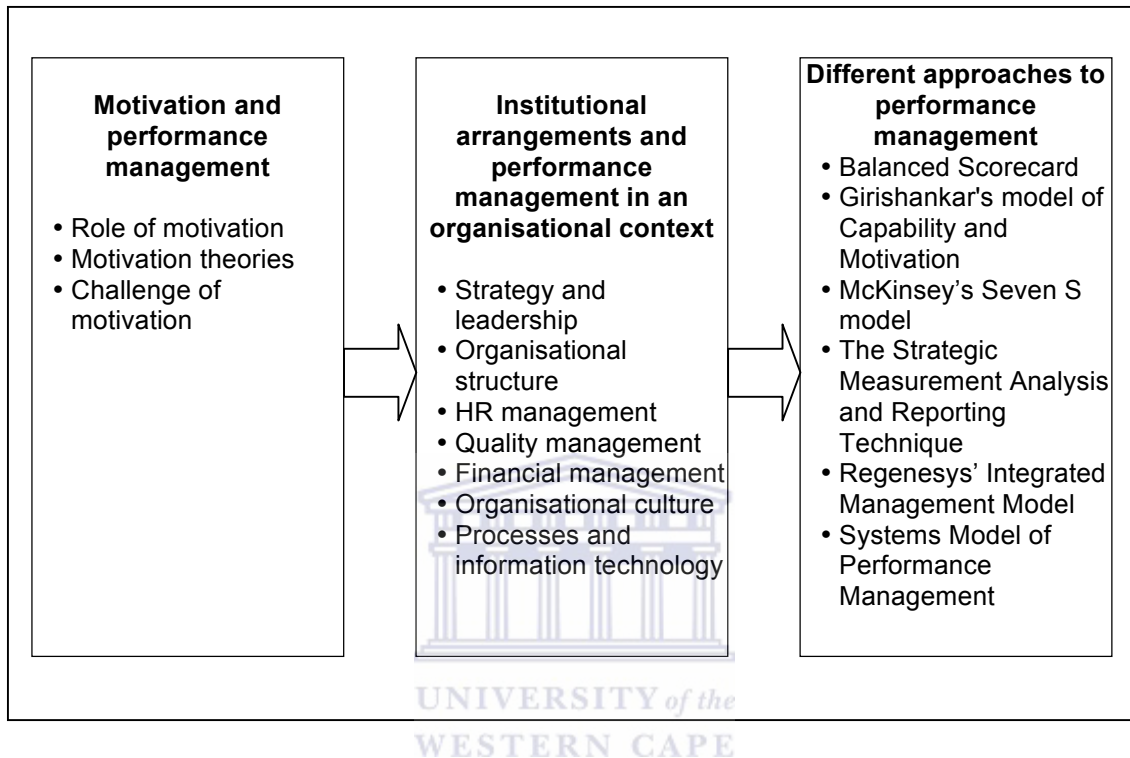
### **3.1 INTRODUCTION**

A performance management system is comprised of multiple organisational subsystems and processes. In this regard, Cederblom and Pernerl (2002:132) state that performance management includes performance appraisal, as well as other components such as strategic planning, training and development, pay, promotion and discipline. Similarly, Vickers, Balthazard and MacMillan (2007) approach performance management from an integrated perspective and they argue that a performance management system requires coordination of multiple key management practices, and the more of these practices there are in place, the more successful the performance management system will be. In addition, Noutomi and Nakanishi (2007) suggest that the essence of a successful management system is coordinated action between key management processes such as financial management, human resources management and organisational development.

This chapter explores motivation and performance management at the organisational level. Various motivational theories are reviewed in relation to the public service performance management system. The influence of the institutional environment on performance management is examined. Various management processes and elements are defined and their impact on performance management is analysed. Relationships between performance management and major management functions and processes are investigated. Particular emphasis is given to exploring issues that contribute to creating an enabling institutional environment for implementation of a performance management system. Harmonisation of various elements of a performance management system within the context of the South African public service is explored. This chapter also reviews different approaches and models of

performance management and their relevance to the public service, as illustrated in Figure 3.1.

**FIGURE 3.1: COMPOSITION OF CHAPTER 3**



### **3.2 MOTIVATION AND PERFORMANCE MANAGEMENT**

This section explores the role of staff motivation within the performance management system. The relationship between motivation and performance management is examined within the context of the public sector. Various motivational theories are reviewed. Performance management challenges related to staff motivation within the context of the South African public sector are analysed.

### **3.2.1 ROLE OF MOTIVATION IN PERFORMANCE MANAGEMENT**

No performance management system can produce sustained high performance without motivated staff (Spangenberg and Theron, 2001; Rainey, 2003; De Bruijn, 2007). Staff motivation, as a fundamental aspect of human resource management, is a prerequisite for high performance. Hence, there cannot be high and sustained performance without sound human resource management practice. Performance management and human resource management are intricately linked and the role of motivation in performance management is of paramount importance (Noutomi and Nakanishi, 2007).

The aim of all performance management systems is to improve performance by aligning individual and organisational goals, by rewarding good performance, correcting poor performance and by developing staff, that is, addressing performance gaps through training and development. However, many things go wrong during the process of implementation, often resulting in unintended consequences and having the opposite effect, which is staff demotivation and poor performance. An international survey conducted by Kaplan and Norton (1996) showed that only 10% of performance improvement strategies are successfully executed.

### **3.2.2 MOTIVATION THEORIES**

The success of any organisation depends on its people. If people are not motivated about their work, no performance management system can rectify their performance. Without motivation, even the most competent people produce mediocre or below average work. Motivation is the engine of a performance management system.

Grobler, Warnich, Carrell, Elber, and Hatfield (2006:216) define motivation as the force that energises behaviour, gives direction to behaviour and underlines the tendency to persist, even in the face of one or more obstacles. Rainey



(2003) states that work motivation refers to a person's desire to work hard and work well – to the arousal, direction, and persistence of effort in work settings.

In this regard, Regenesys (2007:72) suggests the following:

*“The challenge for every manager is to therefore ensure that the levels of motivation remain high amongst all staff. However, in order to do this, it is important to recognise that different people are motivated by different factors. A blanket or single approach to motivate staff will therefore not work in an organisation where employees have different needs.”*

Various theories of motivation explain how and why people are motivated or demotivated. Theories range from simplistic rational 'economic man' concepts underlying scientific management – implying that workers are only interested in money – to complex 'expectancy' theories which explain motivation in terms of a calculus of conflicting needs (Price, 2007:448).

The following section presents a short summary of the main motivation theories.

### **3.2.2.1 MASLOW'S THEORY OF HIERARCHY OF NEEDS**

Maslow argues that each individual has a hierarchy of different needs, such as physical, security, social, self-esteem and self-actualisation (Regenesys, 2007). Maslow argues that once a lower level of need is satisfied, another need on a higher level will arise. An employer can motivate an employee to improve his/her performance by addressing each of these needs.

### **3.2.2.2 MCCLELLAND'S THEORY**

Rainey (2003:253) states that this theory identifies three needs that motivate people: achievement, power and affiliation. Achievement is about developing skills, knowledge and achieving set goals. Power is about being in control, being a decision-maker and having a position. Affiliation is about having a

sense of belonging to a team or organisation. In a large bureaucratic organisation such as the public service, achievement opportunities are limited and power is centralised at the top of the organisational hierarchy. Hence, it becomes difficult for middle level managers to address the needs of staff for achievement and power. In terms of the affiliation need, generally there is a negative public perception about the public service, which makes it very difficult for managers to address the affiliation need of their staff. Therefore, there are major challenges with the application of this theory in the public service.

### **3.2.2.3 GOAL SETTING THEORY**

Goal theory was developed by Locke and Latham, who contend that difficult, specific goals lead to higher performance than easy goals, vague goals or no goals (Armstrong, 2004:58). They claim that the level of production in the companies they studied was increased by an average of 19% as a result of goal setting processes with the following characteristics:

- The goals should be specific
- They should be challenging but reachable
- The goals are seen as fair and reasonable
- Individuals participate fully in goal-setting (Armstrong, 2004:58).

### **3.2.2.4 HERZBERG'S THEORY**

Herzberg proposes that in order to motivate employees one must not only introduce job satisfaction factors but also eliminate hygiene factors. Hygiene factors are related to physical work conditions, rules, policies, supervision, money, etc. Job satisfaction factors are related to recognition, achievement, responsibility, etc. Grobler *et al.* (2006:219) argue that the more resources that are poured down the hygiene drain (e.g. increasing fringe benefits), the more resources will be required in the future, because with hygiene factors, ever-increasing amounts are needed to produce the same effect. He further states

that motivators are intrinsic in nature and that no-one can give another person the satisfaction that comes from accomplishing a particularly challenging job.

### **3.2.2.5 ALDERFER'S ERG THEORY**

This theory is similar to Maslow's theory except that it does not propose the attainment of motivation in a hierarchical process. According to ERG theory, there are three factors that influence motivation: existence, relatedness and growth. Alderfer also proposes that unmet needs lead to frustration, which expresses in demands for increase in pay or petty demands (Grobler *et al.*, 2006:218).

### **3.2.2.6 MCGREGOR'S THEORY X AND Y**

Theory X assumes that workers lack the capacity for self-motivation and that management must use control and discipline to manage them, while theory Y assumes that workers have needs for growth and self-actualisation (Rainey, 2003:252). Managers should use participative management techniques, decentralised decision-making, performance evaluation procedures that emphasise self-evaluation and objectives set by the employee, and job enrichment programmes to make jobs more interesting and responsible (Rainey).

### **3.2.2.7 EQUITY THEORY**

This theory focuses on issues of equity where workers compare their contribution and rewards and then respond in order to eliminate inequities. Rainey (2003:255) argues that a sense of inequity brings discomfort, and people therefore act to reduce or avoid it. This theory is particularly relevant to public service employees for the reason that they often choose a career in the public service because of their heightened sense of social justice, fairness and development. Therefore, the issue of equity in their own work environment is of

great importance in terms of staff motivation, inspiration and commitment to the organisational mission.

### **3.2.2.8 REINFORCEMENT THEORY**

According to this theory success in achieving goals and rewards acts as a positive incentive and reinforces successful behaviour, which is repeated the next time a similar need arises (Armstrong, 2004:59). In the public service environment it is not always possible to financially reward good performance but it is possible to reward good performance by acknowledging it verbally or in writing. This is highly effective when it is done publicly in the presence of other team members and staff. Therefore, this approach could be highly relevant and applicable in the public service.

As evident from the above-mentioned motivation theories, there is no conclusive explanation of work motivation. Human motivation is a complex phenomenon. For managers, familiarity with various motivation theories will enable them to customise approaches to their own work environments.

### **3.2.3 THE CHALLENGE OF MOTIVATION IN THE PUBLIC SECTOR**

Public sector organisations are large, complex and challenging organisations to work for and to manage. People charged with improving motivation and performance are facing numerous difficulties, frustrations and problems emanating from bureaucratic structure, culture and processes.

Existing motivation theories are dominated by western managerial ideology, which raises questions about their applicability within contexts that differ culturally, economically and politically. The limited evidence available indicates that African managers, like their counterparts elsewhere, find employee motivation to be a major concern (Blunt, 1992:277).

Furthermore, Kiggundu (1998) cited in Blunt (1992:277) suggests that African organisations may be experiencing serious employee motivation problems. In addition to common motivation problems experienced by public sector organisations in the developed world, African organisations face additional challenges such as managing diversity, economic constraints, political instabilities, crime, and HIV/AIDS.

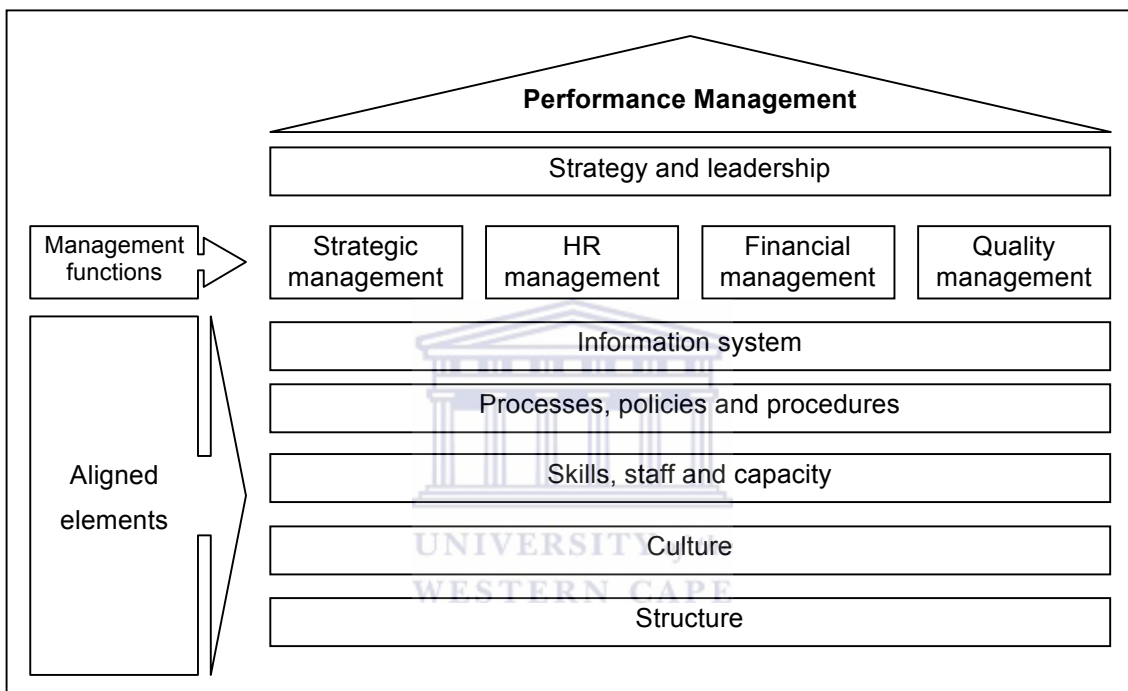
Rainey (2003:288) argues that there is no scientific, conclusive solution to performance management and motivation problems in the public sector and that the existing body of knowledge provides only some ideas and support to those determined to find solutions. The challenge of motivation and performance management for leaders and managers in the public sector is to focus on the most valuable organisational resource – human resources.

### **3.3 INSTITUTIONAL ARRANGEMENTS AND PERFORMANCE MANAGEMENT IN AN ORGANISATIONAL CONTEXT**

On an institutional level, various management elements and processes influence overall organisational performance. Optimum organisational performance requires an enabling institutional environment for the development and implementation of a performance management system. A successful performance management system requires integration and harmonisation of the key organisational elements and processes, such as the following: strategy and leadership; organisational structure; human resource management; quality management; financial management; organisational culture; and organisational processes.

In this regard, the DPSA (2002:25) argues that management processes, systems and policies need to be integrated with performance management, as presented in Figure 3.2.

**FIGURE 3.2: INTEGRATED APPROACH TO PERFORMANCE MANAGEMENT**



Source: DPSA (2002:25).

In addition to synergy among the above elements, a successful performance management system requires constructive consultation of an organisation's key stakeholders. Major stakeholders, such as management, staff or unions, have to be brought on board and their buy-in should be ensured through a consultative process. Without their buy-in, the process does not stand a good chance of success.

Lack of integration of the above-mentioned elements and stakeholders leads to blockages, duplication, waste, destructive conflict, power struggles and staff demotivation. An integrated approach helps to direct all organisational energies

towards the same goal, which ultimately ensures a greater success rate of a performance management system.

### **3.3.1 STRATEGY AND LEADERSHIP**

Ultimate responsibility for performance management lies with organisational top leadership. Leadership is responsible for developing strategy and for the achievement of strategic goals. This implies integration and creation of synergy amongst all organisational resources, elements, processes and systems. The CEO has the overall responsibility for performance against all targets. The managers are the key drivers of performance in the organisation and they should be held accountable for their specific areas of work through a performance contract entered into for a limited period of time – usually a period of three to five years.

Without support from top leadership, a performance management system cannot work. Without support from top leadership, the integration of a performance management system within an organisation does not happen, which leads to the performance management process becoming a disjointed activity – merely an isolated performance review process. This often has the opposite effect, or results in unintended consequences which lead to a wastage of time, staff demotivation, conflict and ultimately decreased organisational performance.

Leaders in the public sector operate under difficult circumstances in terms of autonomy, policies, red tape, rules and regulations, which negatively affect their ability to implement a successful performance management system. Rainey (2003) questions whether leaders in the public sector can make much difference given the shared power, politics, oversight, and other factors that can limit their impact in government. However, although leaders in the public sector operate within certain constraints, leaders in all settings face similar challenges of developing vision and strategies, inspiring people, and generating a culture of

high performance. Therefore, the importance of leadership in developing and implementing a performance management system cannot be underestimated.

### **3.3.2 ORGANISATIONAL STRUCTURE**

The successful implementation of a performance management system requires an enabling organisational structure. This means that lines of authorities and accountabilities should be specified and responsibilities should be clearly defined. Communication processes should enable a healthy flow of information through the organisation.

There are several types of organisational structures, for example, hierarchical, matrix or organic. Most large organisations, including the public service, have a hierarchical organisational structure. Matrix and organic types of organisational structures are often found in academic or research types of organisational environments, which require work in multi-disciplinary teams and projects. Each of these structures has its advantages and disadvantages, so organisations should choose the most appropriate structure for achievement of their goals. Without an appropriate organisational structure, implementation of a performance management system is seriously constrained.

Henry Mintzberg, a Canadian academic and one of the world's leading authorities on organisational structure, defines organisational structure as the ways in which an organisation divides its labour into tasks and coordinates them (Have, Have, Stevens and van der Elst, 2003). According to Mintzberg (1990), as cited in Have *et al.* (2003:143), organisational structure contains the following six components:

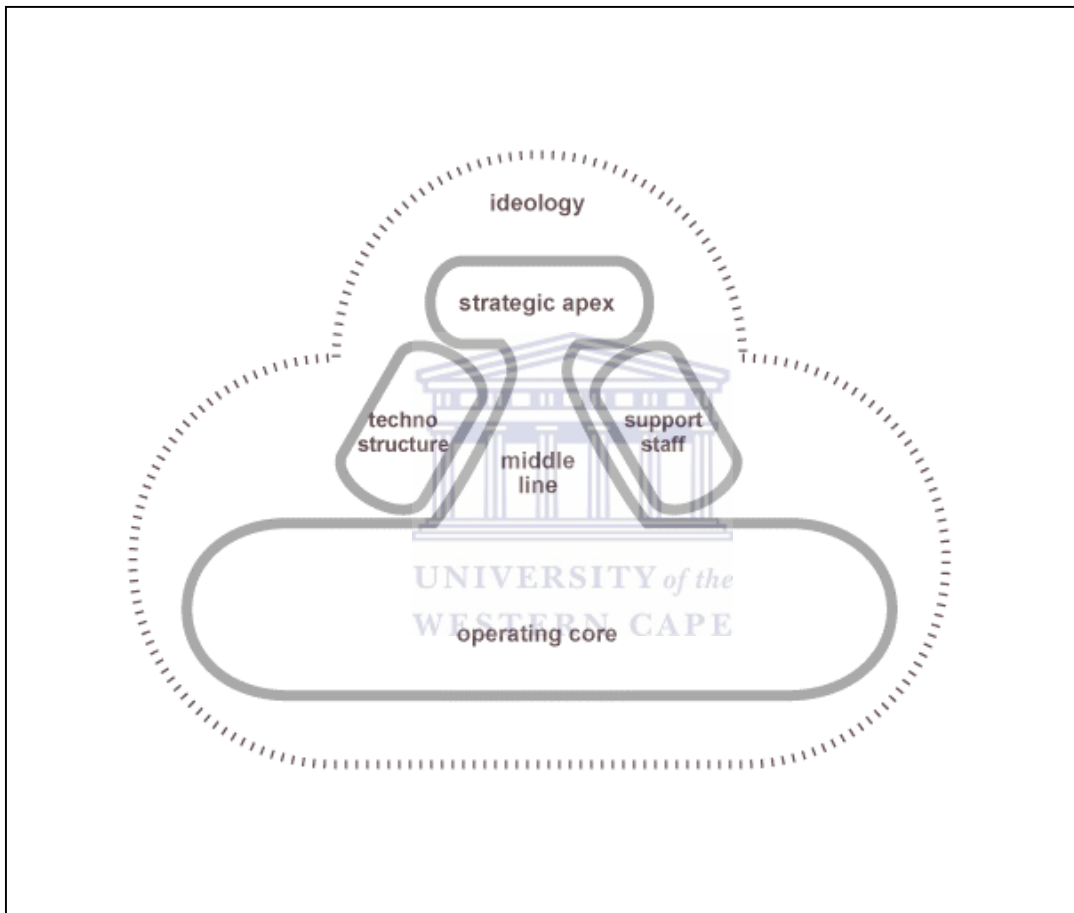
- Operating core – people involved in the production of services or products
- Strategic apex – management and control of the organisation
- Middle line – managers connecting strategic apex and operating core
- Technostructure – people who plan and design products
- Support staff – people who provide non-core support such as IT, drivers, etc.



- Ideology – vision, culture and traditions that define organisational uniqueness.

Mintzberg's organisational structure components are presented in Figure 3.3.

**FIGURE 3.3: MINTZBERG'S STRUCTURE COMPONENTS**



Source: Mintzberg (1990) as cited in Have *et al.* (2003:143).

Mintzberg (1990), as cited in Have *et al.* (2003:144), synthesises organisational design literature into the following organisational configurations:

- Entrepreneurial organisation, for example, a small business or entrepreneurial setting
- Machine organisation, for example, banks or government departments

- Professional organisation, for example, an accountancy firm, law firm, or academic organisation
- Diversified organisation, for example a franchise organisation
- Innovative organisation, which is an organic structure with little formalisation
- Missionary organisation, which is an ideologically-driven organisation
- Political organisation, which is based on power and alliance formation.

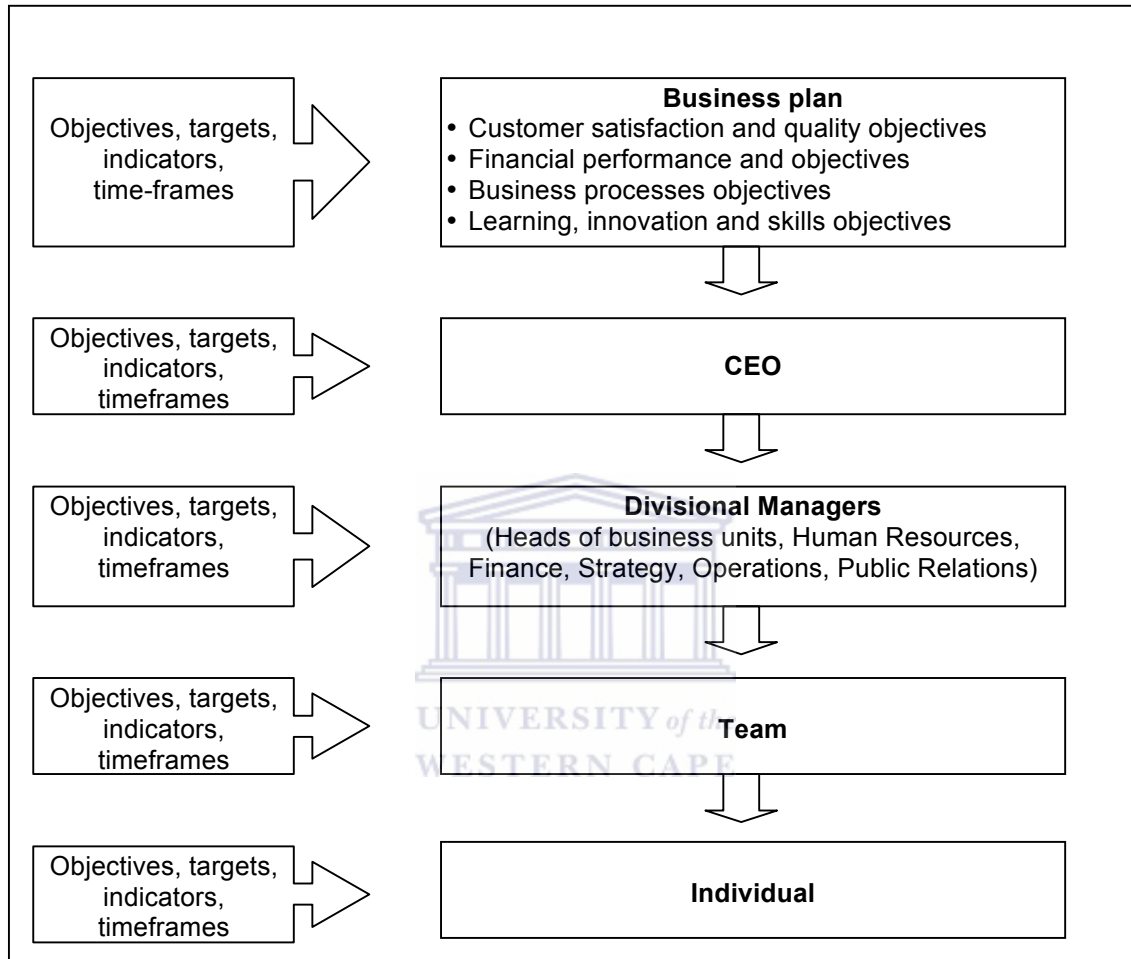
Depending on the nature of an organisation, the most powerful organisational grouping pulls an organisational structure in different directions and develops an organisational culture, according to the culture of the particular profession. For example, hospitals tend to be dominated and managed by doctors, universities by academics and law firms by lawyers, which is not always the best for the organisation, as organisations should be managed by managers and not by professionals.

Based on Mintzberg's model, different organisations have different organisational structures. This has implications in terms of designing a performance management system. A performance management system in an entrepreneurial configuration should be quite different from the system in a machine bureaucracy. The public sector falls under a machine bureaucracy, which has unique challenges in terms of a performance management system.

The development of a performance management system in a public sector department, which typically falls under a machine bureaucracy, involves the development of organisational strategic objectives and cascading them from the CEO to divisional managers, teams and individuals.

Figure 3.4 demonstrates cascading strategic objectives and targets from the top-level organisational business plan to an individual level.

**FIGURE 3.4: CASCADING OF STRATEGIC OBJECTIVES**



Source: DPSA (2002:25).

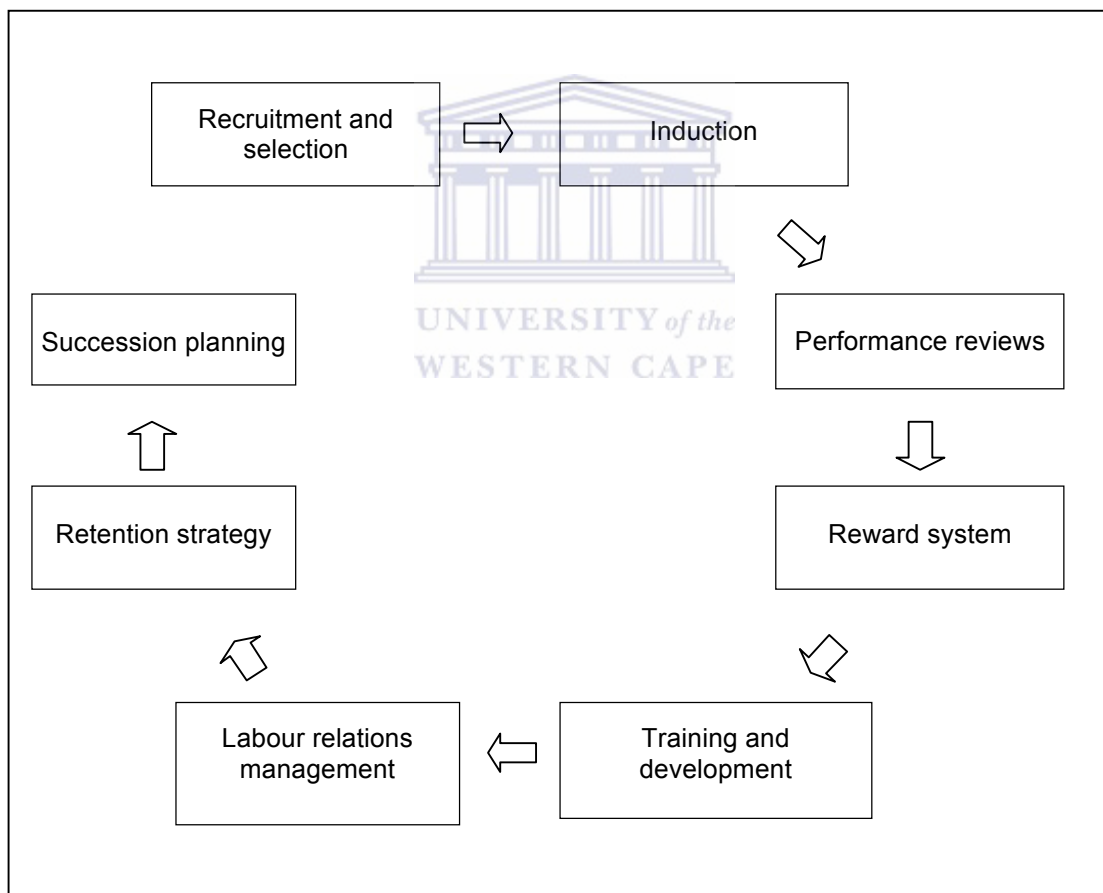
### 3.3.3 HUMAN RESOURCE MANAGEMENT

Kuye (2002) states that human resources are the most expensive resource and also the most critical in obtaining efficiency and effectiveness in the public sector. This implies that organisational performance ultimately depends on the performance of the human resources of an organisation. The performance of individual members of an organisation depends on the human resource management practice and system. Therefore a human resource management

system has to be integrated with and aligned to an organisation's performance management system.

A human resources management system comprises the following key elements and processes: recruitment and selection, induction, reward system, performance appraisals, training and development, labour relations management, staff retention and succession. Key elements of the human resource management system are presented in Figure 3.5.

**FIGURE 3.5: HUMAN RESOURCE MANAGEMENT SYSTEM**



Source: DPSA (2002:123).

Du Toit (2001) argues that human resource management in the public sector entails the most effective utilisation of employees to effectively reach the goals

of the institution. Van der Waldd *et al.* (2002) expand this definition by introducing the notion of strategic human resource management. He argues that 'strategic' implies that human resource managers must ensure that they provide the skills and abilities needed to meet the requirements of a public institution's overall objectives. He further states that strategic human resource management takes a broader, global view on human resources and that human resources management processes should be integrated with all other resources, processes and procedures in the institution to direct it towards goal achievement. This implies that related human resource management issues such as diversity, HIV/AIDS, employment equity and black economic empowerment must also be addressed.

### **3.3.3.1 RECRUITMENT AND SELECTION**

This is arguably the most important aspect of human resource management. When the wrong people enter the public service, it becomes very difficult to manage their performance and almost impossible to dismiss them for poor performance because of labour legislation that protects workers. Successful individuals make successful organisations. Therefore, proper effort and systems have to be put in place to recruit the most appropriate people.

Doherty and Horne (2004:239) present the following main steps in the recruitment and selection process:

- Reviewing the organisation's strategic plan for staffing implications
- Auditing the skills and age profile of existing staff
- Succession planning, allowing for staff turnover
- Describing jobs for which staff will be needed
- Deciding appropriate terms and conditions
- Defining personnel specifications
- Advertising the available posts
- Deciding selection methods
- Communicating decisions.

In addition to standard recruitment activities such as interviewing, reference checking and criminal record checking, successful organisations employ a range of activities to recruit the right talent, such as:

- Competency tests conducted in areas such as numeracy, communication skills, problem-solving, analytical skills, creativity and innovation
- Psychometric profiling of potential candidates
- Organisational culture-fit assessment
- Setting up an internal recruitment unit or agency
- A proactive recruitment drive to identify young talent and recruitment introductions and presentations at universities
- Entering strategic partnerships with universities in order to ensure a supply of human resources – a concept often referred to as a 'corporate university'.

### **3.3.3.2 INDUCTION**

Once people are recruited, they should undergo an induction or orientation programme. The purpose of an induction programme is to introduce a new person to the organisation's strategy, structure, culture, processes and systems, and ultimately to ease the entry process of a person into a new organisation. Du Toit (2002:176) defines induction as the introduction of the new worker to the department. He further maintains that the main aims of the induction process are to:

- Ensure that new staff feel welcome and valued
- Provide them with the necessary information, advice, tools and equipment to carry out their work effectively in as short a time as possible
- Identify whether they need any immediate forms of training or staff development to enhance their performance.

The induction process is a very important aspect of a human resource management system – it should inspire new employees and generate motivation and passion for the organisational vision. As the saying goes “the

first impression is the last impression” – the induction process has long-term effects on staff and therefore it should be treated with utmost importance. However, the induction process is often overlooked by human resource management practitioners. It is often a rushed and superficially conducted process, which has serious long-term negative consequences for the performance of an individual and for an organisation.

### **3.3.3.3 PERFORMANCE REVIEWS**

Once people are in the system, their performance should be regularly reviewed against specified targets. Individual targets should be aligned to team or departmental targets. Good performance should be rewarded and poor performance should be corrected. Training and development activities should address deficiencies in skills. Performance reviews should be conducted at least half-yearly or preferably quarterly. Some organisations conduct monthly performance reviews. Performance feedback should be given to a person and recorded and stored for future access.

Conducting a performance review is a highly sensitive process and managers should be trained to conduct performance reviews.

Boivard and Loffler (2003:133) present some common traps in performance management as follows:

#### **Lack of interest of politicians and / or citizens**

The ownership of performance management usually lies with the administration. Politicians and the public often appear uninterested until things go wrong.

#### **Vagueness and ambiguity of goals**

Making objectives and indicators more concrete might lead to political conflict in those situations where different stakeholders have different values and

expectations. The tensions between politicians and managers are often irresolvable.

### **Games playing**

Sometimes organisations have an interest in portraying a flattering image of themselves and they may be tempted to cheat in their performance reporting.

The following are some additional common challenges encountered during performance reviews:

- Rather than being a developmental process, a performance review becomes a punitive process which escalates into organisational conflict
- Poorly-defined performance targets, criteria and standards of good performance make assessment difficult
- Irregular performance reviews, e.g. conducted after one year
- Lack of a performance management culture i.e. performance management is perceived as a superficial and undesirable process which does not add value to the organisation
- Communication problem – poor performance feedback by a manager
- Judgement problem – inherent problems of subjectivity versus objectivity in judging someone's performance
- Avoidance problem – avoiding the uncomfortable activity of confronting problems of poor performance
- Demotivation problem arising from a performance review process.

Managers should remember that the ultimate purpose of a performance review is to improve the performance of individuals, which is possible only when individuals are motivated. Therefore, performance reviews should inspire rather than demotivate people.



### 3.3.3.4 REWARD SYSTEM

A good performance management system ensures that excellent performance is distinguished from mediocre and poor performance, and that excellence is rewarded and encouraged. The principle of 'positive reinforcement' is a powerful tool to develop good performance and promote excellence.

Armstrong (2004:1) defines a reward management system as follows:

*“Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organisation. It deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organisational, team and individual performance.”*

In addition to commonly-understood traditional types of financial rewards, there are various other types of non-financial rewards available for managers to reward good performance. Armstrong (2004:12) argues that a good reward system considers both financial and non-financial rewards. Financial rewards include salary, performance bonus, share options and other material rewards.

Non-financial rewards include the following: recognition; responsibility; meaningful work; autonomy; opportunity to use and develop skills; career opportunities; quality of working life; and work-home balance.

Contrary to popular belief that money is the greatest motivator, recent research has shown that non-monetary factors such as job satisfaction, type of job, organisational culture, and learning and growth are greater motivators than monetary rewards. However, the best reward system, according to Armstrong, is developed when organisations combine financial and non-financial rewards.

### 3.3.3.5 TRAINING AND DEVELOPMENT

We live in an era of knowledge economy where human capital is regarded as more important than financial capital. Therefore, high performing organisations invest significant resources in continuous training and development of their staff, which often exceeds 10% of their total salary bill. In addition, successful organisations invest significant resources in research and development activities and production of new knowledge. Training and development interventions have a significant impact on staff motivation. When people feel that they are growing and that their organisations are looking after them, they tend to be more inspired and passionate about their work, which ultimately positively affects overall organisational performance.

Training and development should be approached strategically. It should be aligned to the organisational strategy and organisations need to develop an annual skills plans accordingly. Du Toit *et al.* (2002) argue that training is imperative since all employees have to work and continuously develop in an ever-changing environment. Training and development is about expanding knowledge, acquiring skills and changing attitudes.

The public service faces a unique set of challenges in terms of training and development, such as:

- Training done on an ad hoc basis
- Training not linked to performance management
- Favouritism in terms of allocation of training and development opportunities
- Not linking training to organisational skills deficiencies
- Organisational environment not being conducive for application of newly-acquired skills, which often results in staff frustration
- Selection of the cheapest training providers rather than best providers
- Staff turnover resulting from training – when people acquire new skills and qualifications they leave their departments for better jobs elsewhere.

### 3.3.3.6 LABOUR RELATIONS MANAGEMENT

Van der Waldt *et al.* (2002:55) define labour relations as the working relationship between employer and employee, including the rights of each party on how decisions are made and how problems are settled. They further suggest that to maintain sound labour relations, public human resource managers are required to have a wide variety of strategies and mechanisms in place to facilitate employer-employee relations, such as change management, diversity management, conflict management, negotiations and fair labour practices.

Public service departments are large organisations, comprising hundreds of thousands of employees. The departments are represented by the unions, who are major stakeholders in the public service, and are often characterised as militant. The South African labour environment is extremely complex and highly protective of labour rights. Public service unions have brought the economy to a standstill on several occasions by mobilising over one million public servants to participate in strike actions over wage disputes. Therefore, managers must exercise a great deal of diligence in dealings with unions. Labour relations must therefore be managed proactively and strategically for the benefit of both employers and employees.

Some of the common labour relations management challenges faced by public service managers are as follows:

- Managers are not trained in labour laws and procedures
- Labour relations are managed reactively rather than proactively or strategically
- Managers are not trained well in negotiation skills and conflict management
- Financial losses resulting from lost court cases.

### 3.3.3.7 RETENTION STRATEGY AND SUCCESSION PLANNING

Very important aspects of human resource management are retention and succession strategies. Retention is about proactive planning and putting in place strategies to minimise staff turnover, especially senior managers and people with scarce skills. General knowledge is that it is significantly more expensive to recruit new staff than to invest in the retention of existing staff.

Succession planning is a process of identifying potential vacancies in management or important positions and developing replacement strategies (Regenesys, 2007). It is a proactive approach to dealing with the problem of losing important workers due to a variety of reasons such as unexpected resignations, disease and death.

Retention and succession strategies may include various activities, such as: mentoring; development of long-term career paths; job rotation; promotions; diversification of responsibilities; training and development; regular communication; and real interest in employees.

Succession planning in the public service is an extremely important activity because of a persistent problem of high staff turnover of senior management staff. However, it is difficult to implement succession planning in the public service because of the policy of open applications for posts.

Well-implemented retention and succession strategies have numerous positive benefits for an organisation, such as:

- Prevention of organisational crises, paralysis and shocks caused by unexpected resignations of senior managers and leaders
- Proactive and strategic management of human resources
- Staff motivation and consistency of organisational performance.

### 3.3.4 QUALITY MANAGEMENT

The performance of all organisations, especially public service organisations, is ultimately judged against the quality of services and products they deliver. Quality is a key indicator of performance on all levels - organisational, departmental, team and individual. Maintaining or improving levels of quality requires systems and processes for managing quality. Quality management requires a proactive, systematic and strategic approach – it requires support from top management and continuous investment of resources. Without support from top management and investment in improving quality, there is a high probability that the quality of service levels will deteriorate and that products will become obsolete.

Quality management must not be the responsibility of only top leaders and managers, it should be everyone's responsibility, from the manager to the cleaner. Organisations must instil a culture of quality – where every employee is aware of the importance of quality and everyone continuously thinks and acts in the interest of improving quality.

There are various quality management systems designed to ensure that quality is continuously monitored and that corrective actions are taken when quality problems are identified. One of the most widely-accepted quality management systems is the ISO 9000 system, an international quality management system which defines processes required for management quality and which links quality with all other management systems such as strategy, policy, performance management and human resource management. Organisations that successfully implement the ISO quality management system receive ISO accreditation, which in South Africa is awarded by the South African Bureau of Standards (SABS). ISO verification and reaccreditation processes are conducted regularly, and ISO certification is a proof that the organisation has a functional quality management system.

In 1997, the South African public service developed a quality management policy called 'The White Paper on the Transformation of the Public Service' (Batho Pele – people first). The programme identifies eight principles of quality that public service staff should implement:

- Consultation
- Service standards
- Access
- Courtesy
- Information
- Openness and transparency
- Redress
- Value for money.

Charles Deming is a recognised expert on quality management. Deming, cited in Knipe *et al.* (2002:235-238), presents a comprehensive quality management model called Deming's 14 points, as presented below:

- Point 1: Create consistency of purpose for continual improvement of product and services
- Point 2: Adopt the new philosophy for economic stability
- Point 3: Stop dependence on inspection to achieve quality
- Point 4: End the practice of awarding business on the basis of price alone and minimise total cost by working with a single supplier
- Point 5: Constantly improve every process for planning, production and services
- Point 6: Institute training on the job
- Point 7: Adopt and institute modern methods of supervision and leadership
- Point 8: Eliminate fear
- Point 9: Break down barriers between departments and individuals
- Point 10: Eliminate slogans, exhortations and targets for the workforce
- Point 11: Eliminate numerical quotas for the workforce and numerical goals for management

- Point 12: Remove barriers that prevent people from workmanship and eliminate the annual rating and merit system
- Point 13: Institute a vigorous programme of education and self-improvement for everyone
- Point 14: Put everybody in the organisation to work to accomplish the transformation.

Deming's model approaches quality management from a holistic management perspective and involves elements of strategy, change and performance management.

Deming's point 11 argues for removing numerical goals. The widespread adoption of the Total Quality Management (TQM) movement by public and private organisations has stimulated an attack upon the formal performance appraisal process in general, and, more specifically, upon the performance appraisal interview itself (Kikoski 1999:301). Proponents of TQM argue that the adoption of TQM minimises the need for the performance appraisal process. Opponents of TQM argue that TQM is continuously advocated but is not necessarily effective (Noutomi and Nakanishi, 2007:1393).

However, abolishing performance measurement may be inappropriate within the public sector context. Removing performance indicators within the public sector might lead to chaos, anarchy, loss of direction and discipline, render organisations unmanageable and reduce organisational performance. Eliminating numerical targets might be appropriate for certain types of institutions, such as small businesses or research teams, but not for large and complex bureaucracies such as the public service. Large organisations require targets, direction, rules, policies and discipline for their optimal performance.

In this regard Grote (2008:38) states the following:

*“Some have long campaigned for the abolishment of performance appraisal altogether, citing the dubious accuracy of the data generated, the ill-designed forms, and the*

*discomfort of managers and employees alike in using the process. Indeed, a few companies have tried eliminating formal performance-appraisal mechanisms – only to find that things seem to get worse. Goal-setting doesn't happen. Without the goad of a formal requirement, managers hold even fewer feedback discussions. Employees don't know where they stand. Salary administration gets more cumbersome, and companies discover that they have ended up with a bunch of itty-bitty unconnected systems.”*

### **3.3.5 FINANCIAL MANAGEMENT**

Financial performance is one of the key indicators of overall organisational performance. In the private sector, the bottom-line indicator of performance is profitability. In the South African public service, the Auditor-General's audit is an indicator of financial management of a particular department – an unqualified audit report means that the department has managed finances well, while a qualified audit report means that there are reservations regarding financial management in that department.

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The Public Finance Management Act (PFMA) of 1999 was promulgated in order to promote the objective of good financial management and to maximise service delivery through the effective and efficient use of the limited resources within national and provincial government.

The key objectives of the Act include:

- Modernising the system of financial management in the public sector
- Enabling of public sector managers to manage, but at the same time be held more accountable
- Ensuring timely provision of quality information
- Eliminating waste and corruption in the use of public assets.

Regenesys (2007) conducted research to identify financial management challenges facing the South African public service. This project formed part of a



larger initiative of developing a financial management training programme to address the financial management capacity development needs in the public service. The research involved interviews with national and provincial government officials from major departments such as health, education, police, social services and housing. In addition, financial management policies and legislation were reviewed, as well as international and local best practice in financial management.

In this regard, Regenesys (2007) presents major financial management challenges facing the South African public service, as follows:

- Improving value for money of public service delivery
- Improving effectiveness
- Increasing efficiency
- Reducing corruption
- Reducing waste or fruitless expenditure
- Improving service fee recovery processes, for example in hospitals
- Managing change from cash accounting to the accrual accounting system
- Developing financial management skills and capacity
- Aligning budgets with policies, business plans, programmes and projects
- Raising financial management awareness among all staff and managers, financial and non-financial managers
- Aligning financial management systems to best international practice
- Improving budgeting process
- Lacking incentives to save because savings go to a general revenue fund
- 'Fiscal dumping' or increasing unnecessary spending towards the end of the financial year to avoid a future budget cut
- Changing policy without examining extensively all the financial implications, for example introducing free health or education
- Lacking resources to address inherited disparities in facilities and services in previously disadvantaged communities.

### 3.3.6 CULTURE

Organisational culture plays an important part in overall organisational performance. Organisational culture can be defined as a set of values, beliefs, principles and behaviours, which distinguish one organisation from another. French and Bell (1995:5) define organisational culture as “the values, assumptions and beliefs held in common by organisation members which shape how they perceive, think and act”. Some of the main functions of the organisational culture are to create a sense of belonging to the organisation, to generate trust, commitment and loyalty, and to build the dignity and job satisfaction of its staff.

Common features of a deficient organisational culture are:

- A lack of common vision
- Low morale
- Absence of trust amongst various organisational units
- Racial or professional tensions
- Crisis management, destructive power struggles and conflict
- High levels of stress, staff disillusionment and high staff turnover.

Organisational culture deficiencies are interrelated with, and often caused and reinforced by the organisational structure, strategies, processes and capacity. From the systems theory point of view, a pre-requisite for resolving a department's culture deficiencies and improving organisational performance involves addressing the interrelated deficiencies amongst the above-mentioned key organisational elements. Therefore it follows that organisational development is a process of fundamental change in an organisation's culture, and that the culture must be altered if permanent change is to occur.

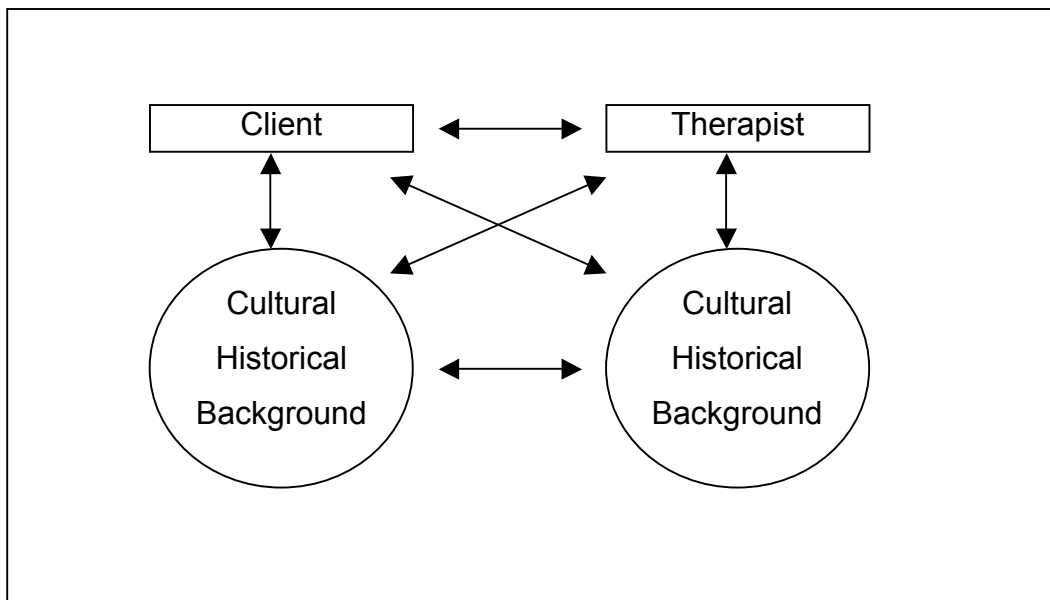
From an organisational culture perspective the South African public sector is a highly complex organisation, characterised by an extreme form of diversity: cultural, racial, tribal, gender, age, professional, economic and political.

Therefore, diversity management and communication within a diverse organisational environment becomes one of the most crucial competencies of public sector managers. In this regard, Ivey (1987) cited in Kikoski (1999), states the following:

*“Interpersonal communication in an intercultural context may not involve communication simply between the two individuals who are physically present, therapist and client, but rather there may be four participants in the interview: the counsellor or therapist and his or her cultural/historical background, and the client and his or her cultural/historical background ... what sometimes appears to be the therapist talking with the client may actually be the two cultural/historical backgrounds talking with each other.”*

To address a challenge of communication in a multicultural context, Ivey (1987), cited in Kikoski (1999), developed a model for effective interpersonal communication named Not Two People, But Four Participants, as presented in Figure 3.6.

**FIGURE 3.6: NOT TWO PEOPLE, BUT FOUR PARTICIPANTS**



Source: Ivey (1987).

An existing organisational culture is generally recognised as one of the greatest obstacles to change. This is especially relevant for large and bureaucratic public service departments who are trying to reinvent themselves in a post-bureaucratic way. In this regard, Sanger (2008:79) argues that when efforts are still foiled by the recalcitrance of deeply seated bureaucratic norms and inhospitable authorising environments, changing an organisational culture is a significant challenge.

Leadership capability to change an organisational culture is critical to ensuring sustainable change and success (Rainey 2003; Kotter 1995). In this regard Sanger (2008) states the following:

*“An essential dilemma for leadership in transforming jurisdictions or agencies exists: how to structure the system and exercise leadership to modify behaviour and allow contributors to learn and adapt to new values when they have been acculturated and reinforced for staying out of trouble and doing their jobs within their narrow band.”*

Changing the culture of a public sector department is a very difficult process. In this regard, Yang (2007:370) states that the challenge for public managers is to construct a strong culture that integrates various structural components so that they are balanced and provide synergy. The author argues that public sector organisations are less supportive of performance management, possibly because they are authoritarian in nature, representing the power and enforcing the law of the State.

Furthermore, the author argues that general distrust in public organisations may lead officials to be more defensive, risk-averse, self-protective and authoritarian, which in turn renders them less adaptable to change. This implies that in order to facilitate new performance management ideas, rigid hierarchical structures must be replaced, organisational layers reduced, team-based organising encouraged, and procedural controls reasonably loosened (Yang 2007:369).

### **3.3.7 ORGANISATIONAL PROCESSES AND INFORMATION TECHNOLOGY**

Organisational processes are key leverage points for achieving organisational improvement. Organisational performance is influenced by the effectiveness and efficiency of the organisation's key processes such as communication and information management, planning, coordination, administration, knowledge management, HR and finance. Synergy among these processes leads to speed, efficiency and success while lack of synergy leads to blockages, staff demotivation and poor performance.

Successful organisations use Information and Communication Technology (ICT) to achieve speed, efficiency and to improve quality of service delivery. In the public service, ICT can help to significantly reduce the cost of service delivery and to eliminate layers of bureaucracy, blockages and duplications. In terms of service delivery, information technology can be successfully utilised to improve efficiency of service delivery in major sectors such as education and health through e-government initiatives such as e-learning and telemedicine.

Developments in information and communication technology such as the Internet, mobile phones and digital interactive TV, have a major impact on government, fundamentally altering the way the government performs its key functions. ICT allows management and the dissemination of information and knowledge, which traditionally have not been possible due to a scarcity of human resources. Boivard and Loffler (2003) argue that increasing public sector interest in e-government and online democracy will help to restore the legitimacy of political institutions, by increasing their accessibility and responsiveness.

Some of the major ICT challenges that the South African public service is experiencing are as follows:

- Lack of utilisation of ICT to deliver public services

- Poor utilisation of ICT to improve internal operations and knowledge management
- Poor use of information for planning purposes
- Technical problems of integration of various government computer systems
- Security
- Access and the digital divide between rich and poor.

With rapid ICT developments, the role of ICT in performance management and government service delivery will play an ever-increasing role. Therefore, public sector managers must continuously explore ways of utilising ICT to improve public sector performance. As this is the information age and knowledge economy we live in, any future government will increasingly become an e-government and a future democracy will become an online democracy.

### **3.4 DIFFERENT PERFORMANCE MANAGEMENT APPROACHES AT THE ORGANISATIONAL LEVEL**



There are various approaches to performance management at the organisational level. Some approaches focus on key outputs such as finance and attainment of outcomes, while others focus on processes and input elements. The focus of this study is on integrated approaches to performance management, which informs the choice of models that are reviewed.

This section reviews the following generic performance management models:

- The Balanced Scorecard approach
- McKinsey Seven S model
- The Strategic Measurement Analysis and Reporting Technique
- Regenesys Integrated Management Model
- Systems Model of Performance Management

### 3.4.1 BALANCED SCORECARD MODEL

The Balanced Scorecard is a widely-used model for performance management in both the public and private sectors. Historically, organisational performance in the private sector was measured on financial results and all other aspects of performance have been perceived as unimportant. Robert Kaplan and David Norton of Harvard Business School introduced the Balanced Scorecard, a model for measuring organisational performance in a comprehensive manner (Kaplan and Norton, 1996).

The Balanced Scorecard model introduces new perspectives that drive financial performance, such as customer perspective, internal business processes perspective, and innovation and learning perspective. This model suggests that managers need to be proactive and focus strategically on factors that generate sustainable success in the long run instead of being focused on short-term bottom-line financial performance only. The model considers the interests of the most important stakeholders, that is, shareholders, customers and staff, and links them with key organisational success factors in the areas of finance, quality and learning. Kaplan and Norton (1996) suggest that the organisational planning process should address the following key elements of performance management and answer the following questions:

**Customer perspective:** Who are our customers? How do we serve them? How do they perceive us? What are their needs? What are their wants?

**Innovation and learning perspective:** How do we improve? How do we continuously learn and stay on top of the latest development in our industry? How do we ensure adequate capacity? How do we improve our HR management practice?

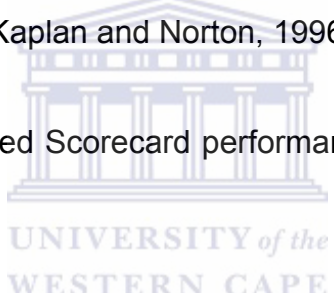
**Business processes perspective:** How can we improve effectiveness and efficiency? How can we improve teamwork and create better synergy across

various business units? How can we eliminate waste? How can we become a faster and smarter organisation? How can we improve business processes and systems?

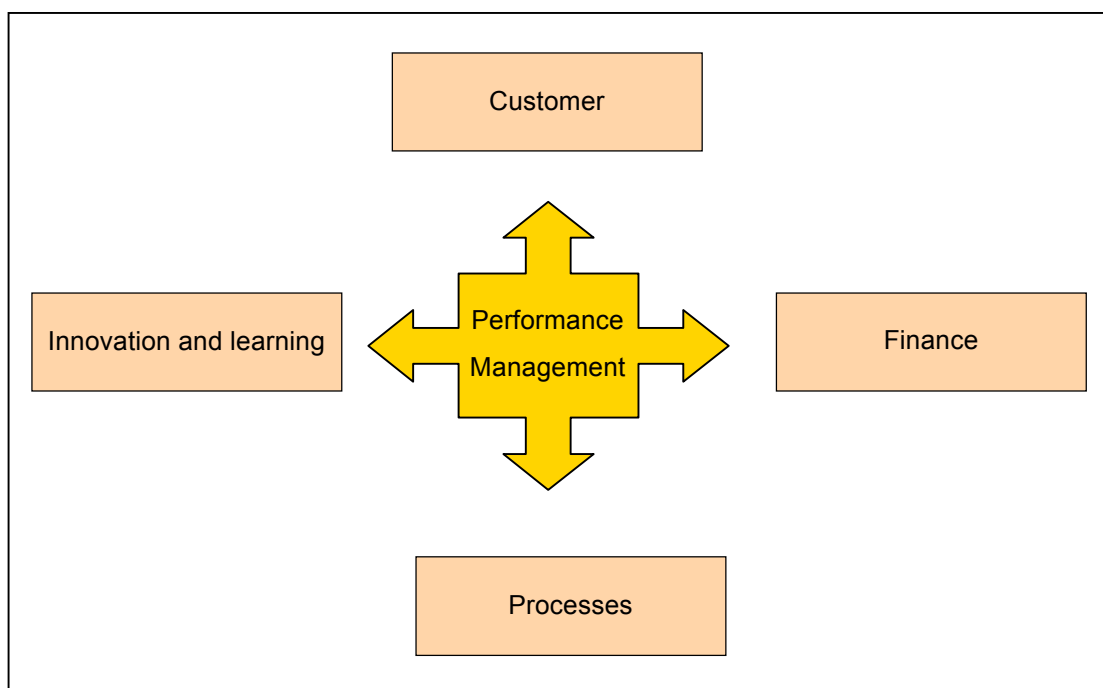
**The financial perspective:** How do we ensure sound financial management? Are we satisfying our shareholders or funders? How can we improve budget management, credit control and debt collection? Are we providing value for money? How can we minimise waste? How can we prevent corruption?

By combining financial and non-financial elements of performance, the Balanced Scorecard model provides managers with more relevant and comprehensive information needed for sound performance management. In order to ensure simplicity and clarity, Kaplan and Norton restricted elements of performance to four areas (Kaplan and Norton, 1996).

Key elements of the Balanced Scorecard performance management model are presented in Figure 3.7.



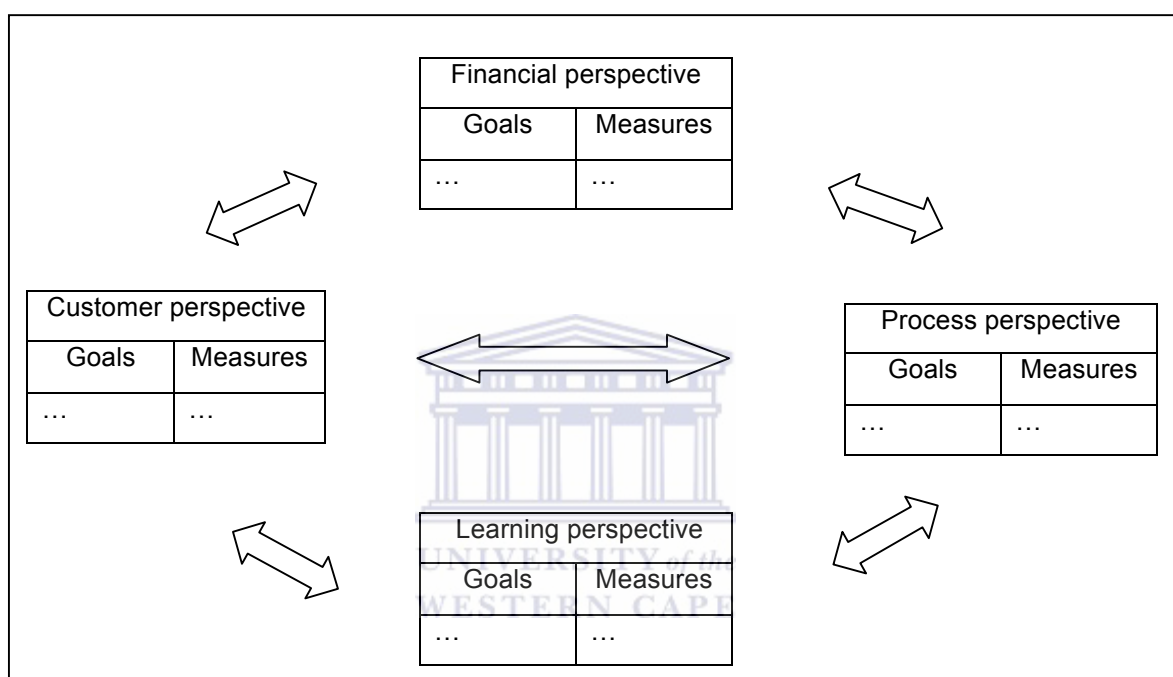
**FIGURE 3.7: THE BALANCED SCORECARD PERFORMANCE MANAGEMENT MODEL**





In the past 15 years, the Balanced Scorecard has evolved from an initially designed performance measurement framework to a strategic management tool. Ian Cobbold and Gavin Lawrie (2002) assert that there are three generations of the Balanced Scorecard. The first generation, as illustrated in Figure 3.8, was concerned mainly with performance measurement.

**FIGURE 3.8: FIRST GENERATION OF THE BALANCED SCORECARD**



Source: Cobbold and Lawrie (2002:2).

The problems experienced with this generation of the Balanced Scorecard model were filtering or the process of choosing specific measures to report, and clustering or deciding how to group measures into perspectives (Cobbold and Lawrie, 2002:2).

The second generation of the Balanced Scorecard framework adopted elements of strategic planning whereby each perspective required defining strategic objectives and their measures. Another development was the introduction of causality whereby causal links between strategic objectives and their measures between four perspectives are analysed and incorporated in the

process of defining strategic objectives and measures. Kaplan and Norton (1996) characterise this development as an evolution of the Balanced Scorecard from an improved performance measurement system to a core management system.

The third generation model of the Balanced Scorecard is a further refinement of the second generation model. It incorporates the concept of a 'Destination Statement' (a vision or picture of an organisation at some point in the future) from which strategic objectives are derived. It was found that by working from destination statements, the selection of strategic objectives and articulation of causality was much easier (Cobbold and Lawrie, 2002:7).

In terms of application within the public service, the Balanced Scorecard model has its strengths and weaknesses. The main strengths include the simplicity of use and focus on major performance success factors such as finance, efficiency, learning and clients. The emphasis on these four key factors helps public service organisations to focus their goals from too many to a few most important ones, which are specific, measurable, achievable, realistic and time-bound, or 'smart'.

Some of the disadvantages of the Balanced Scorecard model within the public service include too much emphasis on financial performance and difficulties in measuring performance and developing indicators in the areas of efficiency, learning and customer satisfaction in the service related industry.

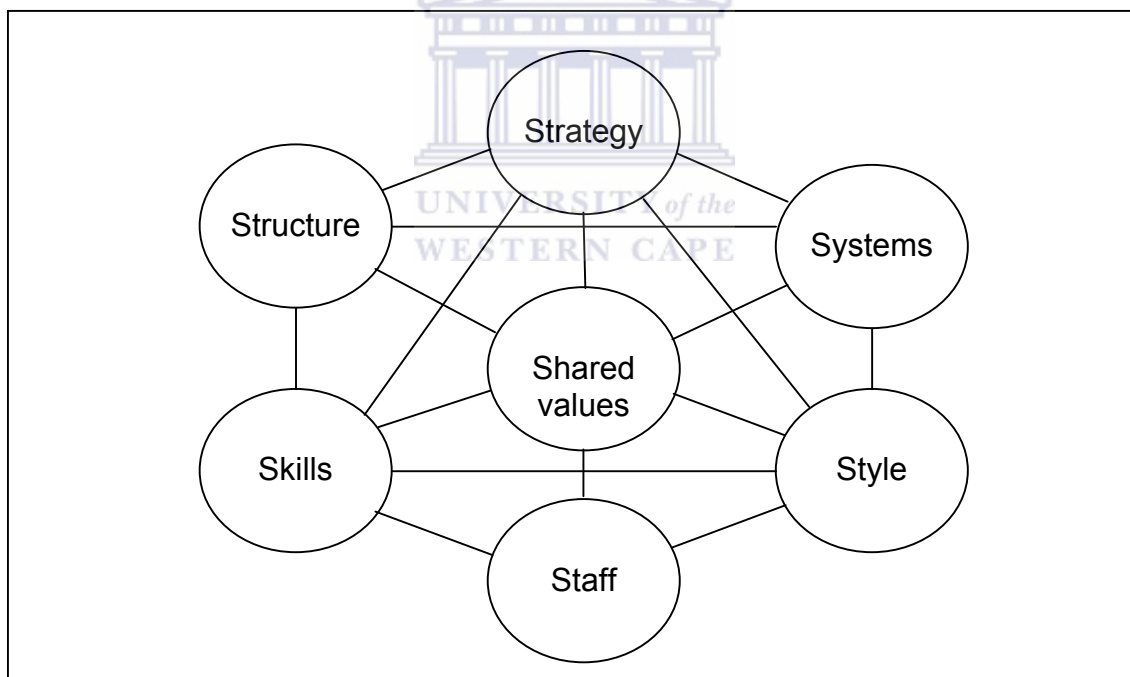
The Balanced Scorecard was originally developed and applied in the business sector. Subsequently, many public service departments adopted it as a strategic and performance management tool. Although there is convergence in the management processes of private and public sector organisations – these two types of organisations remain distinctly different in terms of their purpose, missions and cultures. Therefore, caution should be exercised before applying

models within contexts that are significantly different from the contexts in which they were originally developed.

### 3.4.2 THE SEVEN S FRAMEWORK

The McKinsey 7-S framework was developed as way of thinking more broadly about effectively organising a company (Have *et al.*, 2003:138). The model approaches an organisation from a systems point of view and argues that an organisation comprises the following seven interrelated elements: strategy, structure, systems, shared values, style, staff and skills, as illustrated in Figure 3.9.

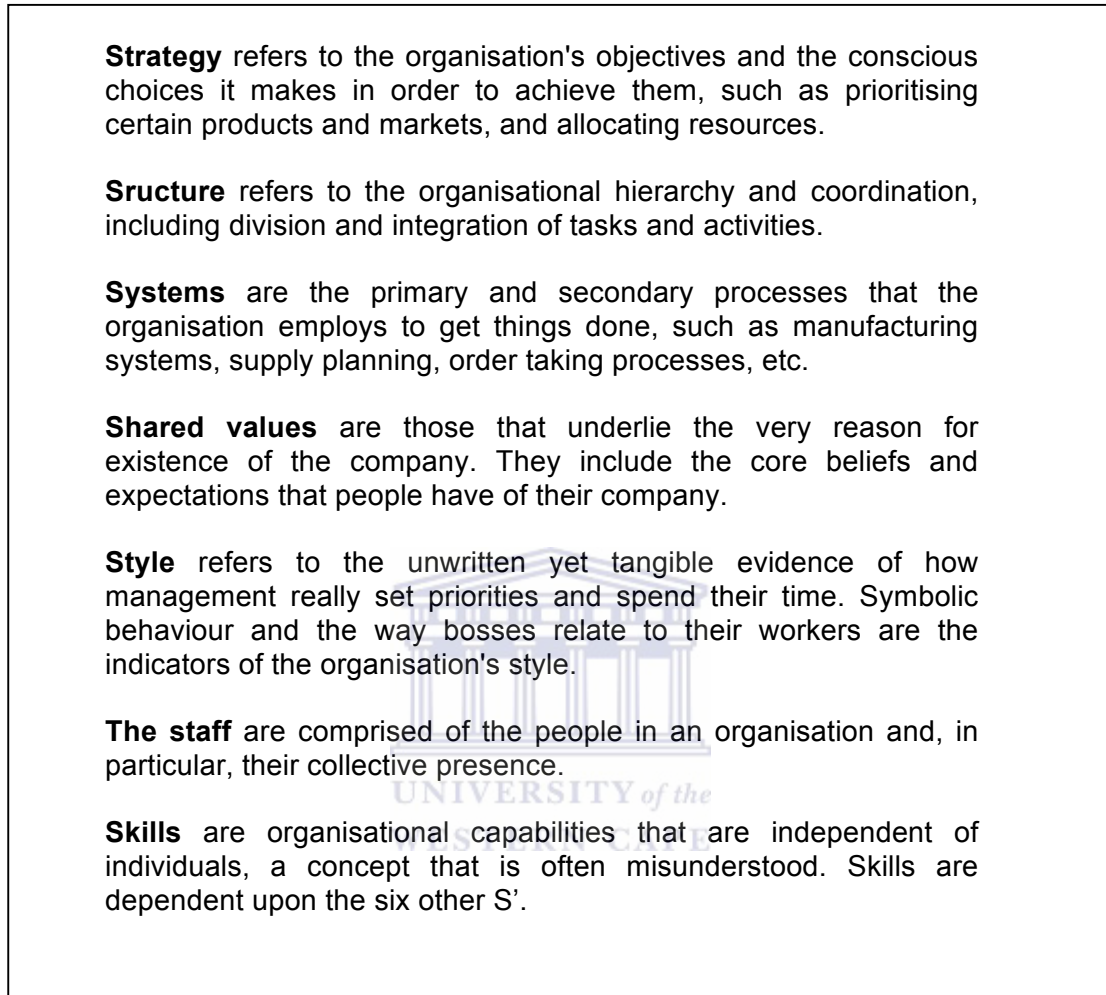
**FIGURE 3.9: THE SEVEN S FRAMEWORK**



Source: 7-S framework, Have *et al.* (2003:139).

The seven organisational elements can be divided into three 'hard' elements (strategy, structure and systems) and four 'soft' elements (shared values, style, staff and skills), as illustrated in Figure 3.10. This model highlights the importance of the 'soft' elements because they are generally neglected in organisational performance improvement initiatives.

### FIGURE 3.10: SEVEN S FRAMEWORK



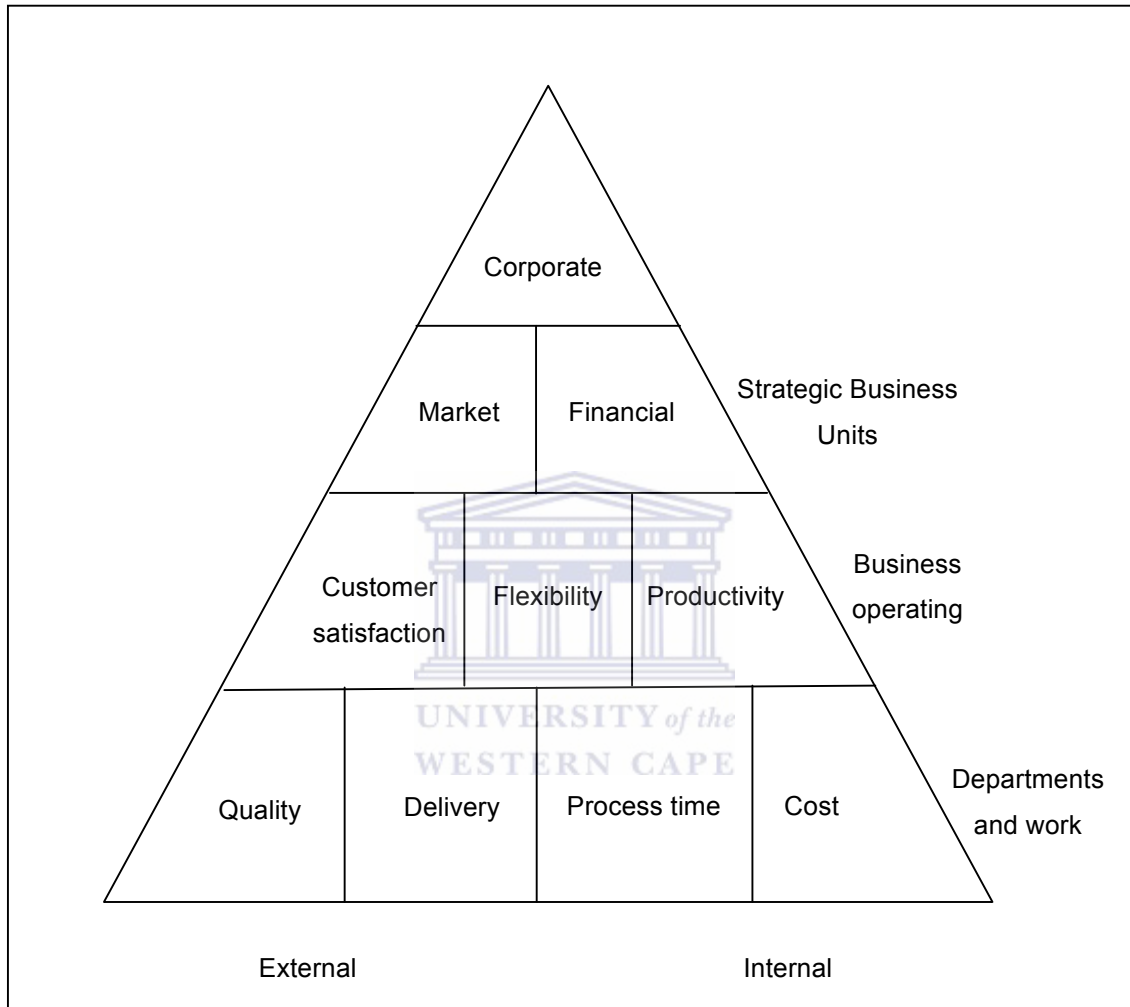
Source: Have *et al.* (2003:138-139).

### 3.4.3 STRATEGIC MEASUREMENT ANALYSIS AND REPORTING TECHNIQUE

The Strategic Measurement Analysis and Reporting Technique (SMART) system is made up of a four-level performance pyramid of objectives and measures (Pun and White, 2005:55).

The model, also known as the Performance Pyramid model, is presented in Figure 3.11.

**FIGURE 3.11: THE STRATEGIC MEASUREMENT TECHNIQUE**



Source: Pun and White (2005:54).

At the top is the corporate vision or strategy. At this level, management assigns a corporate portfolio role to each business unit and allocates resources to support them. At the second level, objectives for each business unit are defined in market and financial terms. At the third level, more tangible operating objectives and priorities can be defined for each business operating system in terms of customer satisfaction, flexibility and productivity. At the fourth level, the department level, customer satisfaction, flexibility and productivity are represented by specific operational criteria: quality, delivery, process time and

cost. As the foundation of the performance pyramid, these operational measures are the key to achieving higher-level results and ensuring successful implementation of the company strategy (Pun and White, 2005:55).

This model elucidates that different organisational levels should have different targets and indicators, which is very relevant in large bureaucratic organisations such as the public service. However, the challenge with implementing this model in the public service is about alignment of goals across various organisational levels, which often exceeds four levels in a large public service department. In addition, the model is mainly externally focused and neglects internal factors such as people, culture, learning and motivation.

#### **3.4.4 REGENESYS INTEGRATED MANAGEMENT MODEL**

Performance management is not an isolated administrative activity confined to performance appraisal – as traditionally understood by many public service managers. Performance management is a complex process involving major organisational stakeholders, processes and elements on all levels – organisational, team and individual. Therefore, a performance management system should be approached from an integrated or holistic perspective.

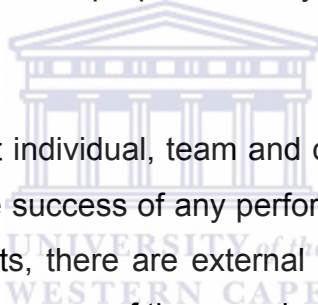
On an organisational level, performance management requires clearly defined goals and objectives, which are cascaded to a departmental, team and individual level. A performance management system should be aligned with the key organisational elements and processes, such as the organisational policies, strategy, structure, skills, capacity, organisational culture and processes.

On a team level, a performance management system requires certain conditions necessary for optimum team performance such as:

- Purpose - which provides direction, inspiration and passion
- Relationships - development of team spirit and a proactive process of managing and developing relationships amongst the team members

- Motivation - mechanisms and processes to ensure team motivation
- Recognition - developing systems which recognise and reward team performance
- Openness - building relationships based on trust
- Flexibility - team members who are multi-skilled and prepared to take on different roles and functions as required by team and organisational needs
- Empowerment - continuous learning and development of individual members.

On an individual level, a performance management system requires recognition that human beings comprise physical, intellectual, spiritual and emotional elements. Harmony or alignment between these four elements is a requirement for optimum performance of an individual. For example, stress, lack of meaning in life, lack of physical exercise or proper diet may affect the performance of an individual.



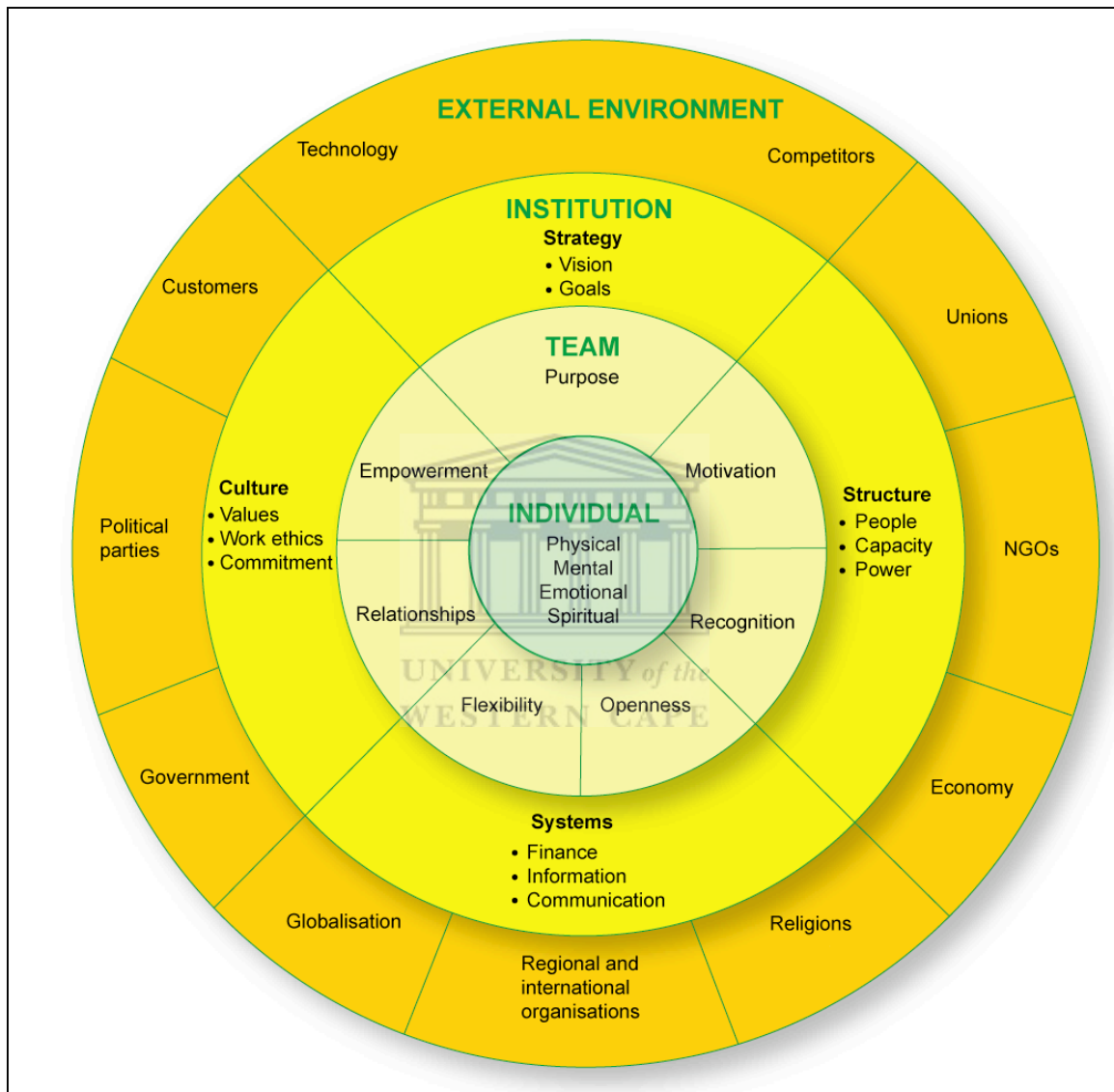
Therefore, synergy amongst individual, team and organisational elements is an absolute requirement for the success of any performance management system. In addition to these elements, there are external forces and stakeholders that have an impact on the performance of the organisation, such as:

- Unions
- Government and its various departments
- NGOs, regional and international organisations
- Economy
- Globalisation
- Technological developments
- Religion
- Political parties
- Customers.

The following diagram reflects various elements that an integrated performance management system should take into account. Harmonisation, synergy and

coordination of these elements lead to high organisational performance, as illustrated in Figure 3.12.

**FIGURE 3.12: REGENESYS INTEGRATED MANAGEMENT MODEL**



Source: Regenesys (2007:7).

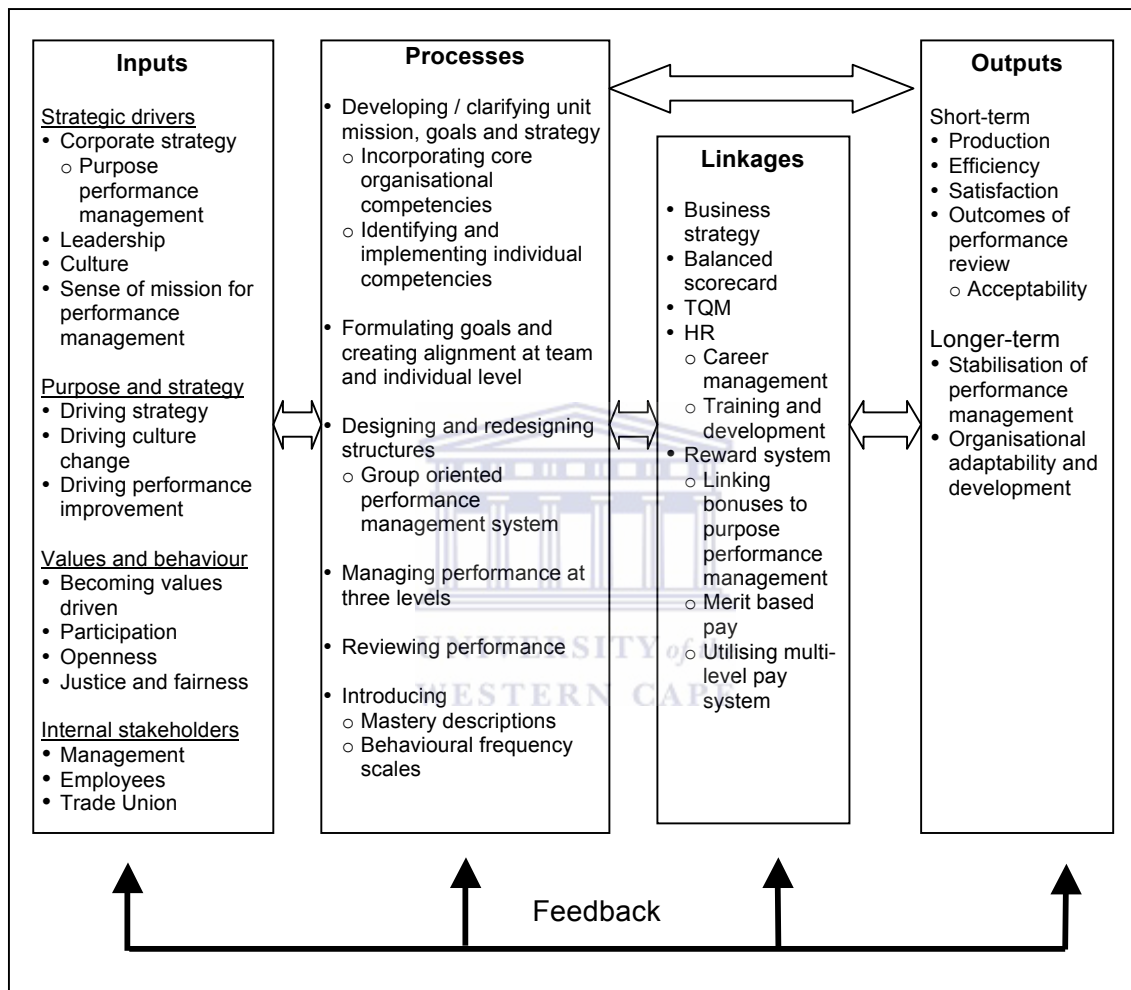
### 3.4.5 SYSTEMS MODEL OF PERFORMANCE MANAGEMENT

After identifying a wide range of problems with performance management in the early 1990s, a Systems Model of Performance Management was developed by Spangenberg and Theron (2001:35). The logic was that a systems approach is



required to resolve multifaceted problems at various organisational levels. The Spangenberg's Systems Model is comprised of inputs, processes, linkages and outputs, as depicted in Figure 3.13.

**FIGURE 3.13: SPANGENBERG'S SYSTEMS MODEL**



Source: Spangenberg and Theron (2001:37) .

Based on this model, the success of a performance management system depends on the inputs into the system. Inputs include issues such as strategy, leadership, organisational culture, purpose, values and behaviours, management and employees.

Processes comprise the essence of the performance management and entail the following:

- Developing departmental vision, mission, goals and strategy
- Cascading goals to team and individual level
- Reviewing organisational structure
- Managing performance at all levels
- Reviewing performance.

According to Spangenberg's model, performance management is linked to human resources management, a quality management system, reward system and business strategy.

Outputs refer to implementation of strategy, which is the delivery of products or services to satisfy a need in the market.

Spangenberg and Theron (2001:35) state that the systems model of performance management is a move from an isolated, mechanistic, HR driven approach to a performance appraisal, towards a comprehensive, integrated business-driven system aiming at organisational and people development. They argue that successful outcomes are achieved when goals are developed in a participative manner, when performance reviews and coaching are conducted continuously, and when an individual's performance is rewarded, based on the outputs of the performance management system.

### **3.5 STRENGTHS AND WEAKNESSES OF DIFFERENT PERFORMANCE MANAGEMENT APPROACHES**

Different performance management models approach performance from different perspectives. Some models focus on outputs, some on inputs and processes, while others approach performance from an integrated perspective. Some models emphasise team performance while others emphasise individual performance. Some organisations emphasise financial performance as a key

indicator of performance. While public companies focus on short-term profitability, public service organisations focus on spending their allocated funds within their current financial year. While generating savings and reserves leads to profitability in the private sector company, having reserves and unspent funds is considered as poor financial practice in the public sector organisation. Therefore performance management models in the private sector may not be appropriate for the public sector.

For example, the Balanced Scorecard model focuses on four key drivers of performance: financial performance, customer satisfaction, efficiency and learning. While this model may be appropriate for a private sector organisation, it may not be the most appropriate model for a public service organisation, because of its emphasis on the financial performance indicator. However, if this model is adjusted by including additional factors, such as, for example, HR, participation or policy objectives, then the model may become much more appropriate to a public service organisation.

Girishankar's Model of Government Capability and Motivation focuses on decentralisation, participation, deconcentrating economic interests, increasing financial transparency and accountability and strengthening civil society pressure on government to continuously improve service delivery. Although these factors are necessary to create a high performing public service, they are of an external nature, which is a major weakness of this model. Sustainable change and organisational performance has to be driven internally, therefore the challenge remains how to induce change and create a high performing public service internally.

The Seven S framework approaches organisational performance from a systems point of view. The model suggests that organisational performance depends on synergy between strategy, structure, systems, shared values, style, staff and skills. Although the model should be commended for its integrated approach to performance, its weakness is that it tends to be too abstract. The

public service managers may face great challenges in applying it or institutionalising it within the public service context. Furthermore, this model does not sufficiently take into account how the 7s interrelate with the external environment. This model is therefore too internally focused.

The Strategic Measurement Analysis and Reporting Technique (SMART), also known as the Performance Pyramid Model, suggests that different goals should be defined for different organisational levels. This is very relevant for large and bureaucratic organisations like the public service. However, the challenge is to align goals across various organisational levels. This model can be criticised for being mainly focused on external goals while neglecting internal factors such as HR, learning, innovation, culture and similar.

Spangenberg's Systems Model of Performance Management proposes that performance management is related to business strategy, human resource management strategy, a quality management system and reward system. Their model can be commended for shifting emphasis from a traditionally isolated, mechanistic, HR driven approach to performance appraisal towards an integrated business driven system aiming at organisational and people development. Spangenberg and Theron (2001:35) argue that high performance is achieved when goals are developed in a participative manner, when performance reviews and coaching are conducted continuously and when an individual's performance is rewarded based on the outputs.

A review of different approaches to performance management reveals both strengths and weaknesses of various models. Some performance management models are more appropriate for public service organisations while others are more appropriate for the business world. Public service organisations operate within very different contexts to private sector organisations. Public service organisations have a different purpose and mission. They exist to provide public goods and services and not to make profit, expand or conquer competition. The public service operates within the context of politics, policies, bureaucracy, rules

and regulations. Therefore public service departments must exercise a great deal of caution when embarking on performance management system implementation. Implementing the wrong system can be a very costly and destructive exercise. Therefore, public service departments must ensure that the most appropriate performance management system is chosen and customised to suit their own particular context.

### **3.6 SUMMARY**

This chapter has explored the influence of the institutional environment on performance management in the public sector. Relationships between performance management and major management functions and organisational elements, such as strategy, structure, culture, HR, ICT, finance and quality, were investigated. Alignment between strategy and performance management was highlighted as a fundamental requirement for the success of a performance management system. Support and participation of leadership in implementing performance management systems was identified as one of the most critical success factors. Creating an enabling organisational structure, which allows managers autonomy to manage, was highlighted as another critical success factor. Developing an organisational culture that allows people to express their potential and innovation was identified as an absolute requirement of a high performing organisation. Recruiting and retaining competent and motivated human resources was recognised as a key success factor of any performance management system. Utilising information and communication technology, efficient management of financial resources, and continuous quality improvement processes were also identified as fundamental requirements for the success of performance management systems.

The role of motivation within performance management was explored and identified as a fundamental success factor. Various motivational theories were reviewed and their appropriateness to the public service was explored. The greatest challenge in performance management is not about developing

sophisticated models and smart documents, but it is about people and behavioural change processes. However, changing behaviours and attitudes of public service is a very complex process. Bureaucratic structure, old public service culture and paradigms, rules and regulations render behavioural change interventions as an almost impossible challenge at which to succeed. A simple reality, generally overlooked by managers, is that motivated people make high performing teams and organisations.

This chapter has explored different performance management models. Different models approach performance management from different perspectives. Some focus internally and narrowly on limited factors, such as, for example, the Balanced Scorecard which focuses on financial performance, while others are mainly externally focused such as the Strategic Measurement Analysis and Reporting Technique. Some models, such as Seven S, Regenesys Integrated Management Model, and Systems Model of Performance Management, attempt to approach performance from an integrated perspective, but they tend to be too theoretical or abstract, which makes implementation in the public service challenging. Some models are not appropriate to public sector organisations because of fundamental differences between public and private sector organisations. Therefore, application of performance management systems within the public service requires customisation of existing models to suit the particular needs and environment within which public service organisations function.

The common thread throughout the exploration of performance management and motivation at the organisational level is the integration of management systems and processes. Harmonisation of various elements of a performance management system and creating an enabling institutional environment are identified as fundamental requirements for a successful performance management system. The following chapter explores the theoretical framework and foundations for the design of an integrated performance management system.

# CHAPTER 4: THEORETICAL FRAMEWORK FOR THE DESIGN OF AN INTEGRATED PERFORMANCE MANAGEMENT SYSTEM

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## 4.1 INTRODUCTION

An integrated performance management system has been identified as a central theme of this study. The principle of integration is based on the concept of Systems Theory, which argues that all systems and subsystems are interconnected and that change in one system affects change in all other systems (Wheatley and Kellner-Rogers, 1998). In order to have optimum performance of a system, there must be a synergistic, harmonious or constructive interaction amongst the various subsystems. In this regard Senge (2005:1047) states the following:

*“We live under a massive illusion of separation from one another, from nature, from the universe, from everything. We are depleting the earth and we are fragmenting our spirit. The symptoms are pollution, anger, and fear. Everything in our culture is about the management of impressions and appearances, from physical fitness to the way we dress. And yet on another level we know it’s all bullshit...”*

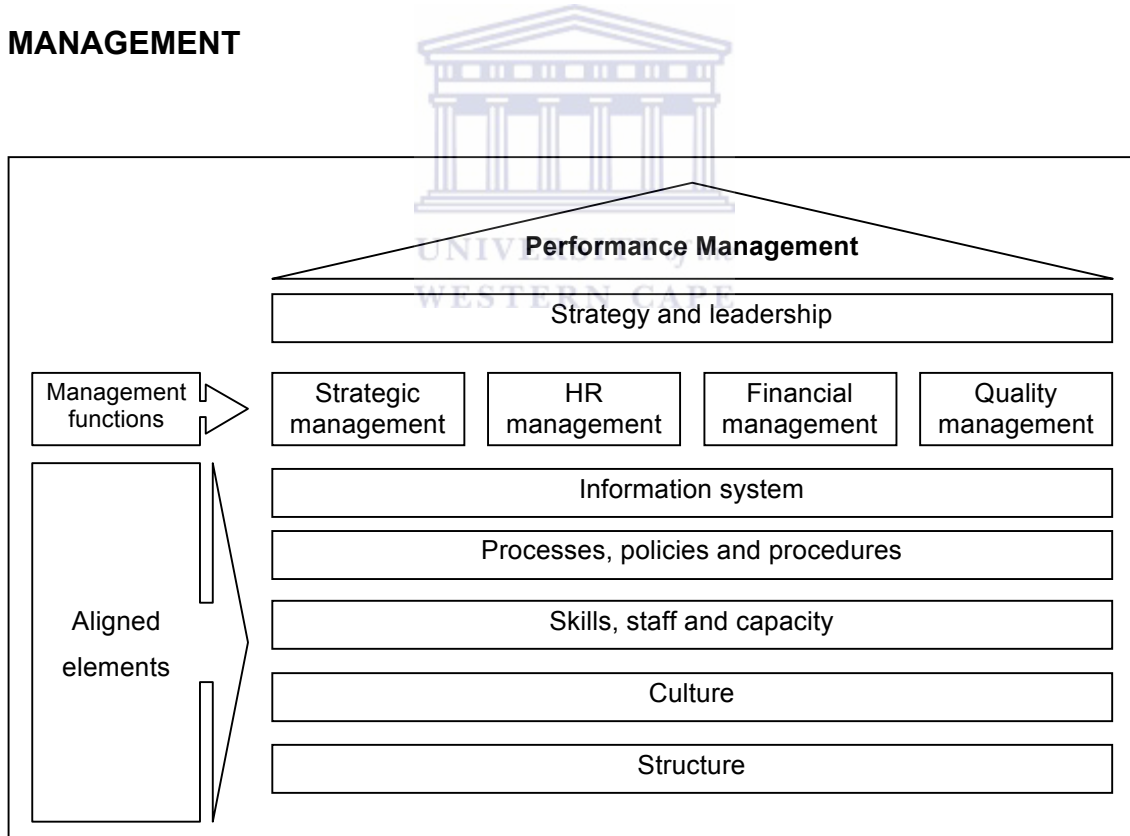
Senge (2005:137) states that the systems are defined by the fact that their elements have a common purpose and behave in common ways, precisely because they are interrelated toward that purpose. From a performance management perspective, an organisation is an ever-changing system united around its common purpose and continuously influenced by its external systems (economy, government, technology, competitors, globalisation) and its internal subsystems (strategy, HR, finance, structure, culture, information and communication systems).

A performance management system consists of various interrelated subsystems on levels of the individual, team and organisation. Therefore the

design considerations for a performance management system should include all these subsystems. Each of the subsystems has its own internal needs which need to be fulfilled in order to achieve optimal performance of the subsystem. Also, because of the interrelatedness, each of the subsystems has to make a contribution towards the sustainability of the greater system.

On an organisational level, various management subsystems, processes, organisational structure, strategy and culture influence the performance management system. According to DPSA (2002) optimum organisational performance requires integration and harmonisation of the key organisational elements and processes, as presented in Figure 4.1.

**FIGURE 4.1: INTEGRATED APPROACH TO PERFORMANCE MANAGEMENT**



Source: DPSA (2002:25).

In addition to synergy among the above elements, a successful performance management system requires constructive consultation of an organisation's key



stakeholders. Major stakeholders, such as management, staff or unions, have to be brought on board and their buy-in should be ensured through a consultative process. Without their buy-in, the process does not stand a strong chance of success.

A lack of integration of the above-mentioned elements and stakeholders leads to blockages, duplication, waste, destructive conflict, power struggles and staff demotivation. An integrated approach helps to direct all organisational energies towards the same goal, which ultimately ensures a greater success rate of the performance management system.

On a team level, the optimal performance of a team requires common purpose, good relationships and trust amongst team members, fair or appropriate power distribution, recognition, flexibility, openness, communication and motivation. However, if a team is dysfunctional and team performance does not contribute towards the organisational vision or individual needs, a problem is created which ultimately affects the performance of the whole organisation.

On an individual level, human beings have physical, intellectual, emotional and spiritual needs (Covey, 2004). Their optimal performance is therefore related to the attainment of these needs. So, for example, if an organisational or team environment does not provide for the attainment of emotional or spiritual needs, there might be a conflict of needs, which ultimately leads to reduced performance.

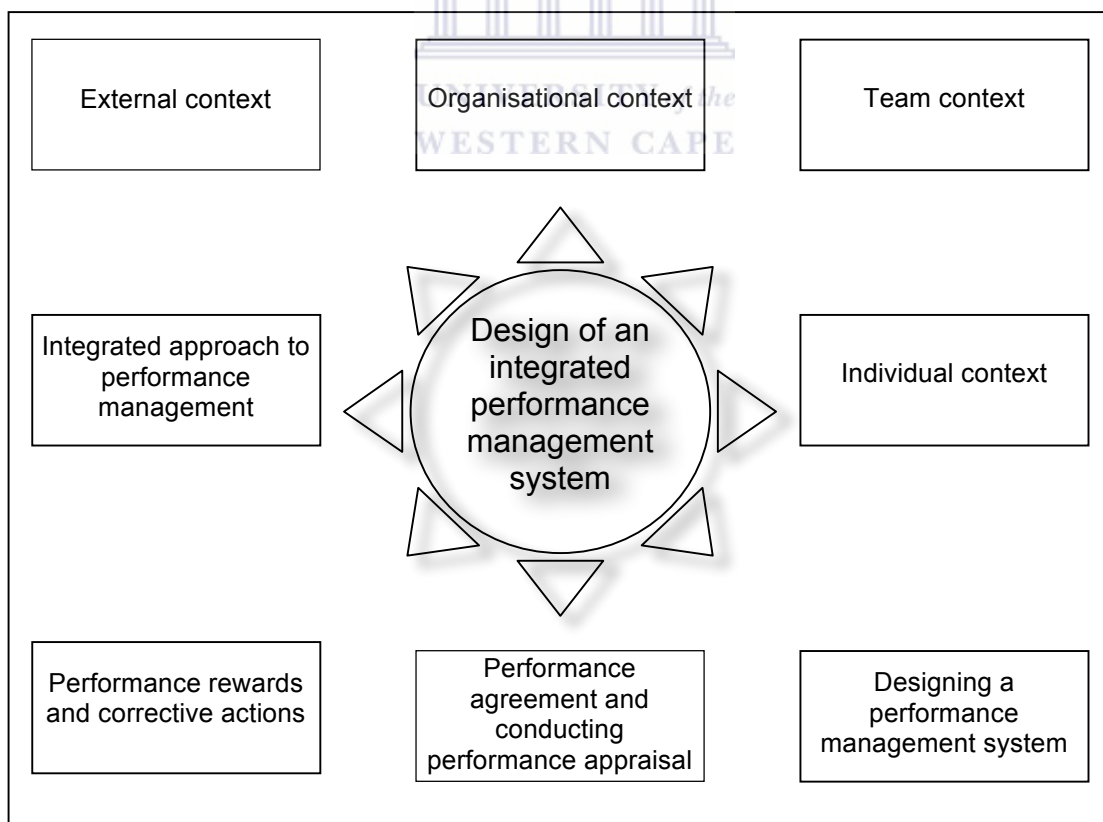
Similarly, if individual performance does not contribute towards the achievement of team or organisational goals, a blockage is created which ultimately affects the performance of both the individual and the organisation. Hence, in order to ensure the optimal performance of both individuals and an organisation, a level of fairness and reciprocity is required among individual and organisational contributions.

This Chapter explores issues of integration of various subsystems within the performance management system. This is done on individual, team and organisation-wide levels of performance.

The following aspects of a performance management system design within the public service context are explored: external context; organisational environment; individual needs; team context; designing the performance management system; implementing and managing the performance management system; rewarding performance; and monitoring and evaluation of the performance management system.

Figure 4.2 presents the structure of Chapter Four.

**FIGURE 4.2: COMPOSITION OF CHAPTER FOUR**



## 4.2 EXTERNAL CONTEXT

Performance management is a complex and difficult system to implement in the public sector. Public sector departments operate within the broader government system of policies, strategies, programmes and financial arrangements. Individual departments operate within large bureaucratic structures, which have predetermined and defined goals and priorities. Within this context, there is very little autonomy for individual departments and managers to design and implement a performance management system that suits their own environment.

Performance management system guidelines are developed by the Department of Public Service and Administration, while salary structures and performance bonus rewards within the performance management system are negotiated on a national level through bargaining chambers, which include unions and government representatives.

On a policy level, departmental policies and strategies are to a large extent determined by national goals and priorities. So for example, a budget and the priorities of a hospital are predetermined by the national health priorities of extending access to health care to previously disadvantaged communities. In this case, it means that financial resources will be shifted from hospitals, which traditionally served urban and white populations, to primary health care clinics, which serve rural, and previously disadvantaged populations. In this particular example, a hospital has limited or no say in terms of its priorities or financial allocations.

Public sector departments, for example a school, hospital or police station have little autonomy and authority to design their own performance management system that fits their own particular circumstances. In addition, managers of schools, hospitals or police stations have limited authority to financially

incentivise excellent performance or to disincentivise poor performance because financial reward systems are decided at a national level.

Budgets are decided on a broader government level and individual departments have minimal authority over their departmental budgets. Even high performing departments, which are effective and efficient, do not have much autonomy to utilise their funds to reward high performance or to invest in the development of their institution, infrastructure improvements, technology, staff or expansion.

The environment of a large bureaucratic organisation creates several major challenges in terms of performance management, such as:

- Managers are left with little autonomy and authority to manage
- Innovation and creativity are stifled
- Staff demotivation
- Promotion of a culture of mediocrity rather than excellence
- High staff turnover, especially of high performers who are employable elsewhere
- Financial mismanagement, waste, and fruitless expenditure occur, especially towards the end of a financial year.

The external environment within which individual public sector departments operate is not very conducive to the implementation of performance management systems. Much energy is wasted in dealing with the challenges of bureaucracy, which could be put to much better use in improving organisational performance and ultimately the quality of service delivery to the public. Unlike the public sector, private sector organisations are decentralised and managers have much greater powers and autonomy to manage. Managers in the private sector have much greater authority to design performance management systems which encourage good performance, discourage poor performance, motivate staff and promote high organisational performance overall.

However, although the external performance management environment for individual departments is difficult and complex, the challenge remains for public sector managers to design performance management systems that will be successful within the given constraints of the external environment.

The following are key performance management system design considerations related to the external environment:

- Alignment of departmental goals with higher order goals, for example, alignment of hospital goals with the goals of the National Department of Health.
- The system needs to promote intersectoral, intrasectoral and interdepartmental cooperation. Complex public problems can be resolved only through the joint efforts of multiple institutions.
- Managers need to 'manage' bureaucracy. Despite all of the constraints of a bureaucratic system, public sector managers must learn how to circumnavigate obstacles innovatively and creatively.
- Managers must be able to understand the external environment and they must act proactively to minimise the negative impact on their organisation. For example, if there is an electricity crisis in the country, managers should try and get power generators as back-ups to ensure proper functioning of their organisation.

### **4.3 ORGANISATIONAL CONTEXT**

Organisations exist to fulfil certain purposes – to provide products or services to society or to address needs within the market economy. Organisations operate within the context of organisational vision, mission, strategy, goals, culture, structure and processes. The purpose of a performance management system is to enhance the achievement of organisational goals. Therefore, the design of a performance management system must be located within the organisational context.

The notions purpose, vision and mission are often used interchangeably. However, their common meaning is related to the reasons for the organisation's existence and to what the organisation would like to become in the future.

Johnson and Scholes (2001) argue that the purpose of a public service department is to produce a public value – that is, value which is intended for public or collective consumption rather than private consumption. Public value includes products and services such as the education system, justice system, provision of roads, water, etc.

Regenesys (2007:28) argues that a well-defined organisational purpose/vision/mission should be:

- A short and powerful statement of intent
- Easily remembered
- Developed and approved by staff and key stakeholders
- 'Lived' in the life of the organisation
- More than a paper document
- Re-examined periodically.

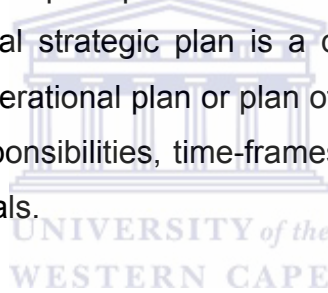


From the above, it follows that organisations must have a well developed purpose and vision. A well-defined organisational purpose provides answers to the fundamental and existential question of 'why' or the reason for existence. A well articulated organisational vision provides answers to questions of 'what' and 'where' the organisation is going to be in the long-term, for example in the next five, ten or twenty years. Answers to these questions are important, as they provide a sense of long-term organisational direction, and they are a source of inspiration and commitment for staff.

In this regard, Saravanja (2006:1) states the following:

*“Have a vision. Think big. Dream. Personal and business success is created twice, first in the mind and then in the external world. Vision is a source of motivation, passion and success. If you strive for the impossible you will achieve the best possible. Take the risk, be courageous, become extraordinary. You are on this planet to accomplish a unique mission. Believe in the beauty of your dreams. Do not stop dreaming.”*

After establishing their vision, organisations should develop goals that will direct them towards achievement of the vision. In order to achieve goals, organisations need to develop strategies. In addition, organisations need to define values and principles that will guide human interaction. Organisational vision, strategies, values and principles should be documented and regularly reviewed. An organisational strategic plan is a document which defines the vision, goals, values and operational plan or plan of action. An operational plan specifies key activities, responsibilities, time-frames and resources required for achieving organisational goals.



From a performance management point of view, a well-defined strategic plan is a prerequisite for the development of a performance management system. If the organisational vision, goals and operational plans are not well developed, it becomes difficult to define and implement them on a departmental or individual level. For example, if the organisational vision is too long to remember, ordinary or not unique, it becomes difficult to inspire meaning, passion and commitment in staff. If organisational goals are not 'smart' i.e. specific, measurable, achievable, realistic and time-bound, it becomes very difficult to cascade them to departmental, team and individual levels. Hence, it follows that strategic planning weaknesses affect the performance management system negatively.

In terms of challenges of strategic planning, Regenesys (2007:46) identifies the major causes of strategic planning failure in the public sector as follows:

#### **FIGURE 4.3: CAUSES OF STRATEGIC PLANNING FAILURE**

- 
- *Lack of political or top management commitment and support*
  - *Poor leadership*
  - *Poor strategic planning process*
  - *Operational plans are not well developed*
  - *Unrealistic or idealistic operational plans*
  - *Lack of skills, knowledge and experience*
  - *Bureaucracy, organisational structure, red-tape, inflexibility*
  - *Inefficient and obsolete management systems (financial management, human resources, information and communication)*
  - *Lack of participation and involvement of key internal and external stakeholders*
  - *Lack of conducive organisational culture, commitment, and passion for work.*

Source: Regenesys (2007: 46).



If the organisational culture and values are not well defined or co-developed with staff, it becomes very difficult to generate a sense of belonging, a nurturing work environment and team spirit – which are fundamental requirements for high performing organisations. In this regard, Saravanja (2006:20) states the following:

*“Leading minds in psychology, anthropology and organisational development agree that culture is crucial for success. Culture can be defined as a set of attitudes, values and behaviours that determine success or failure of a system – be it an individual, organisation or a society. Culture links the physical and spiritual components of a system.*

*Leading management gurus have identified organisational culture as a key factor in improving organisational performance. Great cultures promote innovation, motivation and integrity. They pursue synergy, trust and quality. Great cultures are about passion, commitment to vision and high performance. Poor cultures lead to demotivation, power-struggles, corruption and poor performance.*

*Culture must be continuously managed, debated and communicated. The development of a strong corporate culture requires the investment of time and financial resources – and above all the commitment of top leadership. Leaders must ‘live’ the values the organisation espouses and be guardians of corporate culture.*

*Culture can ‘make or break’ an organisation. It is invisible – yet extremely powerful. The force of culture is like the wind – though invisible, you can see it in the movement of leaves in the trees. And yet wind can easily become a destructive hurricane.*

*Create a vibrant and distinct culture. Develop a culture of enthusiasm, excellence and efficiency. Awaken your potential knowing that culture required for success is within you.”*

Organisational culture, ethos and paradigms are to a large extent influenced by its leadership and management. Management and leadership styles are informed by the dominant paradigms or mental models of managers and leaders. Management paradigms determine the way in which people and organisations are managed. Old management paradigms that traditionally governed the public sector, such as rigidity, structure and authority, are

currently undergoing a radical change – they are being replaced by new paradigms which emphasise flexibility, participation and focus on process and facilitation. The challenge for public sector performance managers is to adjust to new paradigms and to ensure that their employees also embrace the new paradigms. In this regard, Regenesys (2007:9) presents the old and new paradigms within the context of public service, as depicted in Figure 4.4.

**FIGURE 4.4: OLD AND NEW PARADIGMS**

<b>Old paradigm</b>	<b>New paradigm</b>
Structure	Process
Things	Relations
Administration	Management
Independence	Interdependence
Parts	Patterns
Linearity	Circularity
Predictability	Probability
Simplicity	Complexity
Rigidity	Fluidity
Supervision	Leadership
Inspection, discipline and punishment	Development
Input and process focus	Output and outcome focus
Re-activeness	Pro-activeness
Individual work	Team work
Training	Mentoring
Certainty	Uncertainty

Source: Performance Management, Regenesys, 2007.

In summary, the key performance management system design considerations related to organisational environment are presented below:

- Organisations should have a clearly defined vision, which is inspiring and easily remembered
- Organisational goals must be well defined, translated into operational plans, and cascaded to departmental and individual levels
- Organisational values must be co-developed with staff and clearly defined
- Organisational strategy should be aligned with the organisational culture, structure and processes
- Competence of organisational leadership and management is an ultimate prerequisite for performance management system development and implementation.

#### **4.4 TEAM CONTEXT**

Individuals operate in teams, teams form departments and departments form organisations. Teams are subsystems within greater organisational systems. Therefore, the performance of teams plays a critical role within the overall performance management system. Team performance is a key building block of the overall performance management system – there cannot be high performing organisations without high performing teams. Managers, therefore, have a great responsibility to ensure effective team performance. In this regard, Buckingham (2008:6) argues that in order to build high-performing teams, organisations need an integrated human capital system that is designed explicitly to make people feel their strengths are being utilised at work. This system, the author further suggests, includes the way an organisation recruits and selects its people; conducts performance reviews; plans succession; compensates; and promotes its people.

Developing and managing high performing teams is not an easy task. It requires, among others, strong leadership skills, knowledge of group behaviours, psychology, communication, motivation and facilitation skills.

Teams are becoming critical building blocks of high performing organisations. Teams are increasingly seen as one of the main ways of creating high-commitment, high-flexibility, and people-centred organisations. In this regard, Regenesys (2007:13) states the following:

- Within an organisation the success of the task to be executed relies heavily on the team to which the tasks are assigned, and the way in which the team works to carry these out
- Teamwork can achieve higher efficiency and improvements for both the organisation and the people it serves
- Effective teamwork requires an organisation that allows teams to take ownership of work, the building of properly functional teams and an organisational culture of ongoing learning and innovation.

Knipe *et al.* (2002:204-5) argue that the main characteristics of effective teams include the following:

- A clear understanding of the project objectives
- Clear expectations of each team member's role and responsibilities
- A results orientation
- A high degree of co-operation and collaboration
- A high level of trust.

The transformation of underperforming teams requires understanding and management of the roles and behaviours of group members. In a group situation, various group members assume various behaviours, for example, dominating, critical, quiet, clown, doer, thinker, or carer. The role of the leader or facilitator is central to ensuring that these group behaviours are managed effectively (Regenesys, 2007:12).

Regenesys (2007:34) states that effective management of team behaviours includes the following key activities:

### **Defining purpose**

Establishing the purpose and goals of the team and ensuring that all team members understand and buy into it.

### **Developing ground rules**

Ground rules should cover the following broad categories:

- Values that will govern the team, for example, trust, respect and integrity
- Processes of decision making, communication and reporting
- Responsibilities.

### **Effective communication**

Promoting good communication skills in the following key areas:

- Listening attentively and empathetically
- Allowing people to express themselves freely
- Asking questions to elicit effective results
- Summarising, repeating or paraphrasing certain points to direct discussion towards the solutions and goals.

Leaders and managers play the most crucial role in developing high performing teams. Maddux (1996:10) distinguishes the concept of a team from a group by arguing that a team is a productive group. The saying 'a team is greater than the sum of all its individual parts' reflects a similar logic of differentiation between teams and groups. Maddux further expands this debate of groups versus teams by developing characteristics of group-centred versus team-centred managers, as presented in Figure 4.5.

**FIGURE 4.5: CHARACTERISTICS OF MANAGERS**

<b>Characteristics of a group-centred manager</b>	<b>Characteristics of a team-centred manager</b>
Overriding concern to meet current goals inhibits thought about what might be accomplished through reorganising to enhance member contributions.	Current goals are taken in stride. Can be a visionary about what people can achieve as a team. Can share vision and act accordingly.
Reactive to upper management, peers and employees. Finds it easier to go along with the crowd.	Proactive in most relationships. Exhibits personal style. Can stimulate excitement and action. Inspires teamwork and mutual support.
Willing to involve people in planning and problem solving to some extent but within limits.	Can get people involved and committed. Makes it easy for people to see opportunities for teamwork. Allows people to perform.
Resents or distrusts employees who know their jobs better than their manager.	Looks for people who want to excel and can work constructively with others. Feels role is to encourage and facilitate this behaviour.
Sees group problem solving as a waste of time or abdication of managerial responsibility.	Considers problem-solving the responsibility of team members.
Controls information and communicates only what group members need or want to know.	Communicates fully and openly. Welcomes questions. Allows the team to do its own information filtering.
Ignores conflict between staff members or with other groups.	Mediates conflict before it becomes destructive.
Sometimes slow to recognise individual or group achievements.	Makes an effort to see that both individual and team accomplishments are recognised at the right time in an appropriate manner.
Sometimes modifies group arrangements to suit personal convenience.	Keeps commitments and expects the same in return.

Source: Maddux (1996:10).

In conclusion, high team performance is a vital element of a high performing organisation. Therefore the design of a successful performance management system must consider the key requirements for high performing teams, as presented below:

- An enabling organisational environment should be created which promotes teamwork
- Teams should have their own goals which are aligned to the organisational purpose and goals

- Team ground rules should be developed which govern behaviours of individual team members, communication and conflict resolution
- Expectations of individual team members should be clarified
- Teams should have their own rewards
- Team spirit should be managed proactively and continuously
- Organisations and teams should continuously invest in team building activities
- Team structures and processes should enable the utilisation and expression of unique talents of individual team members
- Managers and leaders should be competent in the development and management of high performing teams.

#### **4.5 INDIVIDUAL CONTEXT**


Performance management is most widely understood as an intervention targeted at individual employees with the aim of directing and enhancing their performance so as to improve organisational performance (Williams, 2002:70). Williams argues that there are two main perspectives on individual performance: outputs and behaviours.

The outputs or results based school of thought argues that a performance management system should comprise measurable accountabilities, responsibilities, roles, targets, job descriptions and lists of competencies (Armstrong, 1994; Williams, 2002; van de Waldt *et al.*, 2002).

The behavioural school of thought views performance as not only related to outputs, results, tasks and goals – they view performance as also having additional behavioural dimensions such as self-sacrifice, commitment to the vision, team support, proactiveness and self-motivation.

In this regard, Borman and Motowidlo, as cited in Williams (2002:95), identify some examples of behavioural aspects of performance as presented in Figure 4.7.

#### **FIGURE 4.6: BEHAVIOURAL ASPECTS OF PERFORMANCE**

- *Volunteering to carry out task activities that are not formally a part of the job*
  - *Persisting with extra enthusiasm or effort when necessary to complete own task activities successfully*
  - *Helping and cooperating with others*
  - *Following organisational rules and procedures even when personally inconvenienced*
  - *Endorsing, supporting and defending organisational objectives*
  - *Helping co-workers*
  - *Protecting the organisation*
  - *Making constructive suggestions*
  - *Developing oneself*
  - *Spreading goodwill.*
- 
- The logo of the University of the Western Cape is centered in the background of the list. It features a classical building facade with columns and a pediment, with the text 'UNIVERSITY of the WESTERN CAPE' below it.

Source: Borman and Motowidlo as cited in Williams (2002:95).

Although there is world-wide preoccupation with results-based performance management, behavioural aspects of performance cannot be denied. The answer to this debate cannot be reduced to 'either or' – not all behaviour leads to good performance and also too much emphasis on tasks and targets does not generate sustainable performance. Therefore the answer to this debate should be balanced – a sound performance management system should incorporate both results-based and behavioural dimensions of performance. This answers the questions of 'what' (results) and 'how' (behaviours) of performance. However, an understanding of the causes of employee



performance or 'why' is also needed. In this regard, Campbell, cited in Williams (2002:121) argues that there are three major determinants of performance:

- Knowledge (facts, principles, goals, self-knowledge)
- Skill or procedural knowledge
- Motivation
  - The choice to perform
  - Choice of level of effort to expend
  - Choice to persist over time in the expenditure of that level of effort.

On an individual level, employees have physical, intellectual, emotional, and spiritual needs. Physical needs include housing, food, clothes, money etc. Emotional needs are related to a sense of belonging, feelings, happiness, aesthetics, etc. Intellectual needs are related to knowledge. Spiritual needs are related to understanding our highest purpose and the deepest meaning of life, ethics, etc.

In order to have high performing employees, organisations need to ensure that these needs are addressed. If these needs are not addressed, employees' performance gets negatively affected and distracted as they strive to achieve those needs. According to Maslow's theory of the hierarchy of needs, as human beings achieve lower level needs (material) their higher level needs (emotional and spiritual) achieve higher prominence. Therefore, the design of a successful performance management system must ensure that employee needs are taken into consideration and addressed. If basic employee needs are not met, this negatively affects the performance of individuals, teams and ultimately the organisation as a whole.

## **4.6 DESIGNING A PERFORMANCE MANAGEMENT SYSTEM ON AN INDIVIDUAL LEVEL**

The design of a performance management system is a very complex process. It depends on the purpose of the system and on the state of organisational systems, structure, processes and culture. Therefore, the design of the performance management system should emphasise an integrated approach.

The DPSA (2002:65), presents the key requirements for managing performance in the public service as follows:

- Looking ahead by setting clear objectives as well as time-frames for achieving them.
- Emphasis on measurable outputs and outcomes for those objectives.
- Linking performance planning to strategic planning. Strategic objectives are cascaded down the hierarchy of the department, and are fully integrated into the working practices and management structures of the department.
- Commitment to continuous improvement through regular performance assessment and support, like coaching and training.
- Support of affirmative action.

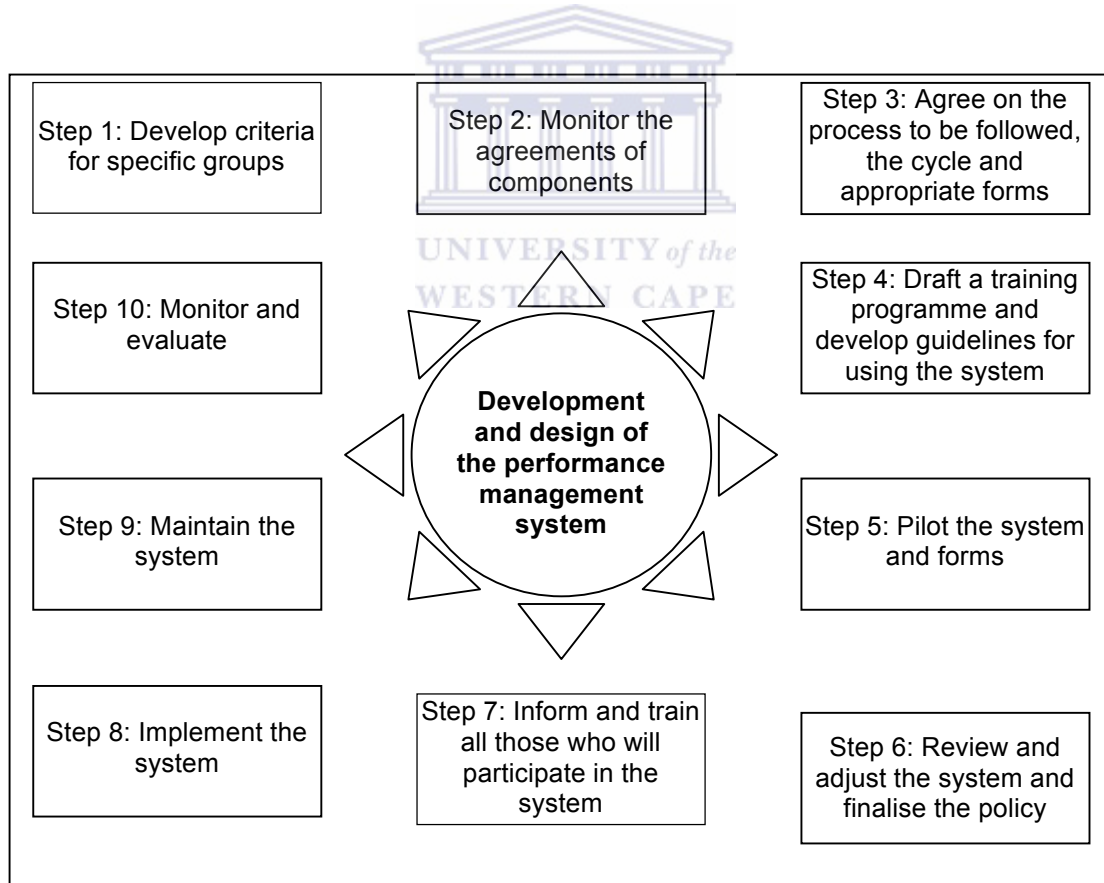
In the South African public service, executive authorities have final discretion to select a performance management system for their departments. Although the development of any performance management system requires a customised approach that fits the specific structure and culture of the public sector institution, there are some basic steps common to any successful system.

Erasmus *et al.* ( 2005:276) propose five basic steps for the development of any successful performance management system as follows:

- Step 1: Designing a policy framework
- Step 2: Developing the system
- Step 3: Signing a performance agreement
- Step 4: Measuring performance
- Step 5: Managing the outcomes of performance appraisal.

The DPSA (2002:132-141) identifies key processes and steps for the development and design of a performance management system, as presented in Figure 4.7.

**FIGURE 4.7: DEVELOPMENT AND DESIGN OF A SYSTEM**



Source: DPSA (2002).

#### Step 1: Develop criteria for specific groups

This step involves the identification of objectives, key performance areas, standards of performance and criteria for assessment of individuals or groups of staff performing similar functions.

#### Step 2: Monitor the agreements of components

This step involves monitoring of agreements on criteria, plans and assessment processes on an ongoing basis.

#### Step 3: Agree on the process to be followed, the cycle and appropriate forms

There may be a need to develop different processes and forms for different organisational units. Some units and functions may require more detailed performance agreements than others. Performance management forms must be developed to record all phases of the performance management cycle.

Step 4: Draft a training programme and develop guidelines for using the system  
All staff involved in the performance management system must be appropriately trained in using the system. If the system is not well understood, there will be serious challenges with its acceptance, use, relevance and ultimately its success.

#### Step 5: Pilot the system and forms

Once developed, the system should be tested on groups of employees in various organisational units to identify whether or not it achieves its desired objectives and determine if it has reasonable validity.

#### Step 6: Review and adjust the system and finalise the policy

After piloting the system, potential challenges should be identified and adjustments to the system should be made. This step is very important and senior leadership and management should be consulted before full-scale implementation of the system.

Step 7: Inform and train all those who will participate in the system

Should there be significant changes to the new system, this should be communicated to all staff involved and if necessary, new training sessions should be conducted.

Step 8: Implement the system

This step involves implementation of the system across the organisation. It is wise to introduce the system in a phased way and to start with senior management.

Step 9: Maintain the system

This step involves maintaining commitment and support from staff, record keeping, continuous training and improvement of the system.

Step 10: Monitor and evaluate

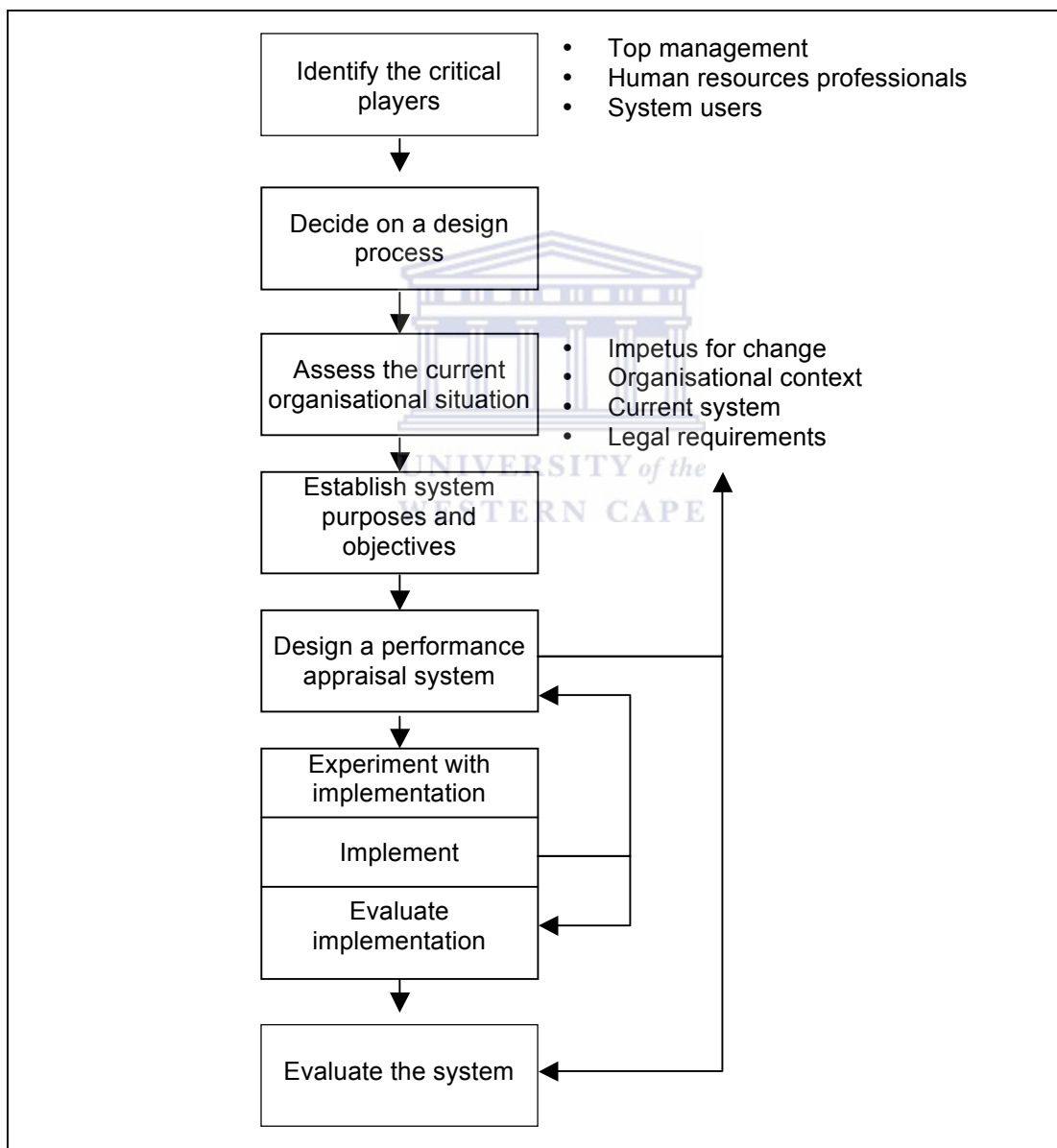
This step involves periodic reviews and evaluations of the system to ensure that the system serves its purpose and is aligned to rapid changes in organisational internal and external environments.

Although designing a performance management system seems to be a rational process of step-by-step sequential activities, there are also political dimensions to it. Implementing a new system in an organisation is fundamentally about implementing organisational change and because change involves people and powers, the design of a performance management system has inherent political dimensions to it. In this regard, Mohrman *et al.* cited in Williams (2002:205) identified that the performance management system design process has political, rational and participative aspects to it. Political aspects of performance management system design are related to organisational stakeholders, goals, strategy, structure and culture elements. The design of the performance management system is a fairly rational process, while performance implementation, events, behaviours, and appraisals require a consultative and

participative process to address the challenges of change, buy-in and transfer of knowledge and skills.

Mohrman *et al.* cited in Williams (2002:207), advocate a step-by-step model for performance management system design, as depicted in Figure 4.8.

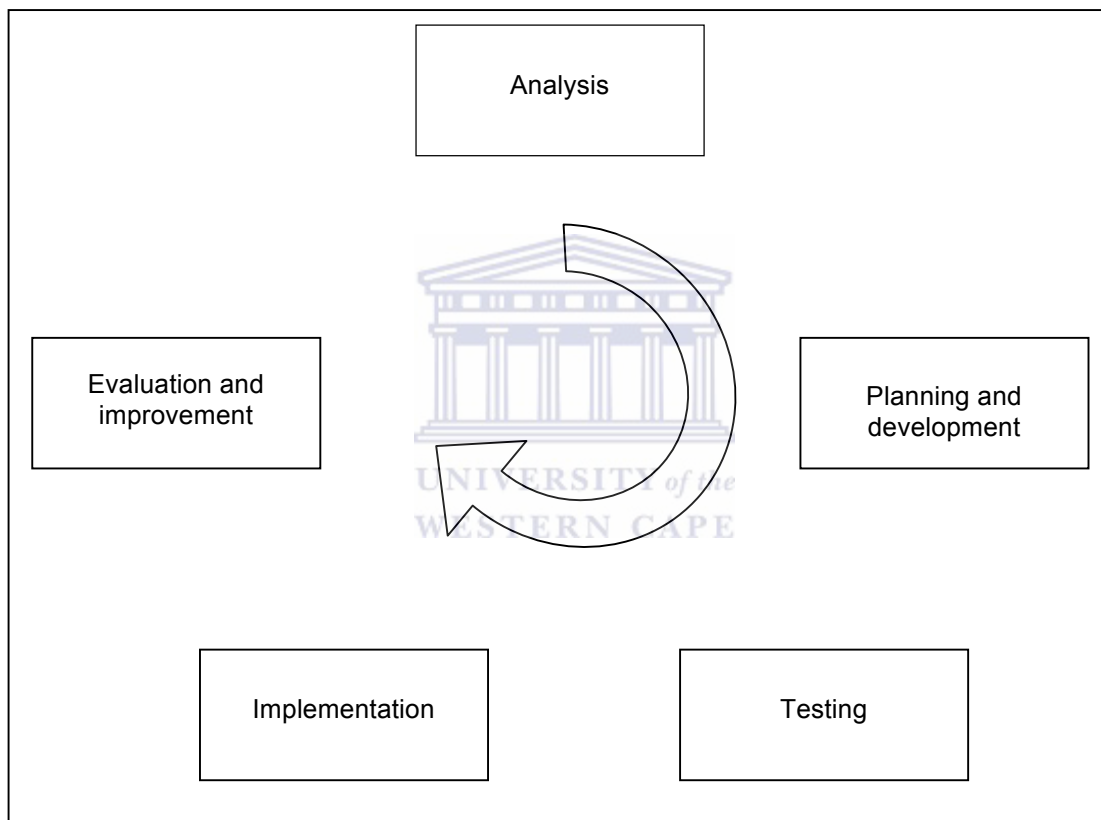
**FIGURE 4.8: MODEL FOR PERFORMANCE MANAGEMENT SYSTEM DESIGN**



Source: Mohrman *et al.* cited in Williams (2002:207).

All of the above models on the design of performance management systems have some common steps, which can be found in the problem solving or project management cycle. These generic steps include analysis, planning and development, testing, implementation, and evaluation and improvement, as illustrated in Figure 4.9.

**FIGURE 4.9: GENERIC STEPS**



### **Analysis**

This phase is concerned with consultations with key stakeholders and securing commitment for the implementation of the new system. It also includes analysis of the current system and potential new system, clarifying the mandate, risk analysis, and conceptualisation of project mechanisms that will be required for implementation of the new system. Support and commitment from leadership of the department must be secured because one of the major causes of failure of

implementing a new system in the public sector is the lack of support from leadership and top management. It is advisable to establish a project management committee, which would comprise key stakeholders and which would oversee implementation of the new system from its conceptualisation to completion. A performance management policy should be developed in this phase of performance management system development.

### **Planning and development**

This phase is concerned with planning and design of the performance management system. It involves cascading strategic objectives to unit and individual level and the development of key performance areas (KPAs), key performance indicators (KPIs), and performance contracts.

### **Testing**

The newly developed performance management system should be tested on a limited scale before being implemented throughout the organisation. This allows for detection of any defects in design, appropriateness, relevance and fairness. Some of the issues that need to be observed during a piloting phase include:

- Levels of acceptance and resistance to the new system
- Adequacy of forms, guidelines, policy, and procedures
- Capacity deficiencies and needs for training
- Support required by employees and managers
- Integration of the system with other systems such as strategy, finance and HR.

### **Implementation**

After testing and finalising the development of the performance management system, the implementation of the new system can commence. Implementing the new performance management system might result in resistance from various individuals and units because of changes in powers and rewards. Therefore, the implementation process must consider change management strategies to deal with resistance to the new system.

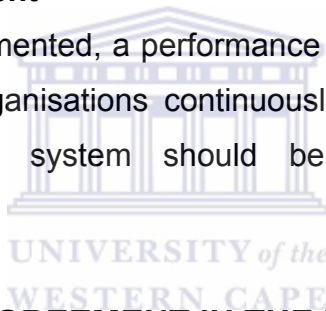


Successful change management requires sound communication and consultation with key stakeholders. Communication should be simple and concise, it should address some of the following key areas:

- Simple explanation of the new system
- Benefits for staff and for the organisation
- How it works
- How it links with other systems
- Implementation plan, timeframes and roles and responsibilities of various people and stakeholders
- Potential training and support activities
- Mechanisms for dispute resolution and ensuring fairness and objectivity.

### **Evaluation and improvement**

Once developed and implemented, a performance management system should be constantly updated. Organisations continuously change and therefore the performance management system should be regularly evaluated and continuously improved.



#### **4.6.1 PERFORMANCE AGREEMENT IN THE PUBLIC SERVICE**

The Public Service Regulations of 2001 state that the performance of senior managers will be managed in accordance with a performance agreement. The performance agreement applies for a particular financial year and is reviewed on an annual basis. Of particular importance is that a minimum of two formal reviews must be done during the course of a performance cycle (Republic of South Africa, 2003:15).

The Senior Management Service: Public Service Handbook (Republic of South Africa, 2003, Annexure B:1) suggests the structure of the performance agreement as follows:

- Description of the purpose of the job
- Identification of key result areas and agreement on the standards for measuring core management criteria
- Monitoring the performance of senior public sector managers against the criteria and standards of the performance agreement
- Agreement on a personal development plan
- Specification of mechanisms for dispute resolution
- Consideration of annual remuneration package adjustments and performance related rewards.

The performance agreement forms a contract between a senior manager as an employee and the department as an employer. Although the performance agreement is an attempt to improve levels of accountability and performance by providing a mechanism to correct poor performance or reward good performance, implementation of the agreement remains a major challenge.

The public service is a highly unionised environment and disciplining or correcting poor performance becomes a very difficult and cumbersome task, which often leads to labour disputes. In order to discipline poor performance, managers have to follow strict administrative procedures, recording of incidents of poor performance, providing opportunities for staff development and monitoring progress. The South African public service labour environment is unfriendly towards employers because it is extremely difficult to discipline poor performance. In the USA, the world's largest and one of the most successful economies, 24 hour notice is sufficient to retrench or dismiss an employee. In South Africa, the procedure is very lengthy and costly, involving verbal and written warnings, disciplinary hearings, appeals, grievance procedures, and corrective actions.

Disciplining poor performance in the South African public service is often associated with disputes leading to protracted legal battles, spending a lot of time, money and energy at the courts, the Commission for Conciliation, Mediation and Arbitration (CCMA), and often large settlement payouts. For the above mentioned reasons, the labour relations environment within the South African public service is one of the major stumbling blocks for the implementation of performance management systems.

#### **4.6.2 PERFORMANCE ASSESSMENT INSTRUMENT**

The Department of Public Service and Administration identifies two areas that must be assessed, core management criteria (CMC) and key result areas (KRAs). CMC are concerned with generic standards of performance while KRAs are related to specific or main areas of work that ultimately lead to achievement of the department's goals and targets.

According to the DPSA (2003:13), CMC for senior management service in the public service are related to the following eleven areas:

- Strategic capability and leadership
- Programme and project management
- Financial management
- Change management
- Knowledge management
- Service delivery innovation
- Problem solving and analysis
- People management and empowerment
- Client orientation and customer focus
- Communication
- Honesty and integrity.

Erasmus *et al.* (2005:283) present an example of core management criteria and generic standards as depicted in Figure 4.10.

**FIGURE 4.10: CORE MANAGEMENT CRITERIA AND GENERIC STANDARDS**

Core management criteria	Description	Generic standards
1. Strategic capability and leadership	Provides a vision, sets the direction for the institution and/ or unit, and inspires others to deliver on the organisational mandate	<ul style="list-style-type: none"> <li>• Gives direction to team in realising the institution's strategic objectives</li> <li>• Develops detailed action plans to execute strategic initiatives</li> <li>• Assists in defining performance measures to evaluate the success of strategies</li> </ul>
2. Programme and project management	Plans, manages, monitors, and evaluates specific activities in order to deliver the desired outputs and outcomes.	<ul style="list-style-type: none"> <li>• Establishes broad stakeholder involvement and communicates the project status and key milestones.</li> <li>• Defines roles and responsibilities for project team members and clearly communicates expectations</li> <li>• Balances quality of work with deadlines.</li> </ul>

Source: Department of Public Service and Administration Circular 1/2/1/P (Republic of South Africa 2002).

KRAs cover the main areas of work of a senior public sector manager and therefore they account for 80% of the final annual assessment while CMCs account for 20%. One way to capture KRAs in a clear and concise manner is to include them in a work plan (Erasmus *et al.*, 2005:282).

An example of a performance workplan format is presented in Figure 4.11.

**FIGURE 4.11: PERFORMANCE WORKPLAN**

Key result area	Key activities / outputs	Performance measures		Resource requirements	Enabling conditions
		Target date	Indicator		

Source. Department of Public Service and Administration Circular 1/2/1/P (Republic of South Africa 2002).

Some examples of key result areas could include some of the following:

- Develop HIV/AIDS policy by the end of the current financial year
- Ensure expenditure at 95% of departmental budget by the end of the current financial year
- Achieve a school pass rate of 95% for the current academic year.

According to the Senior Management Service Handbook (DPSA, 2003), the annual performance appraisal process involves two main activities:

- Assessment of the achievement of results as outlined in the work plan
- Using the assessment rating calculator to provide a final score.

The Senior Management Service Handbook further specifies that each KRA and CMC should be rated on the following five-point scale:

- Level 5: Outstanding performance for rating 85% and above
- Level 4: Performance significantly above expectation for rating 80% to 84%
- Level 3: Fully effective for rating 65% to 79%
- Level 2: Performance not fully adequate for rating 50% to 64%
- Level 1: Unacceptable performance for rating 49% and lower.

An example of the assessment rating calculator is presented in Figure 4.12.

**FIGURE 4.12: ASSESSMENT RATING CALCULATOR**

Annual Performance Assessment for Senior Management Service							
Assessment Rating Calculator							
Department:							
Name:							
Year:							
KRA	Weights	Rating	Score	CMC	Weight	Rating	Score
1	20%	3	0.6	1	20%	4	0.8
2	30%	3	0.9	2	50%	5	2.5
3	30%	3	0.9	3	30%	5	1.5
4	20%	3	0.6	4			
5				5			
6				6			
7				7			
8				8			
9				9			
10				10			
11				11			
	100%		60		100%		96
KRA weight			80%	CMC weight			20%
KRA score			48%	CMC score			19%
Final score							67%

Source. Department of Public Service and Administration Circular 1/2/1/P (Republic of South Africa 2002: Annexure E).

The DPSA (2002) presents the guidelines for using the senior management service performance assessment calculators, as illustrated in Figure 4.13.

#### **FIGURE 4.13: GUIDELINES FOR PERFORMANCE ASSESSMENT CALCULATIONS**

##### For the Key Result Areas

1. For each KRA fill in the weighting that you have allocated to it. Ensure that the weighting adds up to 100. Note that space is made for 11 KRAs, but you should try to limit this to 5 or 6. Fill in whatever number of KRAs are relevant to you.
2. Rate each KRA according to the extent to which performance has met the criteria specified in the standards and indicators. Use the five point scale described in the guidelines.
3. The assessment rating calculator will automatically calculate a score for each KRA by multiplying the weighting by the rating.
4. The calculator will then automatically calculate a total score for the workplan by adding up the scores and multiplying this total by the 60% weighting allocated to the KRAs.

##### For the Core Management Criteria

5. For each relevant CMC fill in the weighting that you have allocated to it. Ensure that the weighting adds up to 100. Note that there are certain CMC's that are compulsory for HoDs and for other SMS members with managerial responsibilities. Also note that departments are advised to limit the total number of the CMCs to five or six.
6. Rate each CMC according to the extent to which performance has met the specified standards. Use the five-point scale described in the guidelines.
7. The assessment rating calculator will automatically calculate a score for each CMC by multiplying the weighting by the rating.
8. The calculator will then automatically calculate a total score for the CMC by adding up the scores and multiplying this total by the 40% weighting allocated to CMC.

##### For the Overall Rating

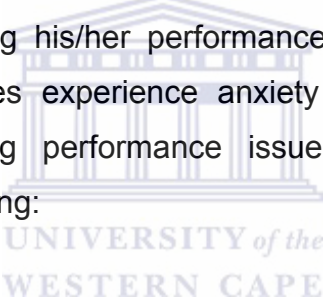
9. The assessment rating calculator will provide a final appraisal score by adding the totals obtained for the KRAs and the CMCs.

Source: Department of Public Service and Administration Circular 1/2/1/P (Republic of South Africa 2002: Annexure H).

### 4.6.3 CONDUCTING THE PERFORMANCE APPRAISAL

Although performance appraisals are an organisational fact of life, during all their existence, appraisals, appraising and appraisal systems are still not fully understood and appreciated (Abu-Doleh and Weir, 2007:76). In this regard, Wright (2002), cited in Abu Doleh and Weir 2007, states that performance appraisal has been characterised as perhaps the most widely debated, talked and written about, and confused research area in human resources in the history of people management.

Conducting performance appraisals is one of the most important aspects of the entire performance management system. Although performance appraisal appears to be a simple process because it involves a manager's meeting with the employee and reviewing his/her performance, in practice it is a difficult process because employees experience anxiety and managers experience discomfort while discussing performance issues. In this regard, Kikoski (1999:302) states the following:



*“The delivery of the performance appraisal still tends to be resisted, if not avoided, by many managers. For the central source of difficulty still remains. This occurs when the manager sits down to review his subordinate's performance. The appraisal interview itself is the Achilles heel of the entire process.”*

The author further argues that managers often dislike the face-to-face encounter and feel unskilled in performing the vital appraisal interview into which all prior efforts flow.

According to the Senior Management Service Handbook (DPSA, 2003) the performance appraisal process consists of the self-evaluation and assessment by the reporting officer (manager or supervisor) of both key result areas and core management competencies.



After completion of the performance rating phase, the personal development needs of a candidate are identified, for example: training, coaching, exposure and counselling. The last phase consists of the manager's recommendations, comments by the chairperson of the moderating committee and signing off of the documentation.

The Senior Management Service Handbook (DPSA, 2003) presents the following structure of the annual performance assessment form for senior management service members:

- Introduction: Generic information (name, title, rank, Persal no, remuneration level, period under review, etc.)
- Part 1: Comments by rated member
  - Major accomplishments
  - Major non-accomplishments
- Part 2: Performance Appraisal of both the KRAs and CMCs
- Part 3: Development, training, coaching, guidance and exposure needed by Senior Management Service member
- Part 4: Supervisor's recommendation, comments by the chairperson of the moderating committee and decision of executing authority
- Part 5: Confirmation, extension or termination of employment.

Performance assessment is a very sensitive process and often a cause of major performance management system problems. In relation to performance rating problems, Murphy, Cleveland, Kinney, Skattebo, Newman and Hock (2003:49) suggest that when evaluating performance, raters attempt to use the ratings they assign to communicate information consistent with their personal interests. These authors further suggest that this idea is important because it implies that raters are not always motivated to provide accurate ratings. Rather, raters consider the consequences of rating in a particular manner and adjust the ratings to facilitate the attainment of their personal goals, for example the goal of helping a particular subordinate to earn a promotion (Murphy *et al.*, 2003:49). These authors further argue that the meaning of performance ratings cannot be

understood without consideration of the goals that raters pursue when giving ratings and the context in which ratings are given (Murphy *et al.*, 2003:62). The context refers to a work climate or organisational climate within which ratings take place, which differs significantly from organisation to organisation.

## **4.7 PERFORMANCE REWARDS AND CORRECTIVE ACTION**

The following performance rewards are applicable for the following overall performance ratings achieved (Erasmus *et al.*, 2005:287):

- Level 5: For a performance rating 85% and above:
  - Confirmation of probation
  - Allocation of between 6% to 8% of the total remuneration package as a performance bonus
  - Progression to the next higher package in the remuneration band
  - Access to training and development opportunities which are in line with the career development path
- Level 4: For a performance rating between 80% and 84%:
  - Confirmation of probation
  - Allocation of between 3% to 5% of the total remuneration package as a performance bonus
  - Progression to the next higher package in the remuneration band
  - Access to training and development opportunities which are in line with the career development path
- Level 3: For a performance rating between 65% and 79%:
  - Confirmation of probation
  - Progression to the next higher package in the remuneration band
  - Access to training and development opportunities which are in line with the career development path
- Level 2: For a performance rating between 50% and 64%:
  - Confirmation of probation (in some cases the probation period can be extended)

- Agreement on a programme for supporting and monitoring performance improvement

Level 1: For a performance rating 49% and lower:

- There is no reward for this performance rating
- There is a choice of probation extension or contract termination.

The performance agreement should contain a personal development plan for senior managers. This plan reflects the developmental requirements of the manager to achieve required competencies. An example of a personal development plan is presented in Figure 4.14.

**FIGURE 4.14: PERSONAL DEVELOPMENT PLAN**

Competency to be assessed	Proposed actions	Responsibility	Timeframe	Expected outcome

Source: Department of Public Service and Administration, Senior Management Service Handbook (Republic of South Africa 2003: Appendix C).

## 4.8 STRATEGIC ISSUES, OPPORTUNITIES AND CHALLENGES

Implementation of a performance management system presents both opportunities and challenges for public service departments. Different performance management models approach performance from different perspectives. Some models focus on inputs and process while others focus on outputs and outcomes. Some models emphasise individual performance while others emphasise team performance. Some focus on short-term financial indicators while others focus on long-term sustainability. The appropriateness of

a performance management model depends on the context within which a particular organisation operates.

#### **4.8.1 OPPORTUNITIES**

The implementation of a performance management system presents opportunities for unblocking deep-rooted performance blockages and harmonisation of various systems and subsystems, which impact on individual, team and organisational performance.

Opportunities are about improving performance by shifting from 'reactive to proactive' modes of operation and becoming solution rather than problem focused. A well-developed and implemented performance management system improves the motivation of individuals and ultimately enhances individual, team and overall organisational performance.

The Department of Public Service and Administration has developed various policies and enabling legislation for the implementation of performance management systems. This includes a performance management guide and various other forms of legislation related to the improvement of human resources management. This provides great opportunities for departments to implement new performance management systems that are customised and appropriate to their environments.

South African public service departments, in general, are well funded and are not faced with major financial constraints that impact negatively on the implementation of performance management systems. This provides another opportunity for designing and implementing appropriate performance management systems.

South Africa is a relatively young democracy when compared to other more mature democracies. In order to address the needs of a young democracy,

developmental challenges and disparities created by the former Apartheid regime, the South African public service is still undergoing major changes. New policies require new strategies, systems, processes, culture and people. At times of big changes there are big opportunities, which implies that the South African public service has great opportunities to reconfigure itself and develop its new systems, culture and processes – including the performance management system. Managing large organisational changes, such as, for example, performance management systems, tends to be much more challenging in mature public service bureaucracies, as resistance to change is likely to be extensive.

The South African public service does have performance management policies, guidelines, expertise and funding. Therefore the major challenge remains with the implementation of policies and strategies and not with their development.

#### **4.8.2 STRATEGIC ISSUES AND CHALLENGES**

Buckingham (2008:7) argues that the performance system in most organisations is among the least productive and least popular of organisational rituals because it tends to be disappointing to employees, frustrating to management, and nets little productive output for the organisation. Indeed, performance management is a difficult and complex process to implement successfully, especially within the context of public service.

The review of literature on performance management reveals numerous challenges ranging from a diverse set of issues such as the design, appropriateness of models, skills, implementation, leadership, communication, measurement, monitoring and evaluation, culture, motivation and integration. The following section presents some of the strategic issues.

#### 4.8.2.1 APPROPRIATENESS OF MODELS

Some performance management models are more appropriate for private sector organisations while others are more appropriate for public service organisations. For example, the Balanced Scorecard performance management model, which was initially developed for the private sector and later on applied in the public service, emphasises the financial factor as one of the four key aspects of performance. A private sector company's financial performance or profitability has traditionally been accepted as a key indicator of performance or the 'bottom-line'. However, the application of this model in the public service faces several challenges. Firstly, the public service has a different purpose – it exists to provide public goods and services and not to make profit. Hence, the indicators of the quality and quantity of public goods and services are of higher priority than financial indicators. The public service is ultimately judged by the quality of service delivery and not by financial performance.

Secondly, the context of public service is very different from the private sector. The public service operates within the political context that determines organisational strategies, policies and structure and influences organisational culture, processes and systems. Therefore, using a financial factor as a key indicator of performance in the public service might not be appropriate. Sound financial management in the public service is not about making profit or savings, it is often to the contrary, which is about spending allocated funds within the current financial year.

Large public listed companies are driven by share prices and shareholder interests, which are often focused on short-term financial gains that are not sustainable in the long run.

In this regard, Henry Mintzberg, as cited in Bloomsbury (2002:242), states the following:

*“We are in a period of what I call heroic management: a period where the great hero rides in on a white horse with the dramatic new strategy and the massive merger. These huge dramatic events impress the share market – at least the financial analysts first and then the market - and then the hero rides off into the sunset with the bonuses while the company collapses a year or two afterwards.”*

Public service departments must exercise a great deal of caution when implementing a performance management system to ensure that the most appropriate system is applied or customised, which suits their own particular environment. Once the wrong system is applied it becomes very difficult and costly to change the system.



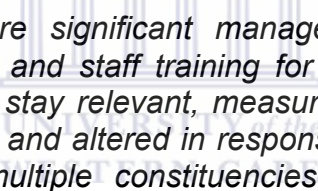
#### **4.8.2.2 DESIGN CHALLENGE**

There are several challenges related to the design aspects of the performance management system. Firstly, the performance management system should be designed to suit specific requirements of the organisation in which it is going to be implemented. The problem is that, often, the generic system gets applied without consideration of the local context. This creates resistance from those responsible for its implementation. Also, an inappropriate system creates wastage of time, energy and all other organisational resources.

Secondly, the process of the design of a performance management system should be consultative and inclusive. All relevant stakeholders should be consulted in order to get their knowledge, views and experience and to get their buy-in. In the public service, stakeholders might not include only management and staff but also unions, customers and any other relevant parties. Buy-in from important stakeholders ensures support during the process of implementation as those responsible for implementation were also part of the development phase.

Thirdly, the process of the design of the performance management system requires the right knowledge, skills and experience. The design knowledge and skills are related to the development of indicators, strategic objectives, performance agreements, negotiation, communication and similar skills. However, this knowledge and these skills are often non-existent within the organisation implementing the system. This then requires the outsourcing of this activity to external experts or consultants. However, outsourcing of this activity to external consultants presents another set of challenges in terms of managing consultants, funds, etc.

Effective performance management systems are not cheap to develop and implement. They require a significant investment of money, time and human resources. In this regard, Sanger (2008:77) states the following:



*“New systems require significant managerial investments in measurement design and staff training for collection, use, and reporting. In order to stay relevant, measures and reports must be continually refined and altered in response to changing goals and lessons. And multiple constituencies (including citizens) need to be trained in their use and value for purposes of ensuring that planning, operations, and budgeting rely on the analysis of performance data.”*

The significant costs associated with performance management development may obstruct the implementation and continuous development of the system, especially during economic recessions and budget declines.

The real test of any system is in its implementation. Well-designed systems often fail when the implementation process is not well managed. There are several challenges related to the implementation process of the performance management system, ranging from change management, lack of performance management skills, lack of communication skills, and inadequate process of conducting performance appraisals. These issues will be further described in the following section.

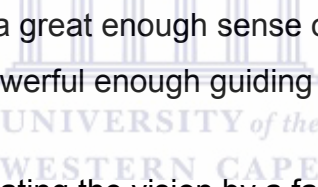


### 4.8.2.3 CHANGE MANAGEMENT

Implementing a new system is about managing change. Therefore, the change management aspect of performance management system implementation must be addressed. This includes various aspects of change management processes such as managing resistance to change, consultation and communication processes.

The change management process must be supported and driven by top leadership and management. If top management does not support the implementation process the change process has a good chance of failing due to resistance to change and reluctance to accept the new system.

In this regard, Kotter (1995:60) presents eight common errors of change management, as follows:

- 
- Error 1: Not establishing a great enough sense of urgency
  - Error 2: Not creating a powerful enough guiding coalition
  - Error 3: Lacking a vision
  - Error 4: Under-communicating the vision by a factor of ten
  - Error 5: Not removing obstacles to the new vision
  - Error 6: Not systematically planning for and creating short-term wins
  - Error 7: Declaring victory too soon
  - Error 8: Not anchoring changes in the corporation's culture.

These reasons for change management failures can also be understood to be the reasons for failure of the implementation of performance management systems. Without a sense of urgency, implementation of a performance management system gets delayed and procrastination ultimately leads to failure. Without a sense of direction and vision the new system does not stand a chance of succeeding. Lack of proper communication undermines change efforts and creates obstacles in the process of implementation of the new system. Without creating short-term wins and communicating the benefits of the

new system, people involved in change efforts might lose inspiration and perseverance. Declaring victory too soon and not anchoring changes in departmental culture might derail successes achieved, undermine change efforts and lead to doing things in the old way. Lack of support from key stakeholders and powerbrokers leads to resistance to change, which obstructs the successful implementation of the performance management system.

With regard to management of resistance to change, Kotter and Schlesinger (2008:136) recommend various methods for dealing with resistance to change and their advantages and disadvantages, which are presented in Figure 4.15.

**FIGURE 4.15: METHODS FOR DEALING WITH RESISTANCE TO CHANGE**

Approach	Commonly used in situations	Advantages	Drawbacks
Education and communication	Where there is a lack of information or inaccurate information and analysis	Once persuaded, people will often help with the implementation of the change	Can be very time consuming if lots of people are involved
Participation and involvement	Where the initiators do not have all the information they need to design the change, and where others have considerable power to resist	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan	Can be very time consuming if participators design an inappropriate change
Facilitation and support	Where people are resisting because of adjustment problems	No other approach works as well with adjustment problems	Can be time consuming, expensive, and still fail
Negotiation and agreement	Where someone or some group will clearly lose out in a change, and where that group has considerable power to resist	Sometimes it is a relatively easy way to avoid major resistance	Can be too expensive in many cases if it alerts others to negotiate for compliance
Manipulation and co-optation	Where other tactics will not work or are too expensive	It can be a relatively quick and inexpensive solution to resistance problems	Can lead to future problems if people feel manipulated
Explicit and implicit coercion	Where speed is essential, and the change initiators possess considerable power	It is speedy and can overcome any kind of resistance	Can be risky if it leaves people mad at the initiators

Source: Kotter and Schlesinger (2008:136).

A performance management system should be understood as a driver of overall organisational improvement and not as a cause of change. According to Cederblom and Pernerl (2001:139), a performance management system should be a driver of change and innovation, and it should guide, energise and focus performance efforts in the desired direction.

People must experience the benefits of a new performance management system. Without experiencing tangible benefits people go back to the old way of doing things. When implementation of one system fails, it becomes even more difficult to implement another new system in the future.

#### **4.8.2.4 SKILLS**

Knowledge and skills are often lacking to implement a performance management system. Knowledge and skills required include areas such as planning, development of indicators, performance agreements, communication, giving feedback, negotiation and assertiveness. Without these skills, managers cannot be successful with the implementation of the performance management system.

#### **4.8.2.5 CONDUCTING PERFORMANCE APPRAISALS**

The process of conducting performance reviews or appraisals presents a set of its own challenges such as: performance rating and judgement problems or subjectivity versus objectivity issues; appraisal used as a punitive rather than a developmental process; the problem of mediocrity or rewarding mediocre performance; avoidance in dealing with cases of low performance; and difficulties with implementing corrective actions due to the unionised environment of the public service. These challenges often translate into conflicting situations which drain organisational resources and ultimately affect organisational performance negatively.

Grote (2008:38-43) identifies the following causes of problems with performance appraisals:

### **Failure to understand the purpose of performance appraisal**

Performance appraisal is a formal record of a manager's opinion of the quality of an employee's work. It is neither a negotiated agreement between the manager and employee nor a document that can be empirically proven.

### **Asking the employee to complete a self-assessment or completing a 360-degree feedback system**

Research consistently demonstrates that individuals are notoriously inaccurate in assessing their own performance, and the poorer the performer the more inaccurate the self-assessment. 'Know yourself' may be good philosophical advice, but in assessing how good a job you've done, your boss generally knows better than you do. Grote (2008:39) argues that self-assessment is a poor idea and needs to be stamped out.

### **Having too many differentiation levels of performance**

Organisations should not provide more than five levels of performance. Human beings do not have the capability to distinguish among more than five levels of performance. Approving more than a five-level scale allows managers to turn performance management into an arithmetic problem and to duck hard decisions by treating performance management as a numbers game.

### **Quantifiability of information**

Another false belief held by people throughout organisations is that for a performance appraisal to be objective, managers are required to find numerical, countable units to back up their assessments. Grote (2008:40) disputes this argument. Objectivity has nothing to do with quantifiability. Objectivity is about being free of personal prejudice, being factual, and basing appraisals on observable phenomena, such as the way the person goes about performing his/her job.

### **Assumption that it takes too much time**

The real cause of complaints about excessive time requirements is often not that the actual procedures are unduly time-consuming but, rather, that managers are not clear on exactly what is expected, by whom, and by when. Publishing a calendar of expected events in the annual performance management cycle can, by itself, eliminate a lot of grousing about too much time (Grote, 2008:43).

### **4.8.2.6 COMMUNICATION**

A lack of communication skills presents one of the major obstacles in the process of implementation of the performance management system. Communication skills include both macro and micro skills. Macro communication skills refer to communication required to successfully manage the change management process, while micro communication skills are related to skills required to successfully manage individual performance appraisals.

In order to address communication challenges related to the performance appraisal process, Kikoski (1999) identified a model of Microskills, which presents a set of communication skills required by public service managers when conducting performance appraisals. The model, which was developed by Alan Ivey from the University of Massachusetts, identifies elements of effective verbal and non-verbal communication which are useful in any face-to-face communication, be it performance appraisal, counselling, negotiation or conflict management. Kikoski (1999) presents six microskills which are required for effective communication in performance appraisals:

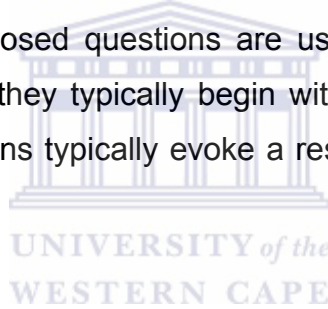
#### **Microskill 1: The basic nonverbal attending**

Attending skills, or popularly called body language, may seem trivial, but are extremely important in face-to-face communication. Birdwhistell (1970), cited in Kikoski (1999:307), estimated that 65 - 70% of all face-to-face communication is

non-verbal. In the performance appraisal interview this implies that the appraiser should sit with a slight, but comfortable forward lean of the upper body trunk, maintain eye contact, and speak in a voice that is as steady, warm and soothing as possible.

### **Microskills 2 and 3: Open and closed questions**

Open and closed questions help a manager to have focused communication and to manage communication by ensuring a general and specific flow of information. Open questions encourage the appraisee to provide more general information, while closed questions encourage more specific responses. Open questions typically begin with the words 'could', 'how', or 'why', and encourage more lengthy responses which are particularly suitable at the beginning of the appraisal interview in order to 'break the ice' and establish the trust required for genuine communication. Closed questions are useful in clarifying issues and focusing conversation and they typically begin with the words 'did', 'when', or 'how much'. Closed questions typically evoke a response of one or two words, for example 'yes' or 'no'.



### **Microskill 4: Paraphrasing**

Paraphrasing is restating in your own words what another person has said, factually and non-judgementally. Paraphrasing clarifies issues, indicates mutual understanding of the topic or issues discussed and encourages the deeper exploration of issues.

### **Microskill 5: Reflection of feeling**

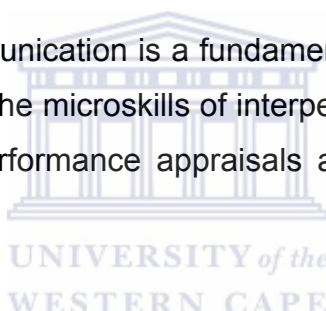
Effective interpersonal communication involves understanding and management of emotions. Sigband (1980), cited in Kikoski (1999:308) defines interpersonal communication as the "transmission and reception of ideas, feelings and attitudes, verbally and non-verbally, which produce a response." Bottling up emotions inhibits communication and we feel better when we express emotions. We seem to feel more positive toward an individual who understands how we feel. The reflection of feeling is, like paraphrasing, a

restatement of the emotions we sense the other person is feeling. However, caution must be exercised as public managers are not psychologists. Reflection of feeling is a powerful skill and positive use can build trusting relationships, while expedient use can damage relationships.

### **Microskill 6: Feedback**

Effective use of feedback involves timely communication in a non-judgemental and factual way. The negative judgemental statements are perceived by recipients as offensive attacks which trigger defensive responses, which creates a negative cycle that prevents open and good communication. Open communication is required for positive behavioural change, which is one of the main objectives of the performance appraisal process.

Effective face-to-face communication is a fundamental skill for every successful public manager. Improving the microskills of interpersonal communication has a direct positive effect on performance appraisals and consequently on overall organisational performance.



### **4.8.2.7 MONITORING AND EVALUATION CHALLENGES**

The successful implementation of a performance management system largely depends on the existence of a good monitoring system that can detect problems and provide early warning signals so that corrective measures can be initiated. However, a successful monitoring system requires commitment, discipline and the cooperation of various parties involved in the implementation process.

In addition, successful monitoring depends on how well designed the system is, how well defined indicators are and how the measurement process is conducted. Defining indicators for a public service organisation is a complex activity. Unlike, for example, in a manufacturing industry where it is easy to define indicators and measure them, it is much more difficult to define indicators

in the service industry because they are not easily quantifiable and they tend to be of a qualitative nature. In addition, delivering public service tends to be largely a team-based activity and not an individual activity, which creates further difficulties with the measurement of individual performance.

Public sector managers face varied performance management, monitoring and evaluation challenges. Some of these challenges are related to the integration of monitoring and evaluation within the performance management system, some to planning and methodological problems, and some to execution.

Bilgin (2007:109) presents performance management challenges as follows:

- Measurement of work in the public service is difficult
- Public personnel resist change
- Public personnel do not want to lose their jobs or refrain from low performance
- Public administrators do not want their units to be abolished or merged due to inefficiency
- It is difficult to gather the necessary information and documents for analysis
- Public personnel trade unions react negatively.

Monitoring and evaluation are performance-oriented instruments and should therefore be seen as a part of a wider performance management system. Failure to consider and clarify relations between evaluation and performance management can lead to waste, duplication, conflicting signals about aims and results, and tensions amongst organisations and professional groups (PUMA, 1999:6).

Performance evaluation is a complex process, which involves multiple stakeholders and includes multifaceted and sensitive activities, resulting in judgements, recommendations, corrective actions, rewards and power shifts. In this regard, PUMA (1999:24) highlights some of the key challenges and issues in improving evaluation practices, as presented in Figure 4.16.



**FIGURE 4.16: IMPROVING EVALUATION PRACTICES**

<b>Issues in Improving Evaluation Practices</b>
Issue No. 1: Gaining support from the top
Issue No. 2: Generating effective demand
Issue No. 3: Setting realistic expectations
Issue No. 4: Systematising evaluation activities
Issue No. 5: Linking with the budget process
Issue No. 6: Choosing the appropriate evaluator
Issue No. 7: Planning evaluations
Issue No. 8: Timing evaluations appropriately
Issue No. 9: Meeting user needs
Issue No. 10: Ensuring relevance
Issue No. 11: Involving stakeholders
Issue No. 12: Ensuring methodological quality
Issue No. 13: Making judgements and recommendations
Issue No. 14: Communicating findings
Issue No. 15: Monitoring or following up
Issue No. 16: Recognising needs of staff for training and support

Source: PUMA (1999:24).

A performance monitoring and evaluation system is concerned with various issues of planning, consultation, design, management, leadership, managing change and resistance, communication and making recommendations. In this regard, a survey of literature on public service monitoring and evaluation identifies some common challenges, as presented below (The World Bank, 2003; OECD, 1999; Seasons, 2003):

- Poorly defined indicators: If performance indicators are not well-developed it becomes very difficult to monitor performance. Well-developed performance indicators should be 'smart', meaning specific, measurable, achievable, realistic and time bound.

- Tendency to define too many indicators: This leads to loss of focus and confusion with priorities. It is advisable not to define more than four to five indicators per area being monitored.
- If managed rigidly, it stifles creativity and innovation: Monitoring and evaluation processes should allow for flexibility and change, based on changing context.
- If not updated, it can become a static tool: Monitoring and evaluation tools should be ever evolving and adjusting to new circumstances.
- Lack of training: Staff should be trained in using monitoring, evaluation and performance management tools to allow for consistency, credibility, fairness, validity and reliability.
- Can easily become overly complex: Developing a too complex system defeats its purpose because its implementation often fails. Processes and systems that are too technical and complex are difficult to implement and there is often huge resistance from those tasked with its implementation.
- Stakeholders might disagree about priorities: The development of performance management, monitoring and evaluation systems should be participative and inclusive of all major stakeholders. Consultation ensures buy-in from important stakeholders in the early stages of system development, which increases the chance of successful implementation at a later stage. A good consultation process also prevents the domination of some stakeholders.
- Unavailability of results for a long time: Results should be compiled and communicated speedily to ensure that momentum is maintained and that credibility of the whole intervention is not compromised.
- Processing and analysis of data can become a bottleneck: The system, methodology and tools should be designed and tested to prevent this type of problem.
- Expensive activity: If the system is overly expensive it runs a risk of becoming unsustainable. A 'value for money' principle should be considered and applied when developing performance management, monitoring and evaluation systems.

- Time consuming exercise: If the system is too time consuming then its credibility is compromised and there is a great risk of its failure. Time is money and the principle of 'value for money' should be applied.
- Generalisation of findings: There is always a risk of findings not being specific. Without specific findings it becomes difficult to address a challenge or rectify a problem. Findings are open to various interpretations, which can cause a difference of opinions, which can lead to conflict. Great care should be exercised to avoid stereotyping.
- Reluctance to open accounting books: Confidentiality of financial information can create problems in terms of assessment and understanding of the financial performance of the organisation, department, programme or a project. As the saying goes 'money is power', so without access to financial information, it becomes difficult to develop and implement any performance management, monitoring or evaluation system.

Governments worldwide increasingly need to understand the impact of their policies and programmes on society, citizens and democracy. Traditional approaches to performance measurement have neglected the impact on citizens and they have narrowly focused mainly on efficiency indicators. In this regard, Wichowsky and Moynihan (2008:908) argue that a performance management system should expand its measurement focus and include citizenship outcomes such as political participation, social capital, sense of belonging and political efficacy. In the South African context, by expanding its measurement focus, the impact of government policies and programmes can be measured in relation to the broader aims of government, such as the deepening of democracy and sustainable development.

#### **4.8.2.8 INTEGRATION**

The review of literature on performance management systems consistently emphasises the importance of the integration of various subsystems of the performance management system. According to Cederblom and Pernerl

(2002:132) performance management refers to an umbrella of all organisational components and activities affecting individual, group and agency performance. They further state that a performance management system would include performance appraisal, as well as other components such as strategic planning, manager accountability, pay, promotion, training / development, and discipline.

Without integration, various internal subsystems clash with each other creating conflict, duplication and disharmony within the larger system. This disharmony has a negative impact on the motivation of staff, which ultimately affects the overall performance of the organisation negatively.

Vickers, Balthazard and MacMillan (2007) argue that performance management systems require the coordination of multiple key management practices, and the more of these practices which are in place, the more likely a performance management system will be effective.

Vickers *et al.* (2007:3) approach performance management from a systems perspective and they identified the following nine key performance management success factors:

- The performance management process includes developmental plans for the next work period
- Training is provided to managers on conducting a performance appraisal meeting
- The quality of performance appraisals is measured
- There is a system in place to address and resolve poor performance
- The appraisal includes information other than that based on the judgement of managers
- The performance management process is consistent across the organisation
- Employees can expect feedback on their performance more often than once a year
- 360-degree or multilateral feedback is used to support the performance management process

- The performance management process includes ongoing goals review and feedback from managers.

The public service is an enormous institution working with extensive societal problems, challenges and opportunities. Addressing large societal challenges, for example the HIV/AIDS pandemic, requires the collaboration of several public service departments such as the Department of Health, the Department of Social Development, the Office of the Presidency, as well as the private sector. This implies that, in addition to internal integration, there is a need for interdepartmental and intersectoral collaboration. Although there is general awareness of the importance of interdepartmental and intersectoral collaboration, the implementation of intersectoral and interdepartmental strategies and programmes remains a huge challenge.

#### **4.8.2.9 LEADERSHIP**

Implementation of the performance management system is ultimately the responsibility of organisational top leadership. The leaders have to endorse, support and drive the implementation process. This implies that leaders must understand the performance management system, its benefits and limitations – which often is not the case because leaders tend to delegate this activity to their staff.

In the South African public service top leaders are often political appointees who do not possess technical knowledge of performance management systems and who are not sufficiently skilled or experienced in the implementation of large-scale organisational change management interventions. This lack of skill can create major challenges in the process of design and implementation of the performance management system.

One could argue that the role of top leadership is not to implement performance management systems and organisational changes but to provide strategic

direction and vision. This argument implies that leadership does not have to possess technical and managerial skills. This may be the case in the public sector as leaders are elected on the basis of their political competencies and not necessarily their managerial competencies. However, an opposing argument to this would be that the key role of leadership is to ensure that the strategies get implemented and that the change happens. Both of these arguments have their merits and demerits and the debate revolves around the difference between leadership and management. Although in the 21<sup>st</sup> century the difference between management and leadership is gradually diminishing, leaders are increasingly required to assume managerial roles, to plan, implement and monitor, to become multiskilled, to use technology and to do things rather than to delegate. Similarly, managers are increasingly required to assume leadership roles - leading, visioning, exploring, risk-taking and inspiring.

In addition to the above, the negative attitude of leaders towards performance management often becomes a major challenge. If the leader believes that performance management is a 'paper or administrative compliance exercise' then there cannot be genuine buy-in to the new system. Subsequent implementation of the performance management system on the lower organisational levels is most likely to fail.

The conventional public service culture has been widely recognised as one of the most fundamental and challenging obstacles to performance management. An effective introduction of performance measurement and performance-based management requires a culture change and a committed leader with considerable skills who is willing to provide significant managerial investment and rewards (Sanger 2008:77). In this regard, the author further states the following:

*“Results-oriented leadership seeks to shape the culture of governments or organisations to focus on results and value,*

*mobilise initiative, encourage initiative, encourage learning, and promote experimentation to achieve performance.”*

#### **4.8.2.10 MOTIVATION**

The literature on performance management consistently emphasises the importance of staff motivation. Without staff motivation there cannot be high performance, and even the most brilliantly designed performance management systems are doomed to fail.

It has been generally recognised that people are an organisation's greatest asset and that organisational success depends on staff who are motivated, passionate and committed. Therefore staff motivation is a precondition for successful implementation of any performance management system.

Motivation is the energy, the heart and soul of a performance management system. In this regard, Grobler *et al.* (2006:216) state that motivation is the force that energises behaviour, while Rainey (2003) states that motivation is about arousal, direction and persistence of effort in a work setting.

Motivation and performance management are intrinsically linked and they cannot exist without one another. There cannot be high performance without motivation, but also there cannot be motivation without a good performance management system. When a performance management system does not reward good performance and when it creates unfairness, staff become demotivated.

The main purpose of the performance management system is to sustain staff motivation, provide rewards and ensure fairness. However, a performance management system often creates the opposite outcome, which is staff demotivation. When the system is perceived as unfair and when it does not

reward good performance, organisations experience an increase in destructive conflict, power struggles, politics, staff demotivation, and ultimately resignations.

Motivation is related to organisational culture, attitudes, purpose, values and the work ethic of staff. These organisational factors and issues, often referred to as emotional intelligence (EQ) and spiritual intelligence (SQ), have been increasingly recognised as critical organisational assets (Zohar and Marshall, 2004; Covey, 2004). Emotional intelligence can be defined as an ability to understand and manage one's emotions and those of others. Spiritual Intelligence can be defined as one's ability to understand one's highest purpose and access intuition and truth. Experts on emotional intelligence and spiritual intelligence argue that EQ and SQ are the highest forms of intelligence, higher than rational intelligence or IQ (Zohar and Marshall, 2004:69; Covey, 2004:53). These concepts give rise to new types of organisational capital, emotional capital and spiritual capital, which are increasingly becoming recognised as the most important types of organisational capital – often more important than financial capital (Zohar and Marshall, 2004). The challenge remains for public service organisations to attract, develop and harness the emotional and spiritual capital amongst their staff.

#### **4.8.2.11 POTENTIAL CHALLENGES**

Performance management is a complex process and if not implemented properly, there can be major adverse effects on organisational performance, on teams and on individuals.

Buckingham (2008:7) presents the five flaws of most performance management systems:

##### **They are remedial**

It is often wrongly assumed that the best way to increase employee performance is to identify their areas of weakness and work on improving them.



The author suggests that employee strengths should be identified and utilised maximally rather than focusing on employee weaknesses.

### **They are paternalistic**

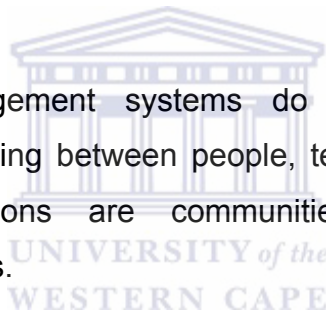
Employees are told that they are not the best judges of their strengths and weaknesses. Instead their manager is. This assumption develops a father-child relationship between the manager and the employee, which is not most conducive for high performance.

### **They are infrequent**

Most performance management systems are built around once or twice a year performance appraisals. Performance feedback should be continuous.

### **They are isolating**

Most performance management systems do not promote cooperation, coordination and trust building between people, teams and departments. The most effective organisations are communities of mutual trust and complementary partnerships.



### **They are outdated**

Most performance management systems appear deeply unfamiliar to a new Generation Y entering the workforce. This generation is characterised by interconnectedness, narcissism, and the world of Internet, Ipods, Facebook, Youtube and Myspace. Those organisations that can attract this new talent and channel it in the right way, rather than resist it, will be successful organisations in the future.

Performance management can have unintended negative consequences if it is not implemented properly. In this regard, De Bruijn (2007:17-34) presents the perverse effects of performance measurement in the public sector as follows:

### **Performance measurement blocks innovation**

Focusing on achieving pre-set targets may lead to a reduction in innovation.

### **Performance measurement blocks ambition**

Focusing on numbers only may lead to a reduction in quality, which in turn may compromise the purpose of the performance management system.

### **Performance measurement veils actual performance**

The higher the difference between layers of generation and aggregation of information, the greater the possibility of misinterpretation of information. This applies especially to large public sector departments, which comprise many layers of bureaucracy.

### **Performance measurement drives out the professional attitude**

Performance measurement may lead to a decline in quality; lack of ownership and taking responsibility for the performance measurement system; and more bureaucracy. The performance management system may focus too much on the quantitative aspects of performance and too little on the qualitative aspects.

### **Performance measurement leads to copying, not learning**

Performance indicators are often benchmarked against similar organisations. Copying indicators, however, may lead to problems as different organisations operate within different contexts and hence have different priorities.

### **Performance measurement leads to punishment of performance**

Budgets of departments that improve their effectiveness and efficiency get reduced the following year.

### **Performance measurement is not dynamic**

A performance measurement system tends to be static and past oriented and not future oriented. New products or services may be required which are not

visible in the existing performance measures. Hence performance measurement does not encourage innovation and proactiveness.

#### **4.9 SUMMARY**

All governments aspire to better governance and improvement in service delivery. This requires constant change, modernisation of the public service and capable leadership. In this regard, Sanger (2008:70) states the following:

*“Improving government performance and accountability to citizens requires leadership to empower employees by reducing rules, increasing discretion and rewarding innovation. The performance measurement movement and its related performance management movement are public management trends of wide influence in state and local government that are both an adjunct to, and a reflection of those aspirations.”*

The design of a performance management system in the public service department is a complex process. In addition to a public service internal environment, the performance of the public service department is influenced by the performance of the country as well as by the performance of the global economy. South Africa's economic growth affects the government's revenue collection and subsequently budget allocations for various departments. Similarly, global economic and political instabilities greatly affect the developing world, and countries such as South Africa.

The review of performance management literature reveals various approaches and models, which differ in the levels of complexity, process, focus, and integration. Some models are simple while others are complex, some focus on outcomes while others on inputs and processes, and some approach performance from an integrated perspective, while others do not. There is no one 'right model' and therefore this study will draw 'the best aspects' from various models in an attempt to develop a new approach to performance management in the public service – a model that will be comprehensive,

integrated, applicable and relevant to the current challenges facing the South African public service.

The review of literature on performance management failures in the public service reveals numerous, complex and multifaceted issues emanating from both the external and internal environment of a public service department. Bureaucracy, red tape and labour inflexibility are some of the major external strategic issues contributing to the creation of an environment that is not conducive to performance management.

Internal factors include strategic issues such as:

- Design challenges
- Implementation and monitoring issues
- Leadership, skills and motivation issues
- Integration.

#### **4.9.1 DESIGN CHALLENGES**

The design failure factors include issues related to strategy; consultation; participation; communication; principles and values underpinning the performance management system; as well as technical aspects such as simplicity; relevance and alignment of individual, team and organisational goals. The consultation process has been identified as one of the most important strategic issues and success factors. Without adequate consultation it is difficult to get buy-in from the stakeholders and without buy-in, it is difficult to implement the change.

#### **4.9.2 IMPLEMENTATION AND MONITORING ISSUES**

Implementation challenges include issues such as resistance to change, leadership support, fairness of judgements, communication of performance feedback, corrective actions and rewards. Resistance to change has been

identified as a key strategic issue in the process of implementation of the performance management system. Resistance to change, which is often underestimated by change management agents, has to be analysed and managed strategically and tactically. Interpersonal face-to-face communication during performance appraisal has been identified as one of the most critical aspects of the whole performance management system. Communication of the benefits of the new system, leadership support and all other relevant change management activities should be utilised to ensure successful change from the old system to the new system.

In order to minimise problems related to implementation challenges such as the subjectivity of ratings, judgements and communication of performance feedback, managers implementing the performance management system should be adequately trained. In addition to technical skills, this training should encompass aspects of emotional intelligence i.e. listening skills, empathy and compassion. Untrained staff can cause immense damage to individuals and to the organisation as a whole.

In addition, when a performance management system does not reward good performance but it rewards mediocre and low performance, best performers become demotivated, which affects the performance of the whole organisation negatively.

#### **4.9.3 LEADERSHIP, SKILLS AND MOTIVATION**

People factors such as leadership, skills and motivation directly impact on performance management in the public service. In addition, issues such as organisational culture, attitudes, values, work ethic, and emotional and spiritual intelligence also have an immense impact on organisational performance. These issues, although often undervalued and perceived by many managers as 'soft' issues, are of paramount importance for successful performance management. Without a conducive organisational environment, a progressive

organisational culture, good work-ethic and values of staff, it is impossible to succeed with any performance management system.

#### **4.9.4 INTEGRATION**

The design of a performance management system should consider the performance of the department as a whole, the performance of teams, as well as that of individual employees. Ultimately, performance management is about managing and creating synergy amongst organisational subsystems, processes, strategy, structure, culture and capacity. Motivation, as a vital requirement for individual performance, must be considered and integrated into the architecture of any new performance management system.

In conclusion, when studying performance management, it becomes apparent that the majority of performance management initiatives fail, which is a concerning problem as organisations waste their valuable time, money and other resources. The biggest problem is not in the development of performance management systems, key performance indicators or Balanced Scorecards, but in managing change and getting people to use the system. Therefore it is of the utmost importance that organisations pay attention to change management processes and the behavioural side of performance management. By approaching performance management from an integrated and systems perspective, the organisation will increase its chances of successfully implementing the new system.

The following chapter, which focuses on integrated performance management systems challenges, presents fieldwork results of the data collection process in the South African public sector.

## CHAPTER 5: RESULTS AND FINDINGS

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### 5.1. INTRODUCTION

This chapter presents results of the data collection process. The data collection tools have been designed to collect all information required to achieve the research goals. The focus of the study is on integrated performance management systems and motivation in the South African public service. The overall quality of the performance management system has been investigated. Therefore, the questionnaires focused on various aspects of performance management systems, such as: financial management, quality, appropriateness, processes, clients, innovation, culture, structure, technology, learning, design, measurement, reward system, performance agreements, implementation, communication, leadership, HR management, monitoring and evaluation, motivation, and integration.

Seventy six respondents participated in the study. Sixty-six respondents, mainly middle and senior managers from various national and provincial government departments, responded to questionnaires. Ten face-to-face interviews were held with public service performance management experts. The following public service departments participated in the research: Education; Health; Social Services; Trade and Industry; Labour; Water Affairs and Forestry; Foreign Affairs; Housing; Public Transport; Roads and Works; Justice; Finance; Communication; Provincial and Local Government; Land Affairs; Culture, Sports and Recreation; Government Printing Works; Eastern Cape Office of the Premier and Office of the Public Service Commission.

The questionnaire comprised three sections. The first section comprised open-ended generic questions related to weaknesses, challenges, strengths and suggestions for improvement of the performance management system.

The second section focused on specific aspects of the performance management system such as design, implementation, monitoring etc. Respondents were asked to provide both quantitative and qualitative information on these aspects of performance management. Quantitative information comprised rating different aspects of performance management according to a five-level scale as presented below:

5 – Very high (or excellent)

4 – High (or good)

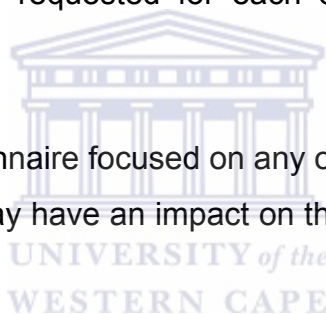
3 – Medium (or satisfactory)

2 – Low (or poor)

1 – Very low (or very poor)

Qualitative information was requested for each question to substantiate the quantitative rating.

Section three of the questionnaire focused on any other issues that respondents wished to mention which may have an impact on the performance management system.



## **5.2. PRESENTATION OF RESULTS**

This section presents quantitative and qualitative responses to the questionnaire. Quantitative responses are presented in bar charts to ensure easy interpretation of information, followed by qualitative responses which provide explanations and substantiate quantitative ratings.

The literature review on performance management identified critical strategic issues, challenges and opportunities for the implementation of integrated performance management systems within the context of public service. Fieldwork data collection tools and questionnaires were developed based on the identified strategic issues, challenges and opportunities. Strategic issues



were combined, integrated, and presented in the following section according to the following categories:

- Overall quality of the performance management system
- Relevance, appropriateness and simplicity
- Integration
- Strategic objectives
- Design
- Training
- Implementation
- Staff inspiration and motivation.

## **5.2.1 OVERALL QUALITY OF THE PERFORMANCE MANAGEMENT SYSTEM**

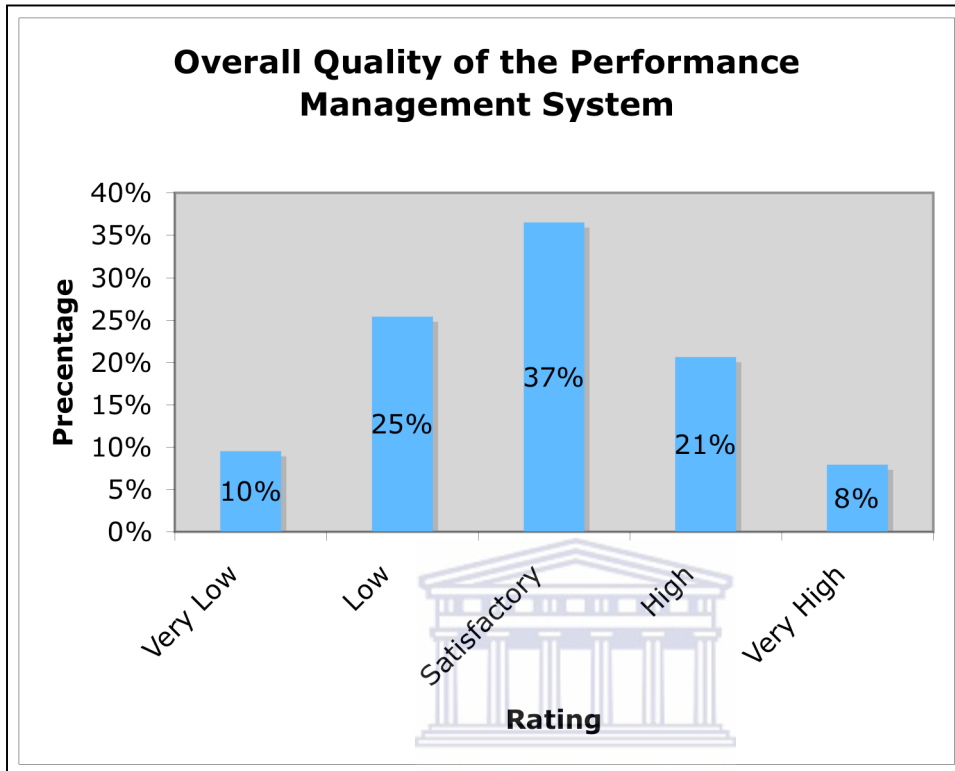
### **5.2.1.1 PRESENTATION OF RESULTS**

Respondents were requested to rate the overall quality and 'value for money' of their current performance management system.

#### **Overall Quality**

Overall quality was rated as 37% satisfactory, 21% high and 8% very high. Results indicate that 66% of respondents rated the overall quality of the performance management systems as satisfactory or higher (satisfactory 37%; high 21%; and very high 8%). However, 25% of respondents rated overall quality low and 10% very low. Figure 5.1 presents ratings of the overall quality of the performance management system.

**FIGURE 5.1: OVERALL QUALITY OF THE PERFORMANCE MANAGEMENT SYSTEM**



Respondents who rated the overall quality of the performance management system as very low or low argued that the system is not working well and that it is creating problems between managers and subordinates. Several problems were reported, ranging from the design to implementation and evaluation.

A lack of knowledge and skills to design, implement and manage the performance management system, especially on middle and junior management level, has been reported as a major problem. In this regard, one of the respondents argues that "There is limited internal capacity to design the system while getting external consultants is also problematic because they lack contextual understanding and often they are too expensive".

Lack of clear understanding of performance incentives and rewards has also been mentioned as a problem that causes staff demotivation. A lack of

monitoring of the performance management process and non-adherence to timeframes has also been cited as one of the major causes of the problem.

Favouritism and lack of fairness have been identified as major problems causing tensions amongst the staff. This is clearly reflected in the following words of one of the respondents: "Performance ratings depend more on the relationship with the supervisor rather than on actual performance". In the words of another respondent: "The system is used to settle unresolved differences between managers and their subordinates". A lack of uniformity of performance ratings among different departmental units has been identified as another problem area within the performance management system.

Enabling legislation, policies and performance management guides were reported as major strengths of the current performance management system. Conducting more regular reviews, focusing organisational strategy towards its targets, aligning individual and organisational goals, openness to learning and new terminology, and creating a dialogue around performance issues were additional strengths of the current performance management system, as reported by several respondents.

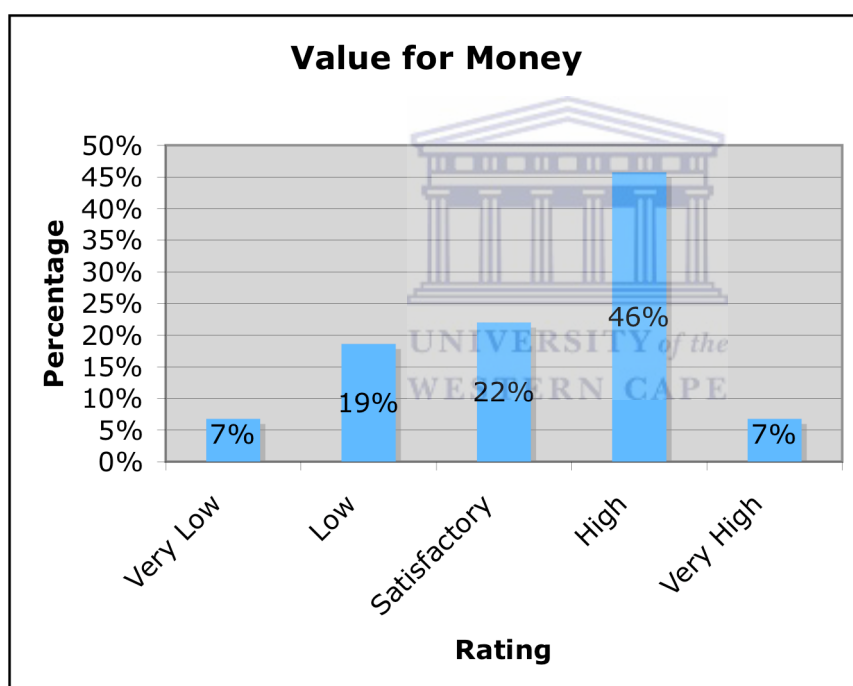
### **Value for Money**

Respondents were requested to rate the extent to which their current performance management system provides 'value for money'. The concept 'value for money' in relation to the performance management system intends to identify whether or not all performance management activities such as meetings, preparation, planning, administration, monitoring, evaluation, conflict management, time, energy and money spent on all of these activities provides valuable return or 'value for money'. In other words, is it worth it or is there a positive return on investment on all of the above-mentioned activities?

Value for money was rated as 46% high, 22% satisfactory and 7% very high. Results indicate that 75% of respondents rated the 'value for money' of the performance management systems as satisfactory or higher (satisfactory 22%; high 46%; and very high 7%).

However, 19% of respondents rated overall quality low and 7% very low. Figure 5.2 presents ratings of the extent to which the performance management system provides value for money.

**FIGURE 5.2: VALUE FOR MONEY**



The majority of respondents who rated this question as very low or low reported that the performance management system does not provide value for money. In this regard, one of the respondents stated that: "The committees at different levels take up too much time and end up in little success". Most of the employees get involved in the performance management process because it is part of their task and not to improve performance. This is reflected in the following comment by one of the respondents: "Sometimes managers tell us to

copy from the previous one because nothing has changed". According to another respondent: "The system is not seen to be effective in general. Monitoring is usually not routinely applied due to operational pressures".

## **5.2.2 RELEVANCE, APPROPRIATENESS AND SIMPLICITY**

### **5.2.2.1 PRESENTATION OF RESULTS**

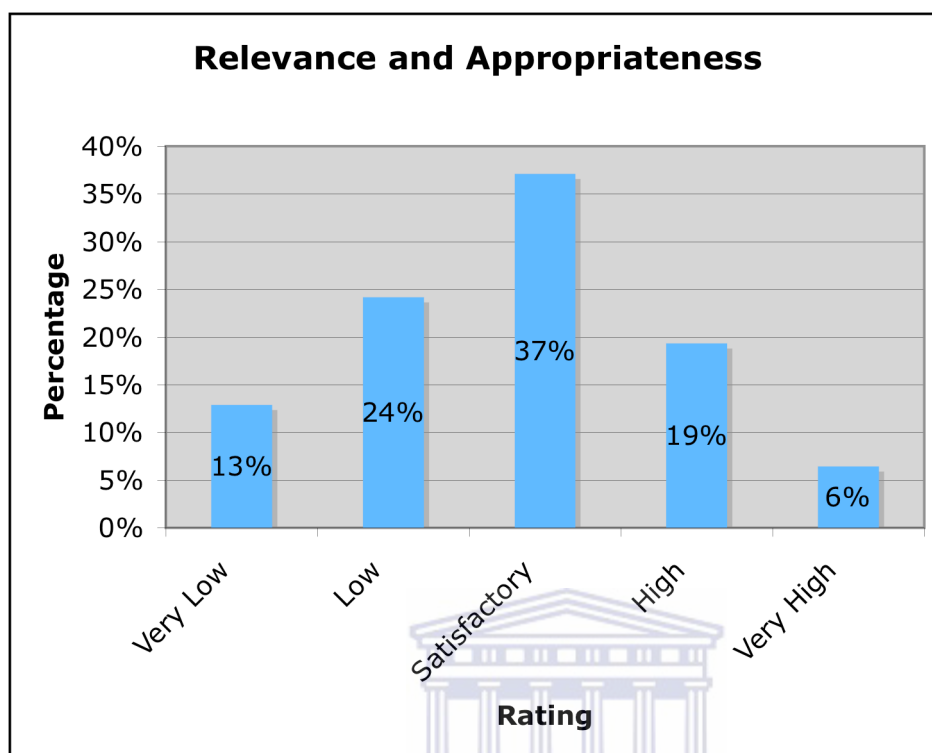
Respondents were requested to rate the extent to which their current performance management system is relevant, appropriate, user-friendly and simple to use. The time requirement to administer the system was also investigated.

#### **Relevance and Appropriateness**

Relevance and appropriateness was rated as 37% satisfactory, 19% high and 6% very high. Results indicate that 62% of respondents rated the relevance and appropriateness of the performance management systems as satisfactory or higher (satisfactory 37%; high 19%; and very high 6%). However, 24% of respondents rated overall quality low and 13% very low.

Figure 5.3 presents ratings of the relevance and appropriateness of the performance management system.

**FIGURE 5.3: RELEVANCE AND APPROPRIATENESS**



Respondents who rated the relevance and appropriateness of the performance management system as very low or low were requested to provide comment or explanation. Some respondents argued that the tool is relevant and appropriate and if applied properly it can lead to performance improvement. However, the challenge lies in its implementation. Some respondents argued that further improvements were required in order to improve its relevance and appropriateness.

The majority of the respondents reported that the departments are not taking the performance management system seriously. Deadlines for compilation of performance agreements are not adhered to while in some departments performance agreements are not even being compiled. This leads to staff not committing themselves to the objectives that are supposed to be achieved by the department. Monitoring of the performance management process was reported by some respondents as non-existent.

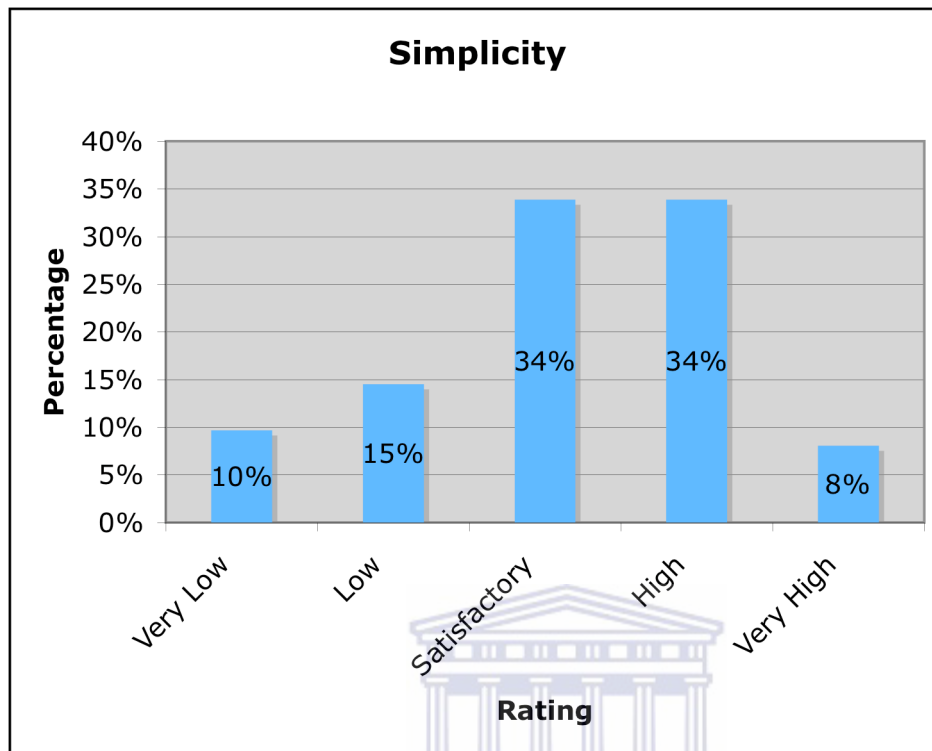
Some respondents argued that the performance management system is not relevant and appropriate to the improvement of staff performance because the continuous assessment is not done throughout the year and there are no early detection and corrective action mechanisms in place to remedy poor performance. They reported that the system is creating conflict between managers and subordinates. This is well captured in the following comment from one of the respondents: "The performance management system demotivates employees, especially the hard workers, because they end up getting nothing, while rewards go to low performers that the boss likes". In the words of another respondent: "The system is an administrative task rather than the driving force of performance management".

### **Administrative Simplicity and User-friendliness**

Administrative simplicity and user-friendliness was rated as 34% satisfactory, 34% high and 15% low. Results indicate that 76% of respondents rated the administrative simplicity and user-friendliness of the performance management systems as satisfactory or higher (satisfactory 34%; high 34%; and very high 8%).

Figure 5.4 presents ratings of the administrative simplicity and user-friendliness of the performance management system.

**FIGURE 5.4: SIMPLICITY**



The majority of respondents who rated the administrative simplicity and user-friendliness of the performance management system as low and very low reported that the system is complicated and not user-friendly. The concerns were raised that in some departments even managers and supervisors have difficulty in interpreting the system. In some business units the system has not been explained properly to staff and in the words of one of the respondents "Employees are struggling to understand what is expected from them". In this regard, another respondent made the following comment: "It is simple to use only to those significantly 'literate' managers. For low level supervisors the processes are complex".

Some respondents reported that too much emphasis is placed on the financial rewards rather than on the developmental aspects of the performance management and development system. It was reported that the system is

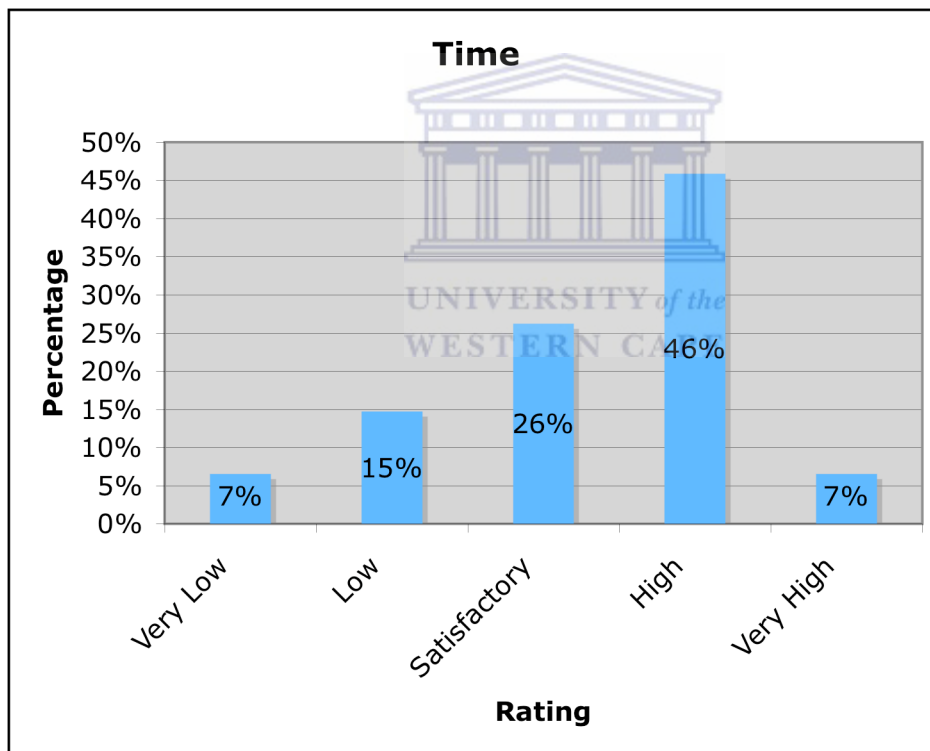


biased towards managers because managers often get higher ratings than employees.

## Time

Respondents were requested to rate the extent of time requirements to conduct the performance management process. This aspect of performance management was rated as 46% high, 26% satisfactory and 15% low, as presented in Figure 5.5.

**FIGURE 5.5: TIME**



The majority of respondents who expressed concerns regarding the extent of time requirements to conduct the performance management process explained that it takes a lot of time for a person to complete the process and that it is always 'a last minute exercise'. One respondent stated that "We do not meet the deadlines of the performance management system – we do the performance

assessments when it is overdue". According to another respondent "Most of the supervisors in my department see the process of quarterly reviews as tedious and time consuming, although with the right attitude it could be viewed as an excellent performance enhancement opportunity – however this requires a change management process and paradigm shift". In the words of another respondent "Management does not find time for their staff".

### **5.2.3 INTEGRATION**

Several aspects of integration were investigated during fieldwork research. These include: processes, culture, technology, HR management, structure, teamwork, holistic development and alignment of individual, team and organisational goals.

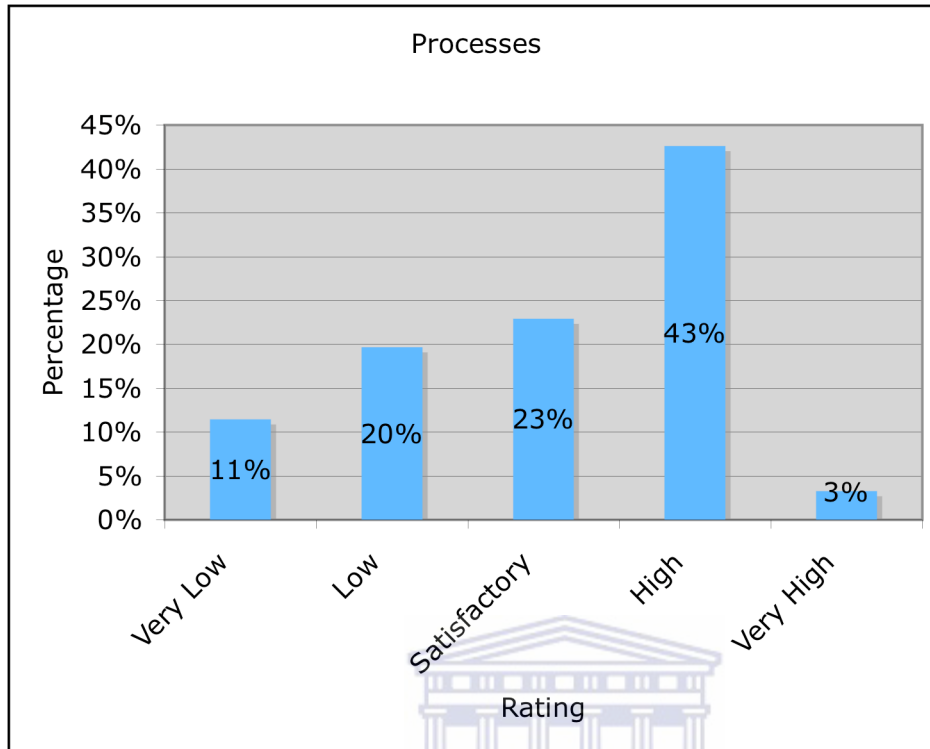
#### **5.2.3.1 PRESENTATION OF RESULTS**

##### **Processes**



Figure 5.6 presents ratings of the extent to which the current performance management system promotes the efficiency of organisational processes such as communication, knowledge and information management, financial management and operations management. This aspect of performance management was rated as 43% high, 23% satisfactory and 20% low. Results indicate that 69% of respondents rated the extent to which the current performance management system promotes efficiency of organisational processes as satisfactory or higher (satisfactory 23%; high 43%; and very high 3%).

**FIGURE 5.6: PROCESSES**



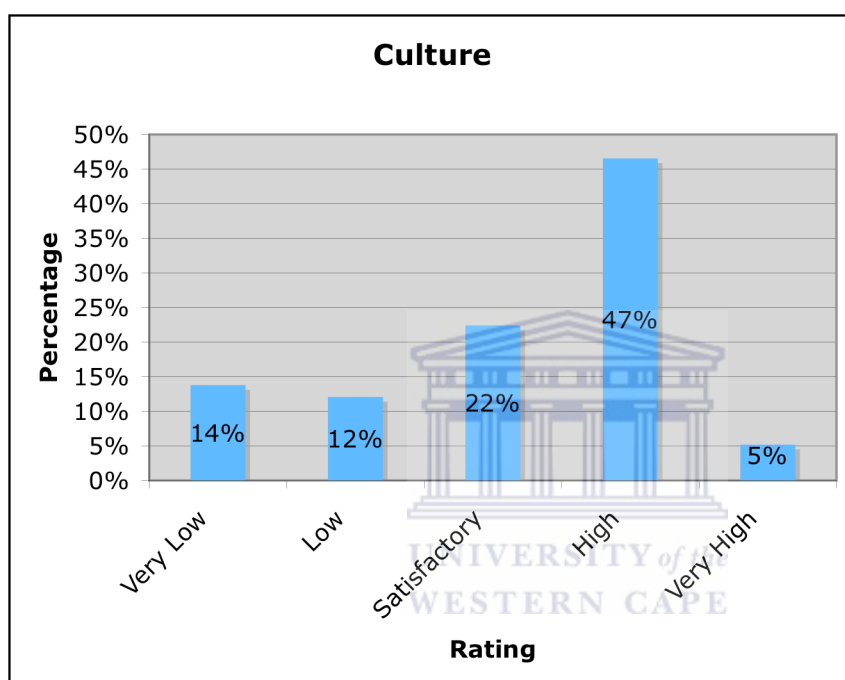
Respondents who rated the efficiency of processes as very low or low reported that the performance management and development system does not promote the efficiency of organisational processes because it is poorly managed. A lack of openness and transparency was also cited as one of the reasons undermining the efficiency of organisational processes, communication and information management.

### **Culture**

The respondents were requested to rate the extent to which the organisational culture promotes performance management processes and ethos such as hard work ethics, values, integrity and commitment to organisational purpose and vision.

Figure 5.7 presents the extent to which the organisational culture promotes performance management processes. 47% of respondents rated this aspect of performance management as high and 22% as satisfactory. Results indicate that 74% of respondents rated this aspect of performance management as satisfactory or higher (satisfactory 22%; high 47%; and very high 5%).

**FIGURE 5.7: CULTURE**



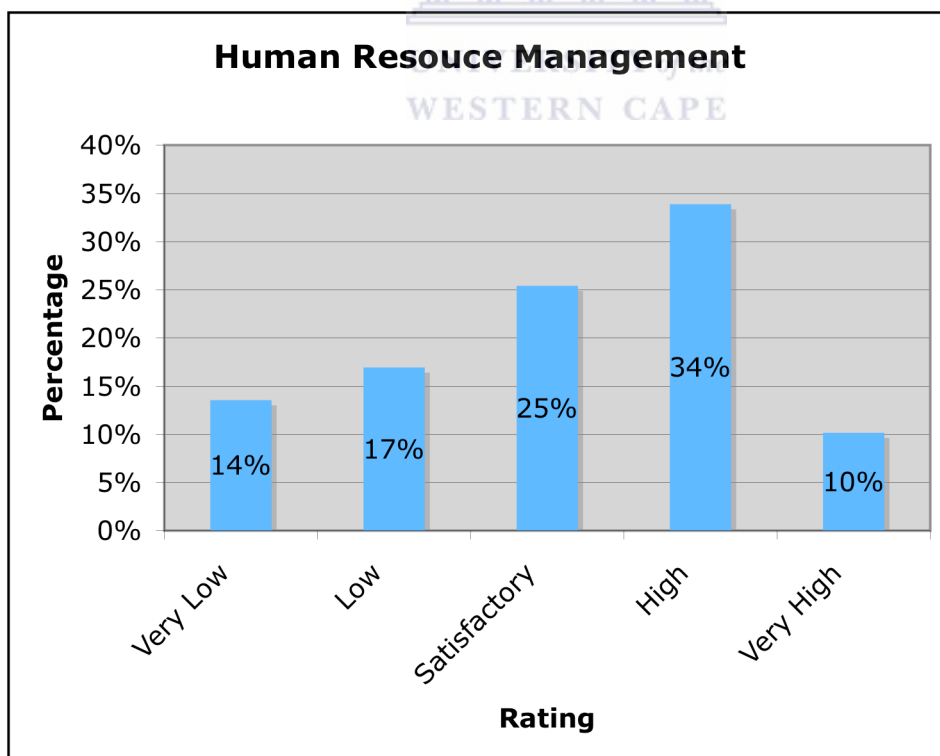
The majority of respondents who rated this area as very low or low explained that the organisational culture does not promote performance management processes. According to one of the respondents: "With lower level staff and some managers, the entitlement mentality still exists". Respondents explained that generally there is a lack of recognition of the importance of organisational culture. The diversity of culture and values has been reported as another big management challenge. In this regard, one of the respondents stated that: "Cultural obligations make implementation of performance management system difficult".

## Human Resource Management

The respondents were requested to rate the extent to which the performance management system is aligned with other HR activities and functions such as promotions, training and development, succession planning, mentoring and coaching, etc.

Figure 5.8 presents the extent to which the performance management system is aligned with other HR activities and functions. 34% of respondents rated this aspect of performance management as high, 25% as satisfactory and 17% as low. Results indicate that 69% of respondents rated this aspect of performance management system as satisfactory or higher (satisfactory 25%; high 34%; and very high 10%).

**FIGURE 5.8: HUMAN RESOURCE MANAGEMENT**



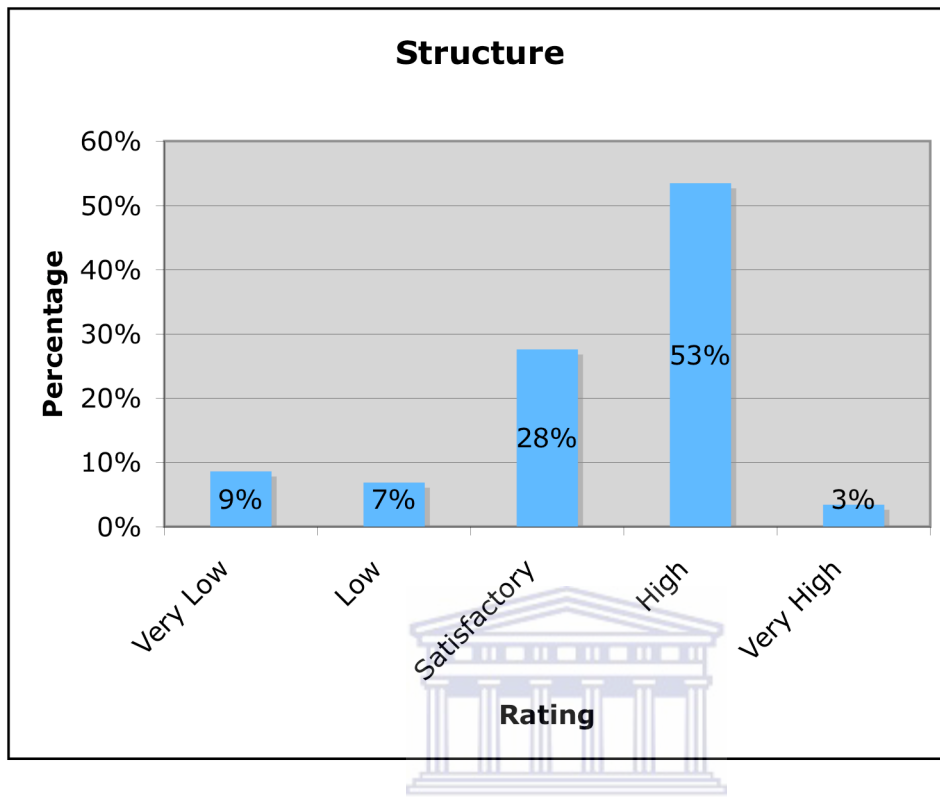
The minority of respondents who rated this aspect of performance management as very low or low explained that there is no alignment between performance management and other HR functions and activities. In this regard, one of the respondents stated the following: "In theory that is what we preach but the reality is the direct opposite since there is no linkage". In terms of HR activities such as promotions, training, mentoring and coaching most respondents had negative experiences and views. According to one of the respondents: "Some officials who are rated low and not performing well do not get any training, mentoring and coaching. Instead they are just taken as underperforming and nothing is being done to improve their skills". According to another respondent: "Nepotism plays a big role, there are no mentors, if the boss feels you are not performing, you are ignored or harassed without anyone finding out the cause of not performing well".

### **Structure**

The respondents were requested to rate the extent to which the current organisational structure is enabling for implementation of the performance management system. Organisational structure includes issues of bureaucracy, capacity, staff, teams, departments, skills and power.

Figure 5.9 presents the extent to which the current organisational structure is enabling for implementation of the performance management system. 53% of respondents rated this aspect of performance management as high, 28% as satisfactory and 9% as very low.

**FIGURE 5.9: STRUCTURE**



The majority of respondents who rated this aspect of performance management as very low or low explained that the current organisational structure is not enabling for implementation of the performance management system. In this regard, one of the respondents stated that: "The 'silo' mentality and approach is still dominant. It is still predominantly a top-down approach".

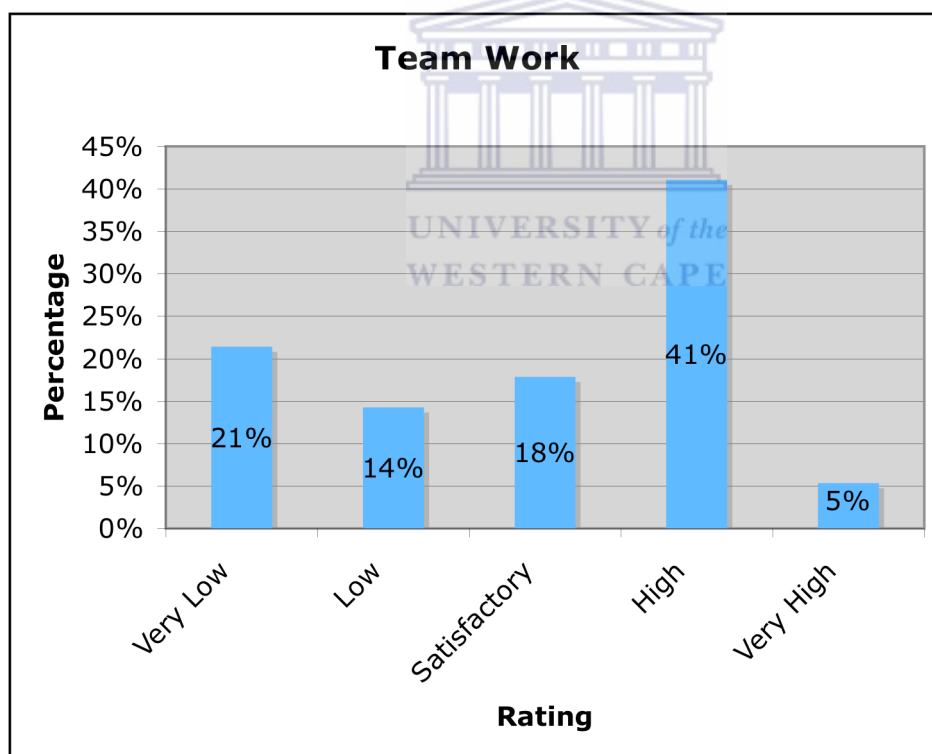
In relation to a lack of management autonomy in the public service, one of the respondents stated the following "The system assumes 'the ability to manage', but given the public service systems of management this is not true". According to this respondent: "There is very low level of delegation, procurement is an extremely complex and slow process, and there is a huge problem of Head Office interference in management".

## Teamwork

The respondents were requested to rate the extent to which the performance management system promotes teamwork. The following issues of teamwork were considered: team-based performance criteria, targets, rewards, team spirit, relationships, and self-centredness versus collectivism.

Figure 5.10 presents the extent to which the performance management system promotes teamwork. 41% of respondents rated this aspect of performance management as high, 21% as very low and 18% as satisfactory.

**FIGURE 5.10: TEAMWORK**





The majority of respondents who rated this aspect of performance management as very low or low, explained that the current performance management system does not promote teamwork. Favouritism by managers is cited as a major cause of this problem. According to one of the respondents: "Favouritism from the managers separates and destroys the teamwork".

A lack of commitment of people to teamwork is reported as another major cause of this problem. In this regard, one of the respondents made the following comment: "People are not committed. Everyone is doing his own way". Another respondent commented that the system is "not team based at all".

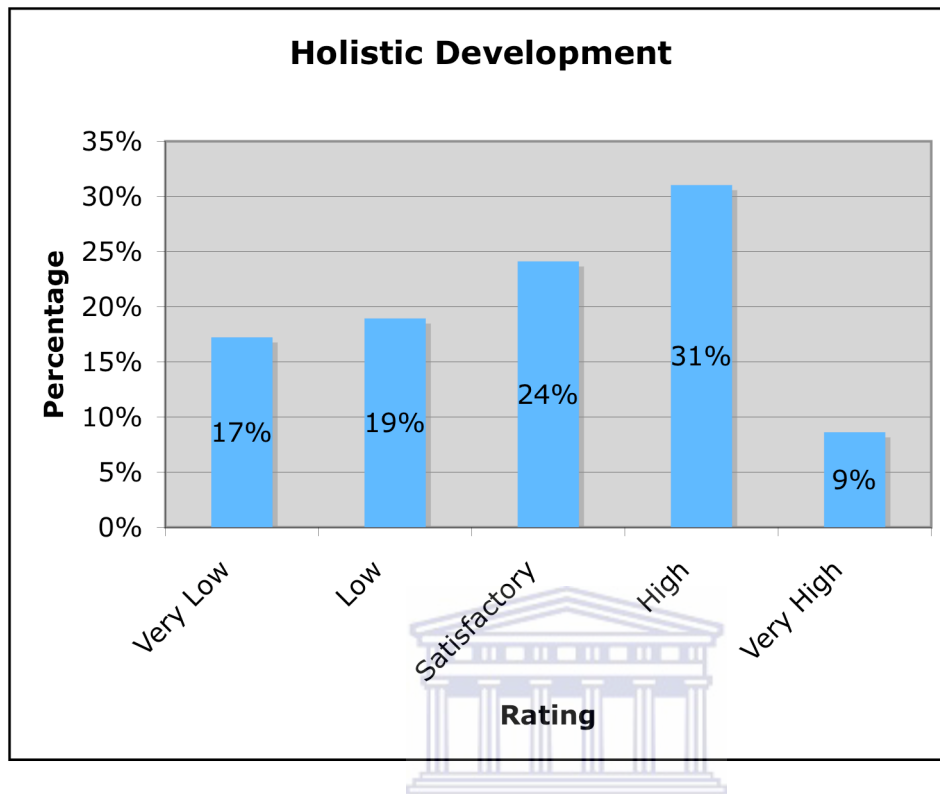
### **Holistic Development**

The respondents were requested to rate the extent to which the current performance management system promotes the holistic development of individuals. The following aspects of holistic development were considered: intellectual needs, emotional needs, spiritual needs, physical needs and balance.

The majority of respondents who rated this area as very low or low explained that the performance management system does not promote the holistic development of individuals. According to one of the respondents the system exists very much on a physical level only.

Figure 5.11 presents the extent to which the current performance management system promotes the holistic development of individuals. 31% of respondents rated this aspect of performance management as high, 24% as satisfactory and 19% as low.

**FIGURE 5.11: HOLISTIC DEVELOPMENT**



A lack of understanding of interrelatedness has been identified as a major problem area. In this regard one of the respondents stated that: "Some staff members believe in themselves and think that they can achieve good results alone, they don't believe that teamwork is the only solution to good performance".

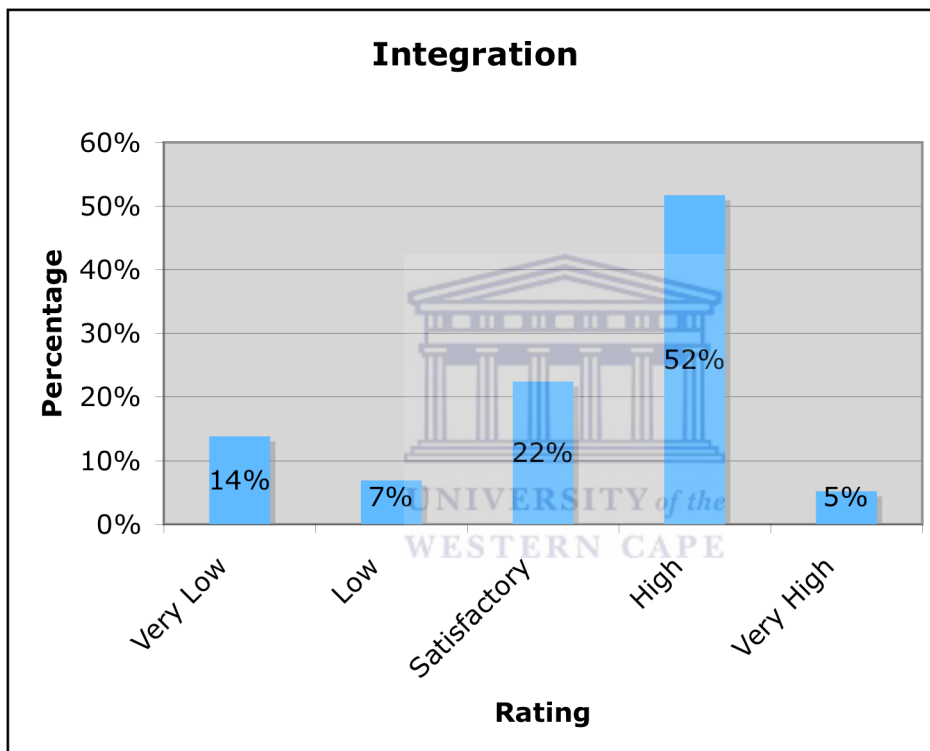
Another respondent argued that: "At government departments, you have to put your own spiritual needs aside and work according to the values and beliefs of the department".

### **Integration of Individual and Organisational Objectives**

Respondents were requested to rate the level of integration of organisational, departmental, team and individual objectives. Figure 5.12 depicts ratings of the integration of the performance management system. This aspect of the

performance management system was rated as 52% high, 22% satisfactory and 14% very low. Results indicate that 79% of respondents rated this aspect of performance management system as satisfactory or higher (satisfactory 22%; high 52%; and very high 5%).

**FIGURE 5.12: INTEGRATION OF INDIVIDUAL AND ORGANISATIONAL OBJECTIVES**



The majority of respondents who rated this question as very low or low reported that the integration of individual goals with departmental goals, strategies, culture and systems is a huge challenge. This is caused by several problems such as lack of knowledge and skills to ensure integration, a culture of individualism and lack of commitment and cooperation of staff to integration processes. Interdepartmental and intergovernmental relations are acknowledged as an absolute requirement for tackling large societal problems

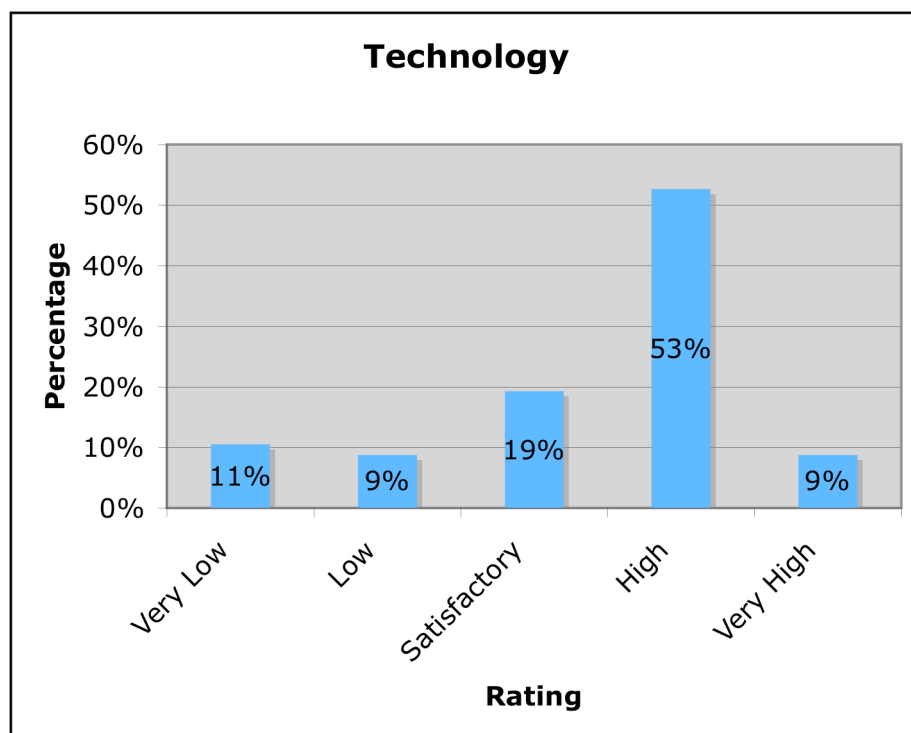
such as crime and HIV/AIDS. However, the practical implementation of integration proves to be very difficult.

## Technology

Respondents were requested to rate the extent to which information and communication technology supports the implementation of the performance management system. Various aspects of information and communication technology were investigated, such as communication, data collection, monitoring, evaluation, recording and storage of information, knowledge management, safety and confidentiality of information, etc.

Figure 5.13 illustrates the extent to which information and communication technology supports the implementation of the performance management system. 53% of respondents rated this aspect of performance management as high, 19% as satisfactory and 11% as very low.

**FIGURE 5.13: TECHNOLOGY**



The majority of respondents who rated this area as very low or low explained that information and communication technology is not well utilised in the implementation of the performance management system. In this regard, one of the respondents stated that: "We have not yet taken advantage of the ICT to advance performance measurement".

## **5.2.4 STRATEGIC OBJECTIVES**

### **5.2.4.1 PRESENTATION OF RESULTS**

Respondents were requested to rate the extent to which their current performance management system was making a contribution towards the achievement of the organisation's key strategic objectives in the following areas:

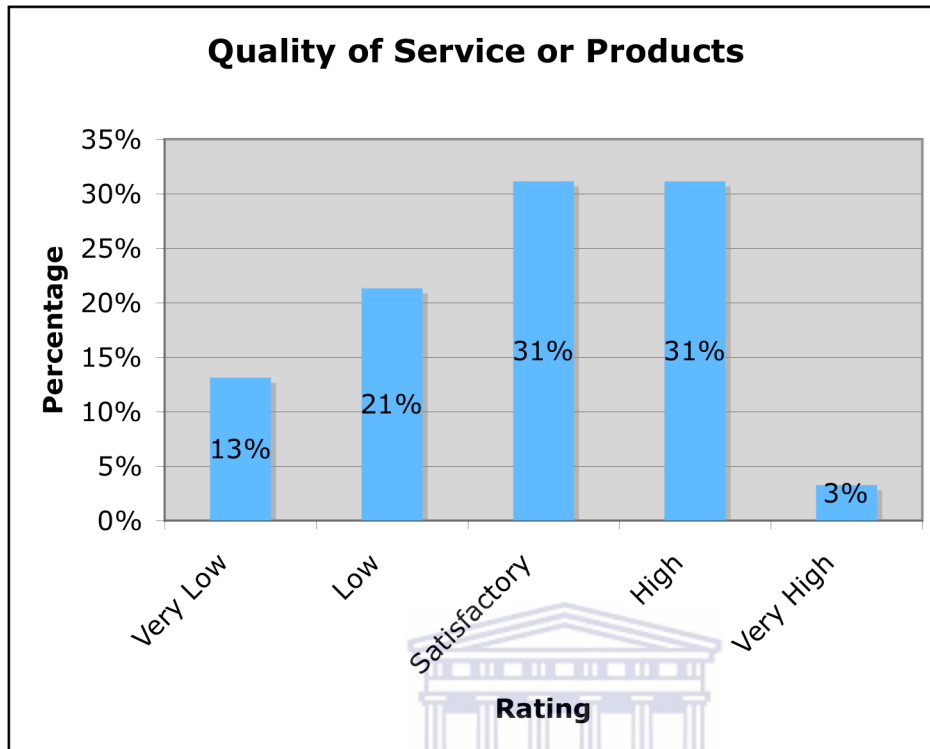
- Quality improvement of their service or products
- Financial management
- Innovation and learning
- Improvement of relationships between their key stakeholders.



#### **Quality Improvement**

Figure 5.14 presents ratings of the extent to which the current performance management system promotes improvement of quality of departmental products or service delivery. This aspect of performance management was rated as 31% satisfactory, 31% high and 21% low. Results indicate that 65% of respondents rated this aspect of performance management system as satisfactory or higher (satisfactory 31%; high 31%; and very high 3%).

**FIGURE 5.14: QUALITY OF SERVICE OR PRODUCTS**

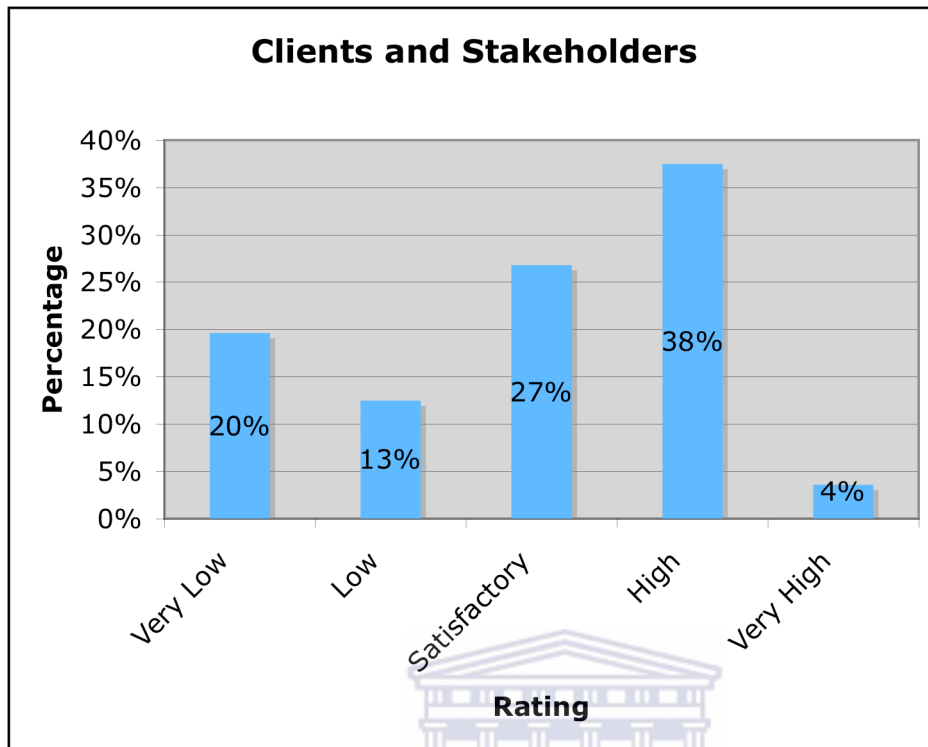


Respondents who rated the extent to which the current performance management system promotes improvement of quality of departmental products or service delivery as very low or low reported that the system does not promote improvement of the quality of departmental products or service delivery because it is not clearly explained to users / employees. The problems of laziness, nepotism and favouritism were cited as some of the underlying causes of poor quality, which the performance management system is not addressing.

### **Clients and Stakeholders**

The extent to which the current performance management system promotes relationship development with key stakeholders and clients was rated as 38% high, 27% satisfactory and 20% very low, as illustrated in Figure 5.15.

**FIGURE 5.15: CLIENTS AND STAKEHOLDERS**

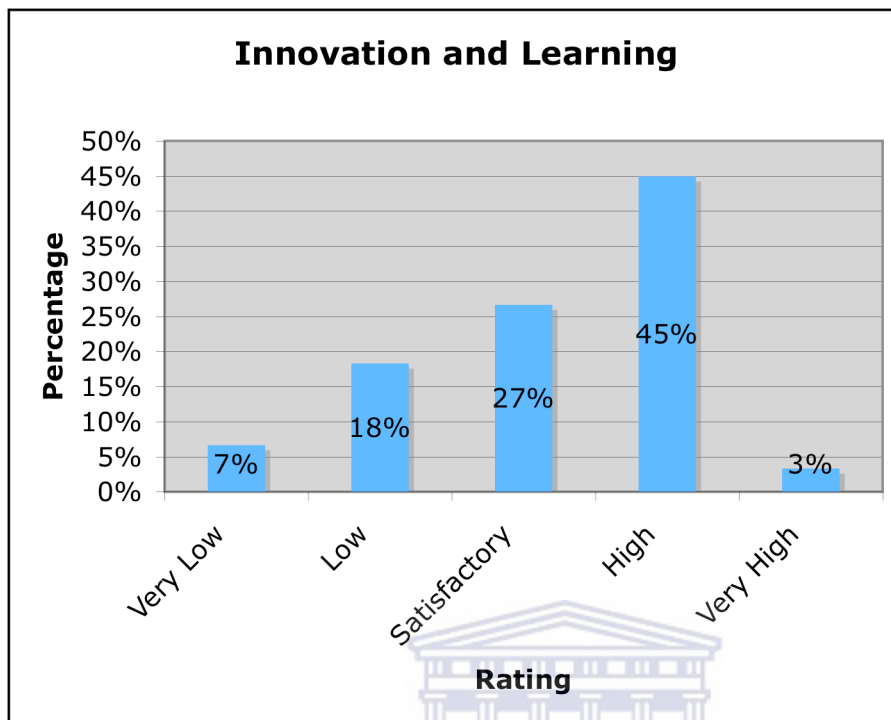


Respondents who rated the extent to which the current performance management system promotes relationship development with key stakeholders and clients as very low or low reported that the system does not promote the development of good relationships because of mistrust. The corporate governance processes of public service departments were also cited as major challenges requiring drastic improvement.

### **Innovation and Learning**

Respondents were requested to rate the extent to which the current performance management system promotes innovation, creativity and learning. This aspect of the performance management system was rated as 45% high, 27% satisfactory and 18% low, as presented in Figure 5.16.

**FIGURE 5.16: INNOVATION AND LEARNING**



Respondents who rated the extent to which the current performance management system promotes innovation, creativity and learning as very low or low, reported that the system does not promote creativity and learning because the system motivates some people while it demotivates others. This is reflected in the words of one of the respondents as follows: "The system cannot be referred to as a tool for innovation and learning at my institution". In this regard, another respondent stated that "Doing things differently may be seen as a 'failure to conform' rather than innovation. There is a very low level of acceptance of new ideas".

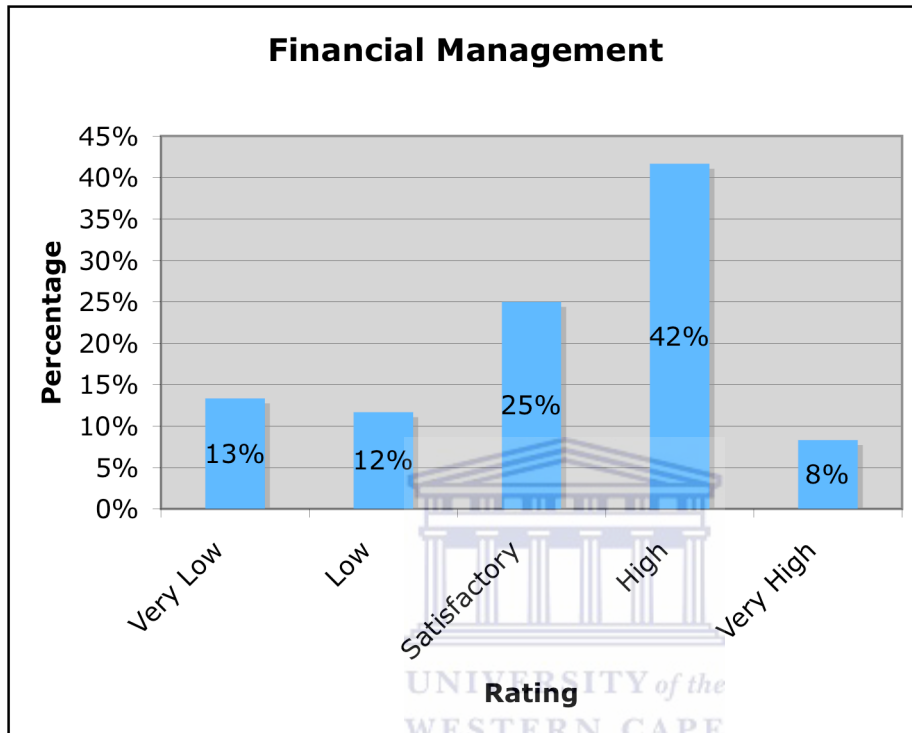
### **Financial Management**

Respondents were requested to rate the extent to which the current performance management system promotes sound financial management. This



aspect of performance management was rated as 42% high, 25% satisfactory and 13% very low, as presented in Figure 5.17.

**FIGURE 5.17: FINANCIAL MANAGEMENT**



The majority of respondents who rated the extent to which the current performance management system promotes sound financial management as very low or low, reported that the system cannot be referred to as an instrument to gauge financial management because it is not well understood.

One respondent commented that government's funds are being used to enrich certain groups of individuals at the expense of others. Another respondent commented that the system does not improve sound financial management since it lacks developmental context. According to another respondent, if the system was applied properly, employees would be encouraged to work harder, produce quality work and earn bonuses.

## 5.2.5 DESIGN

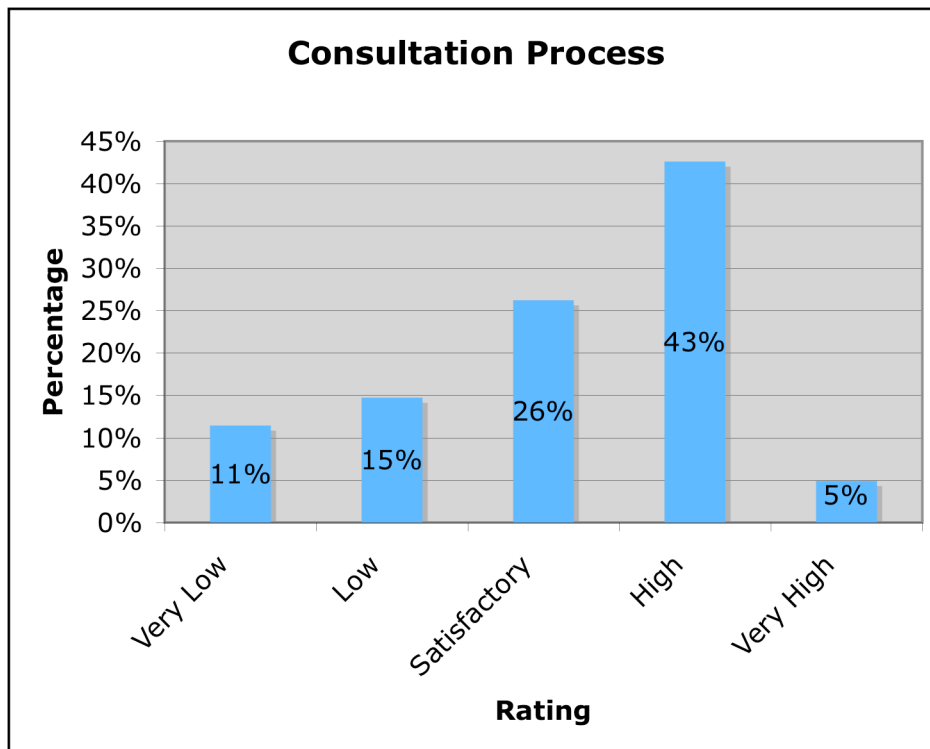
Various aspects of the performance management system design were investigated, such as the consultation process, design of performance management tools, performance agreements and reward system. Results of the investigation and discussion of results are presented in the following section.

### 5.2.5.1 PRESENTATION OF RESULTS

#### Consultation Process

Respondents were requested to rate the extent of the appropriateness of the consultation process in the development of the performance management system. This aspect of the performance management system was rated as 43% high, 26% satisfactory and 15% low, as presented in Figure 5.18.

**FIGURE 5.18: CONSULTATION PROCESS**



The majority of respondents who rated this area as very low or low reported that the consultation process in the development of the performance management system was not appropriate. Key stakeholders and clients are seldom consulted in the evaluation process. The decisions taken are unilateral and there is no proper consultation process in place. According to one of the respondents: "The system has not been clearly conceived by the government and it has been poorly communicated to staff".

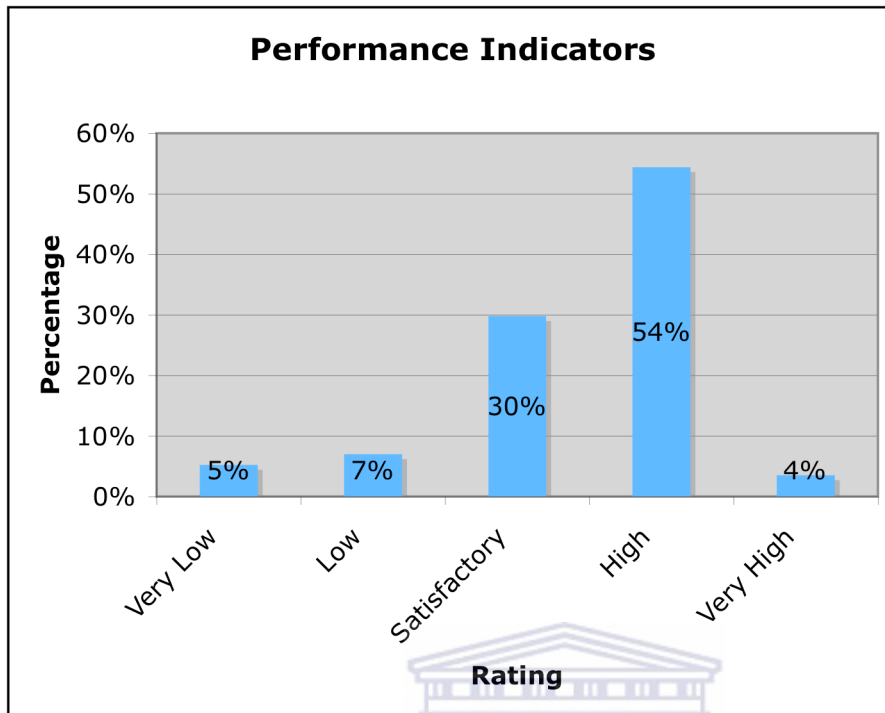
### **Performance Indicators**

Respondents were requested to rate the extent of appropriateness of performance indicators i.e. key result areas (KRAs) and core management criteria (CMC). Issues of joint identification and agreements on indicators with all relevant parties were also investigated.

Figure 5.19 presents ratings of the appropriateness of performance indicators. This aspect of the performance management system was rated as 54% high, 30% satisfactory and 7% low. Results indicate that 88% of respondents rated this aspect of performance management system as satisfactory or higher (satisfactory 30%; high 54%; and very high 4%).

The majority of respondents who rated this question as very low or low reported various problems with performance indicators which range from the development of appropriate indicators, especially in the areas of service delivery which are non-tangible and difficult to measure, to appropriateness and misalignment with departmental strategic plans. According to one respondent: "Most of the employees are doing their job which is totally outside of their job description. KRA and CMC are totally irrelevant".

**FIGURE 5.19: PERFORMANCE INDICATORS**



### **Performance Agreements**

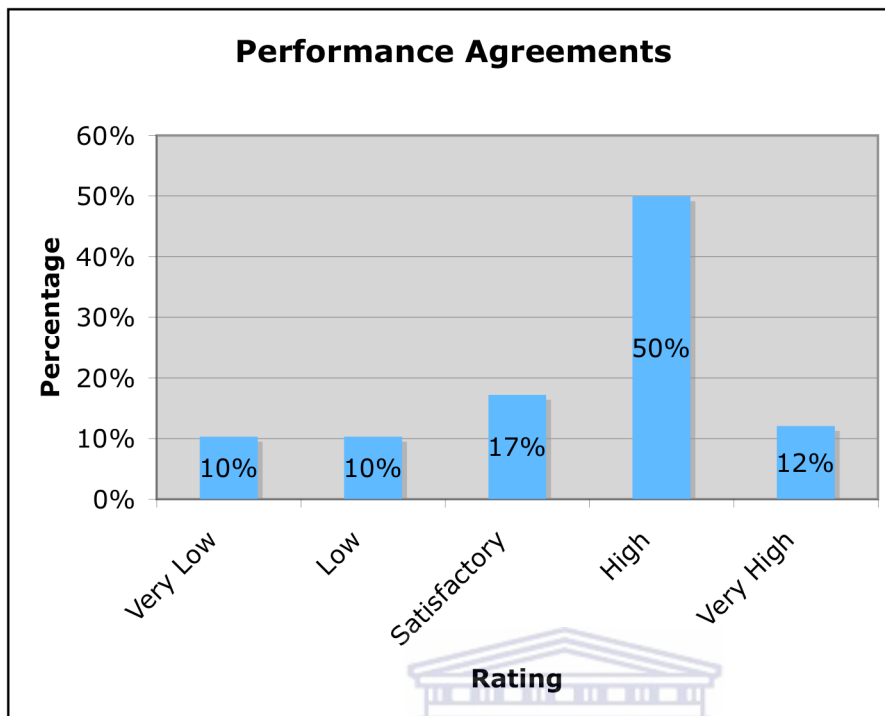


Respondents were requested to rate the usefulness of performance agreements as a tool for management of performance of senior managers in the public service. This aspect of performance management was rated as 50% high, 17% satisfactory and 12% very high as illustrated in Figure 5.20.

The majority of respondents who rated this question as very low or low reported that performance agreements were a good idea but the challenge was in implementation.

The reported problems ranged from non-existent performance agreements to misalignment of performance agreements with the departmental strategic plans and unit business plans.

**FIGURE 5.20: PERFORMANCE AGREEMENTS**



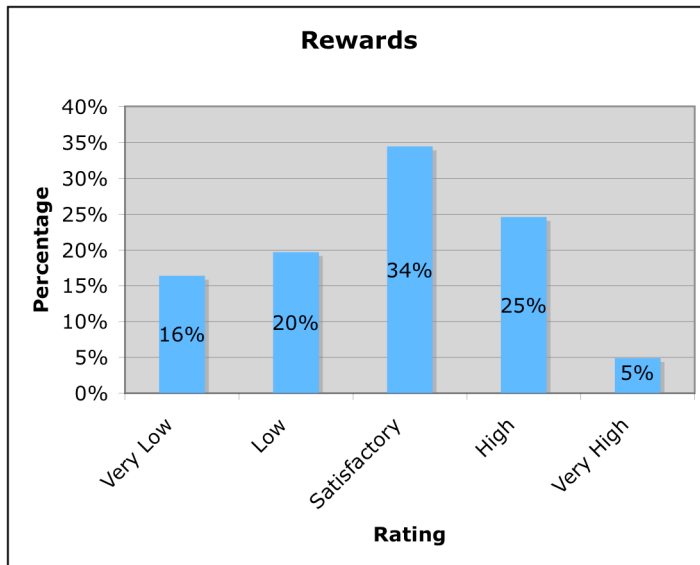
Enforcing performance agreements and taking corrective action in cases of poor performers was reported as a major challenge because of the unionised nature of the public service.

### **Rewards**

Respondents were requested to rate the extent to which good performance is appropriately rewarded. In addition, the issue of the performance management system rewarding mediocre performance was investigated.

Figure 5.21 depicts ratings of the extent to which good performance is appropriately rewarded. This aspect of performance management has been rated as 34% satisfactory, 25% high and 20% low.

**FIGURE 5.21: REWARDS**



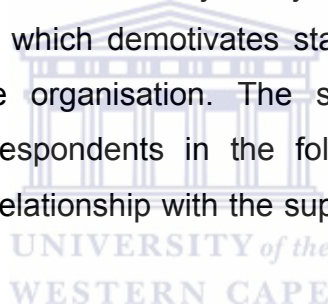
The majority of respondents who rated this aspect of the performance management system as very low or low commented that the reward system is a huge problem. The major problem cited was that rewards do not distinguish high from low performance and that almost everyone gets a performance bonus, irrespective of their performance. This problem is well captured in the following comment by one of the respondents "Rewards are grossly affected by pass-one-pass-all syndrome and all are given the same incentive". This discourages high performers because they do not get recognised for their work.

In addition, there is an entitlement mentality where some staff believe that they are entitled to a performance bonus irrespective of their performance. Some respondents reported that in their departments the performance management system is a mechanism to justify getting a bonus. According to them "it is all about money" and not about performance management improvement. Also, some staff have the mentality that 'a bonus is the government's money and not the manager's money', and they feel that they are entitled to a performance bonus.

Some respondents commented that the system is abused by managers for the wrong reasons – to settle personal conflicts and punish subordinates rather than for developmental reasons. In this regard one respondent stated the following: "If you question the process of reward awarding, everything will be done to ensure that you are eliminated and not being rewarded irrespective of your performance".

Insufficient pay was reported as another demoralising factor which discourages high performance in the long run and which leads to mediocre performance. According to some respondents, amounts set aside for performance rewards are not enough.

Several respondents reported that subjectivity in performance rating and rewarding is a big problem which demotivates staff and ultimately affects the performance of the whole organisation. The subjectivity problem is well captured by one of the respondents in the following comment: "You are rewarded according to the relationship with the supervisor and not according to your performance".

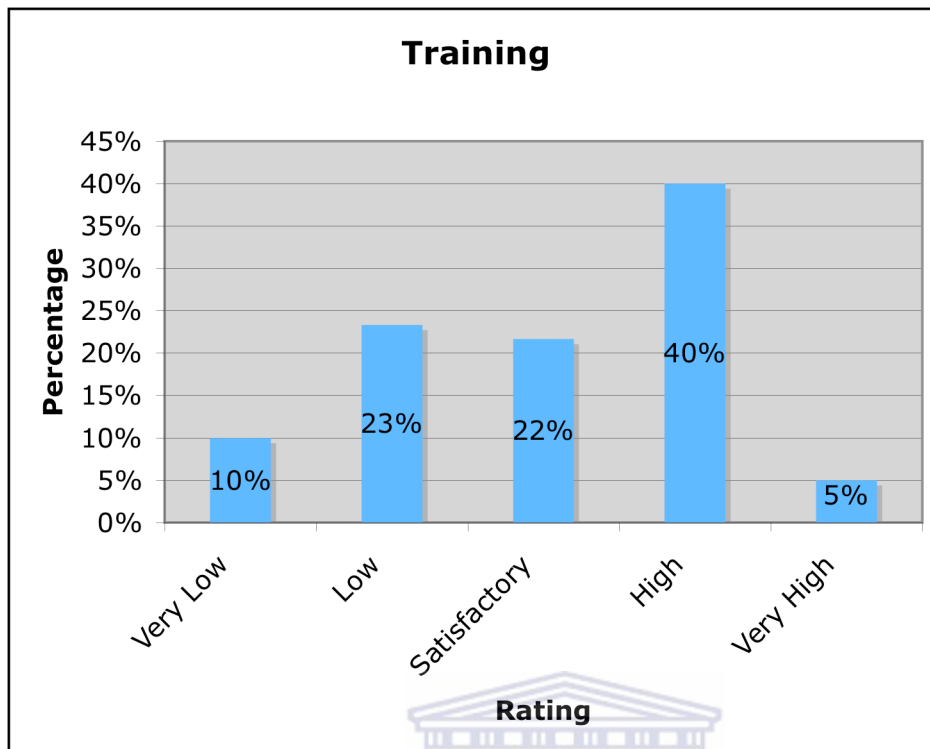


## **5.2.6 TRAINING**

### **5.2.6.1 PRESENTATION OF RESULTS**

Respondents were requested to rate the extent to which people are appropriately trained to use the performance management system. This aspect of the performance management system was rated as 40% high, 23% low and 22% satisfactory, as presented in Figure 5.22.

#### **FIGURE 5.22: TRAINING**



The majority of respondents who rated this question as very low or low commented that the people do not have the knowledge required to use the system. In addition, it was reported that the training on how to use the system was inadequate for both managers and subordinates. This is reflected in the following comment by one of the respondents: "If the supervisor is not available to do training then it becomes difficult for their subordinates to familiarise themselves with the system". Some respondents felt that not enough 'buy-in' was achieved for the performance management system due to a lack of appropriate training.

Some respondents explained that the problem is not with training but with implementation of the system, while others reported that their departments are in the process of improving training. Another respondent argued that the quality of performance management training should be improved by shifting from information giving, to adult-based interactive learning methodologies such as facilitation, role-plays etc.



## **5.2.7 IMPLEMENTATION**

Various aspects of the performance management system implementation were investigated such as leadership support, measurement and judgement challenges, fairness of performance ratings, communication challenges, resistance to change, conflict, and a developmental versus punitive nature of the performance management system. Results of this investigation and discussion of results are presented in the following section.

### **5.2.7.1 PRESENTATION OF RESULTS**

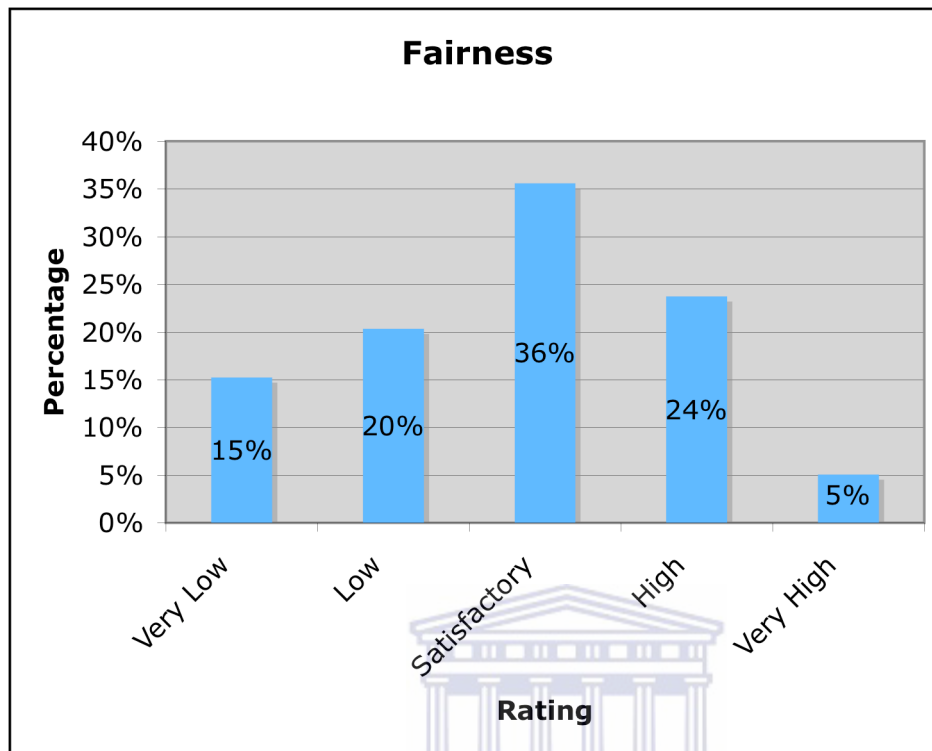
#### **Fairness**

Respondents were requested to rate the extent of fairness of the performance ratings and judgements. Issues of subjectivity and objectivity were considered. Figure 5.23 illustrates ratings of the extent of fairness of the performance ratings and judgements. Fairness was rated as 36% satisfactory, 24% high and 20% low.

The majority of respondents who rated this question as very low or low commented that there is a problem with fairness of the performance ratings and that favouritism is a huge problem. This is well captured in the following comment by one of the respondents: "Ratings are not done according to performance, but it depends who you are and how close you are with the immediate supervisors". Another respondent said: "The rating depends on the manager whether he likes you or not. They don't look at the job you have done".

Some respondents explained that supervisors do not want to make unpopular decisions and rate everyone highly, which leads to people being rewarded for mediocre performance. Some managers are conflict-avoidant and they do not use the system to correct low performance.

**FIGURE 5.23: FAIRNESS**



Self-assessment has also been rated as a problem. Once the employee rates himself/herself, the supervisor rarely rates the employee lower because of the potential conflict that might arise as a result of a difference in ratings.

The element of subjectivity and the non-existence or lack of utilisation of mechanisms to ensure objectivity of the rating process, such as a moderation committee, has been expressed as one of the major problems causing conflict between managers and subordinates, which ultimately causes staff demotivation and undermines the whole performance management system.

### **Leadership Support**

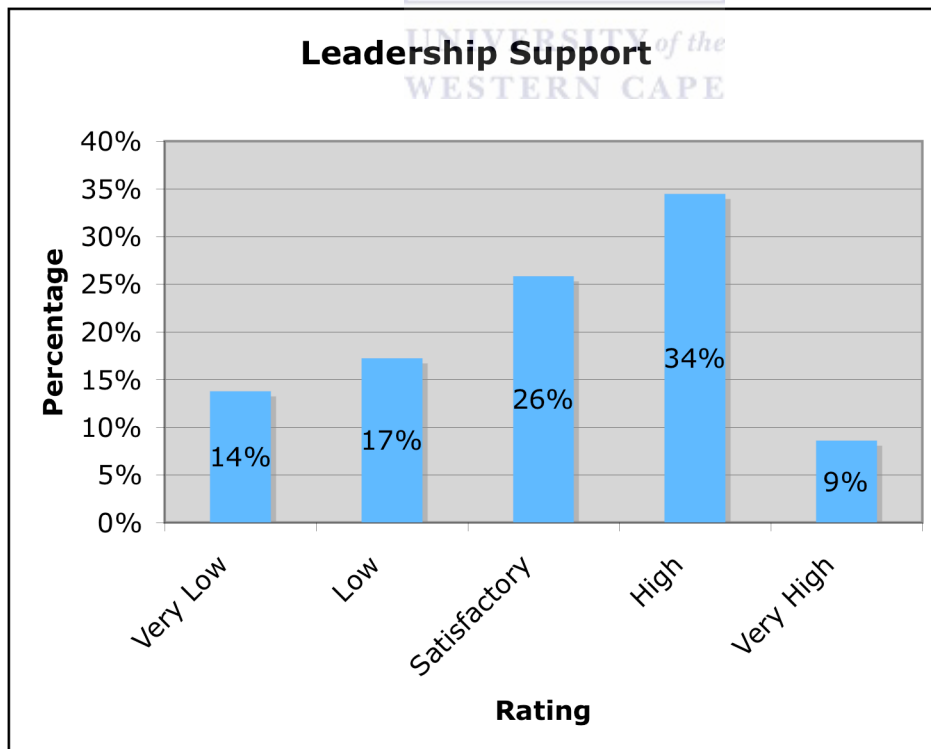
Respondents were requested to rate the level of top leadership and management support for the performance management system. Leadership

support was rated as 34% high, 26% satisfactory and 17% low, as illustrated in Figure 5.24.

The majority of respondents who rated this question as very low or low reported that there is a lack of support from top leadership and management for implementation of the performance management system.

Compliance is cited as a major reason for conducting the performance management process. This is well captured by the following comment from one of the respondents: "They tend to do it just for compliance with the prescribes of Labour Relations and Basic Conditions of Employment Act". Another respondent commented that: "Management only becomes active at the end of the financial year".

**FIGURE 5.24: LEADERSHIP SUPPORT**

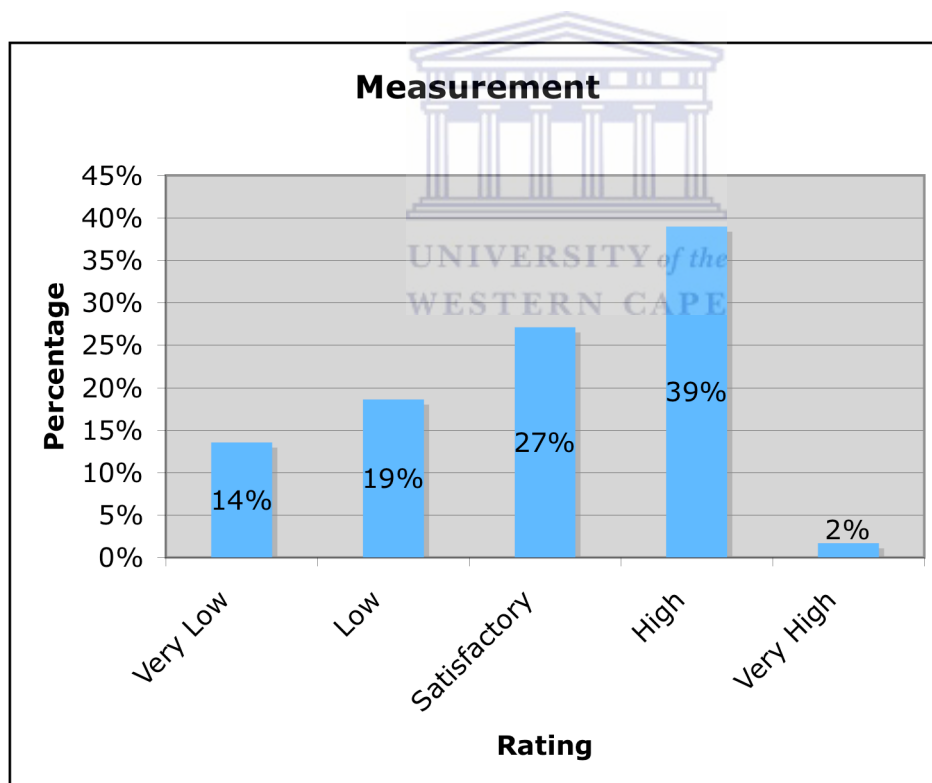


## Measurement

Respondents were requested to rate performance measurement difficulties and challenges. Various elements of performance measurement were investigated such as accuracy of measurement, gathering of information and documentation, access and validity of information, especially in the case of qualitative data.

Figure 5.25 illustrates ratings of the extent of performance measurement difficulties and challenges. This aspect of performance management was rated as 39% high, 27% satisfactory and 19% low.

**FIGURE 5.25: MEASUREMENT**



The majority of respondents who rated this question as high or very high reported that the major challenge is in developing performance indicators. When performance indicators are not well developed it becomes impossible to measure them. Knowledge of developing performance indicators and

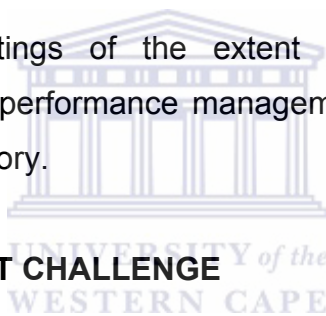
measuring them, especially in a service industry which is by its nature difficult to quantify and measure, is reported as seriously lacking.

Some respondents reported problems related to the reliability of information. In the words of one of them "The information collected is not tested for accuracy and consistency and is more based on hear-say and corridor gossip".

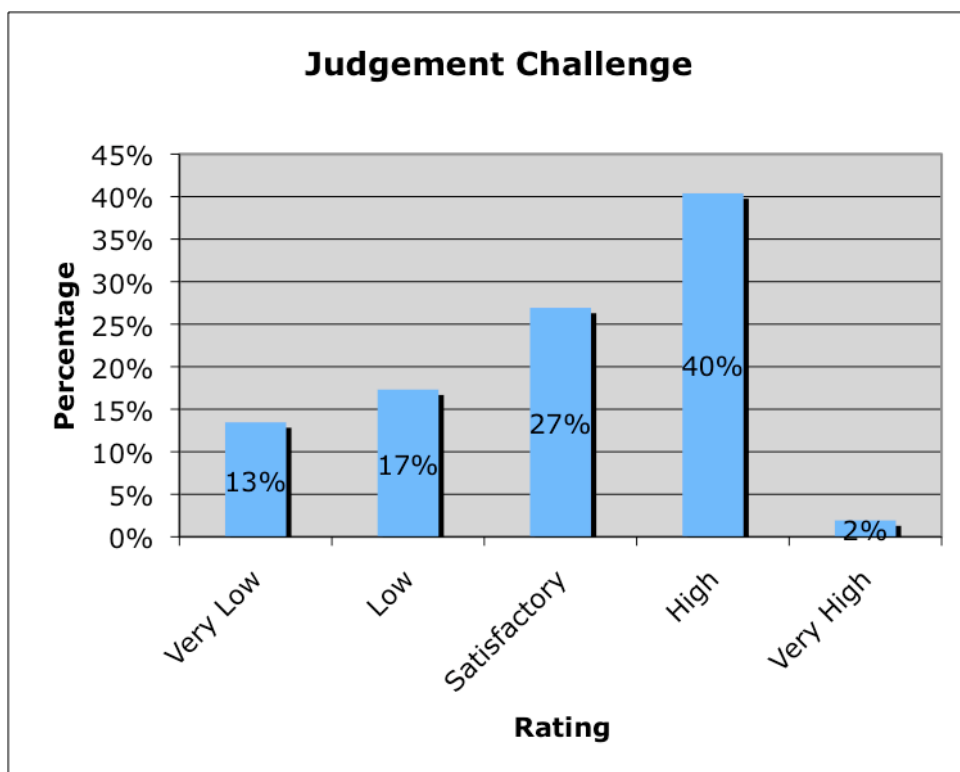
### Judgement Challenge

Respondents were requested to rate the extent of difficulties related to making performance judgements, especially in the cases of qualitative indicators and targets.

Figure 5.26 illustrates ratings of the extent of performance judgement challenges. This aspect of performance management challenge was rated as 40% high and 27% satisfactory.



**FIGURE 5.26: JUDGEMENT CHALLENGE**



The majority of respondents who rated this question as high or very high reported that there are major performance judgement challenges such as bias, nepotism and favouritism. In the words of one of the respondents: "Judgement appears to be biased and not informed by anything more than popularity and personal favouritism". According to another respondent, performance judgements tend to be subjective because "In most cases people judge your behaviour and not what you are doing - and then it becomes difficult to judge correctly".

In addition, another judgement related problem reported was that the moderation committee frequently changes performance scores, often to fit budget requirements rather than for performance reasons.

### **Avoidance Problem**

Respondents were requested to rate the extent to which managers avoid the uncomfortable activity of confronting problems of poor performance.

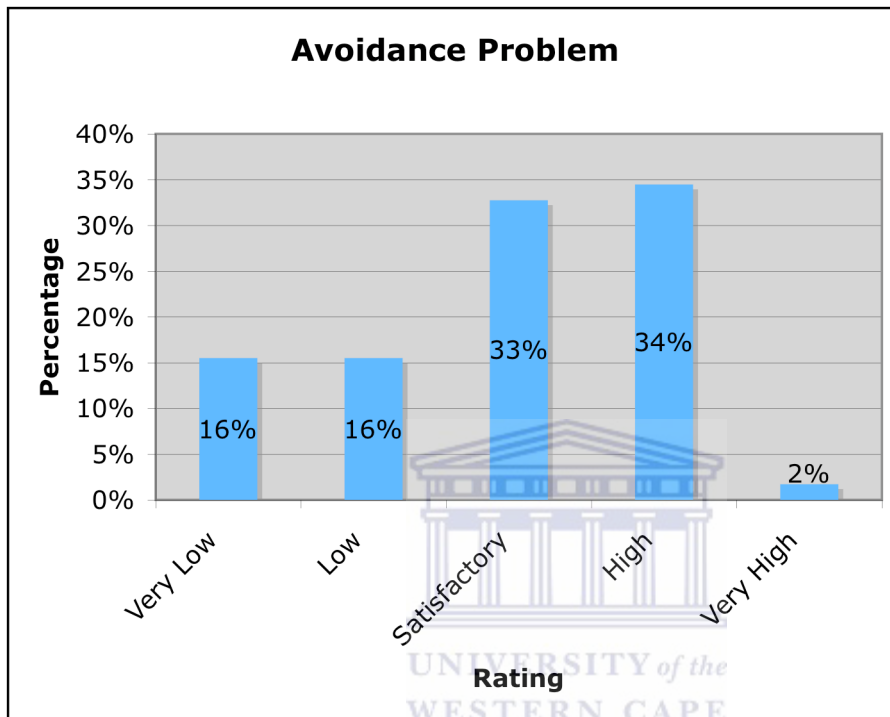
The majority of respondents who rated this question as high or very high reported that managers in general tend to avoid confronting poor performers. According to one respondent: "Managers leave everything to junior staff". Managers generally tend to want to maintain good relationships and friendships with their staff and avoid doing difficult things.

The avoidance problem was rated as 34% high and 33% satisfactory. Figure 5.27 illustrates ratings of the extent to which managers avoid the uncomfortable activity of confronting problems of poor performance.

Respondents reported that the disciplinary system was very weak and that it was extremely difficult to institute corrective measures to address non-performance challenges. This leads to delays in solving the problems of

procrastination, which often create greater and more difficult problems that need to be resolved in future.

**FIGURE 5.27: AVOIDANCE PROBLEM**



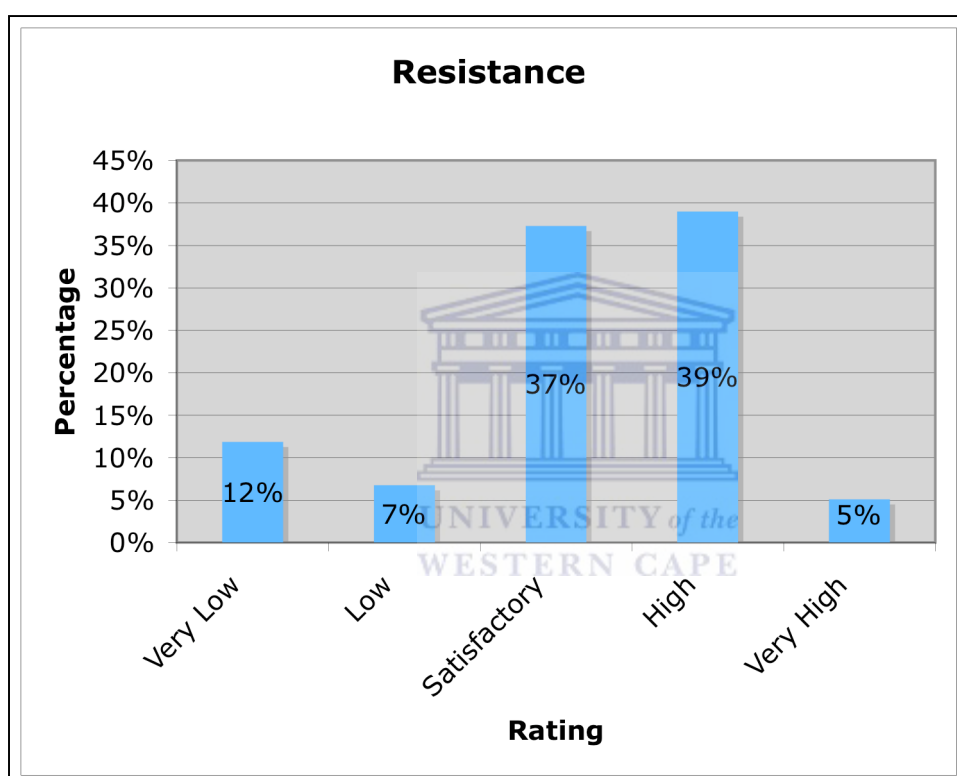
### **Resistance**

Respondents were requested to rate the level of resistance of staff to the performance management system. This aspect of the performance management system was rated as 39% high and 37% satisfactory. Figure 5.28 illustrates the level of resistance of staff to the performance management system.

The majority of respondents who identified the problem of resistance to the performance management system as high or very high, explained that the reason for this is a poor understanding of what was happening. Fear of the unknown was also cited as another major reason. Staff demotivation, lack of

acknowledgment and recognition were reported as other major reasons for resistance to performance management system implementation. In this regard, one respondent commented that: "Staff has lost confidence in the performance management system". Another respondent commented that: "The staff just does it for compliance with the hope of getting financial rewards".

**FIGURE 5.28: RESISTANCE**



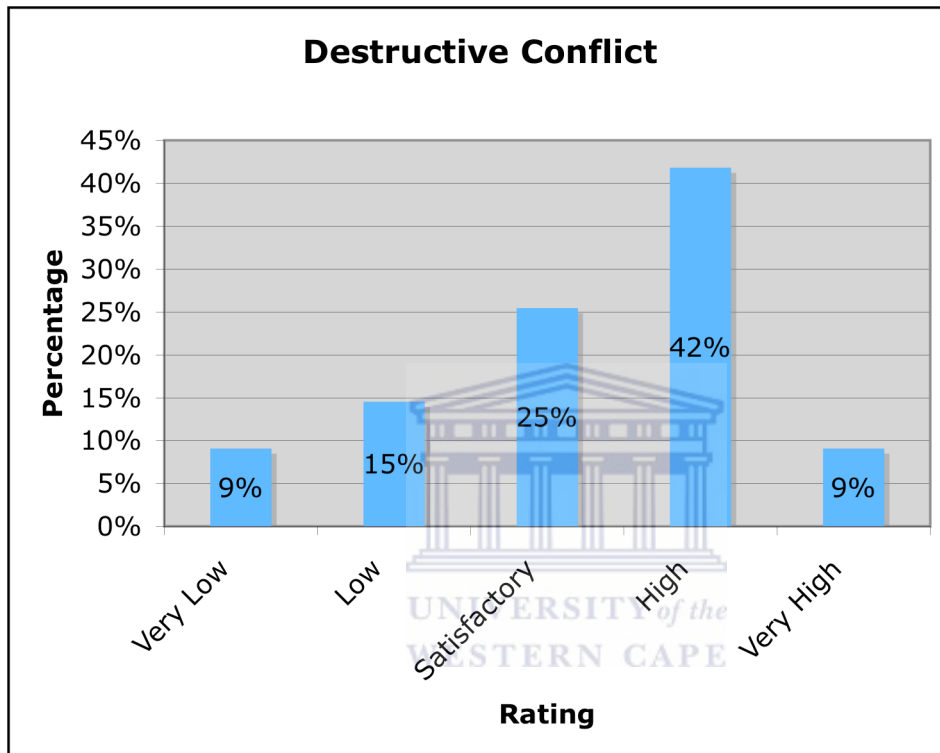
### **Destructive Conflict**

Respondents were requested to rate the level of destructive conflict arising from performance management processes. Various aspects of conflict were investigated such as: legal battles, appeals, involvements of unions, and time and emotional energies spent in conflict management processes.



Figure 5.29 illustrates the level of destructive conflict arising from performance management processes. This aspect of the performance management system has been rated as 42% high and 25% satisfactory.

**FIGURE 5.29: DESTRUCTIVE CONFLICT**

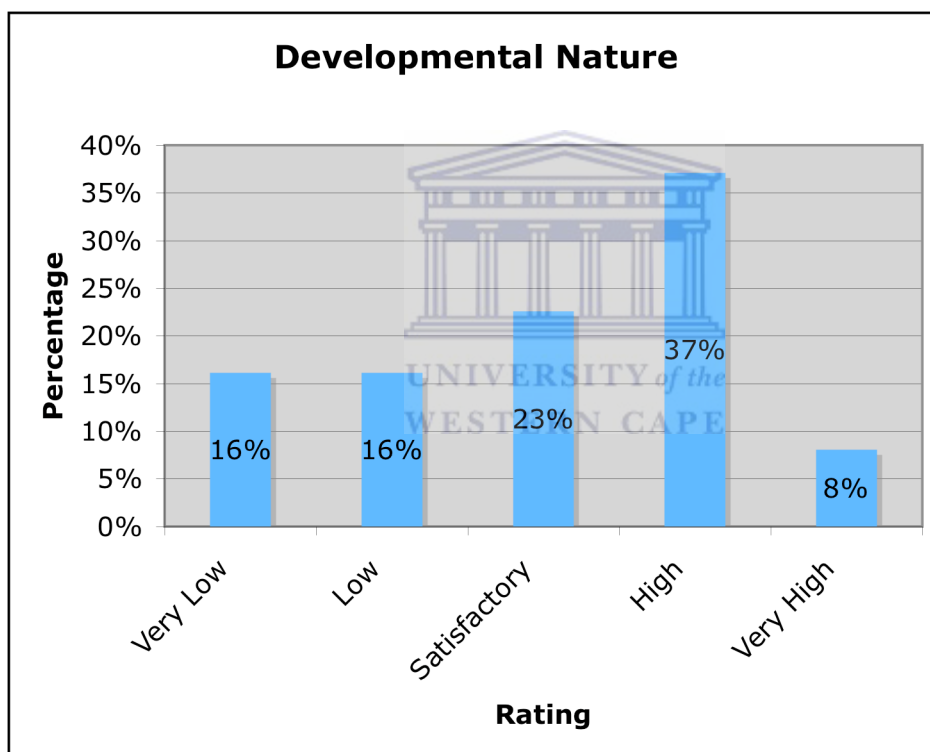


The majority of respondents who reported that the destructive conflict was high or very high explained that conflict does not often end up in legal battles but that it creates discontent and demotivation amongst employees. According to one of the respondents: "There is no visible conflict but there is unhappiness about the whole process". Another respondent commented that: "People are afraid to be victimised, to challenge their boss's decision".

## Developmental Nature

Respondents were requested to rate the extent to which the performance management system is used to develop performance rather than to punish unsatisfactory performance. Figure 5.30 illustrates ratings of the developmental nature of the performance management system. This aspect of the performance management system factor was rated as 37% high, 23% satisfactory, 16% low and 16% very low.

**FIGURE 5.30: DEVELOPMENTAL NATURE**



The majority of respondents who rated this question as very low or low commented that the performance management process lacks a developmental nature. "It is all about money – ideals are lost" commented one of the respondents. Another respondent stated that: "Organisation wide system is generally based on fear, it is not developmental". The system is often used to punish rather than to develop poor performers. This is reflected in the following

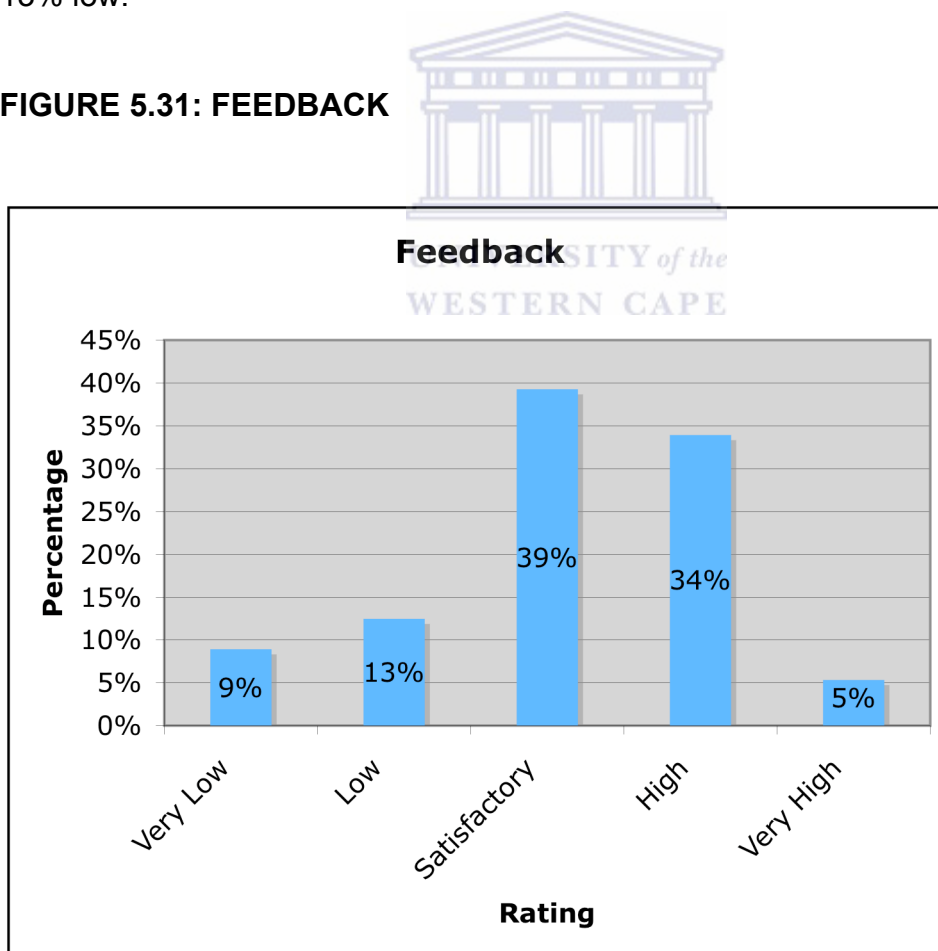
comments by the respondents "Some bosses use it to get even or punish you", and "It is only used to discredit certain individuals in the system".

## Feedback

Respondents were requested to rate the extent to which performance feedback is communicated constructively and developmentally rather than negatively, destructively or punitively.

Figure 5.31 illustrates the extent to which performance feedback is communicated constructively to staff by their managers. This aspect of performance management has been rated as 39% satisfactory, 34% high and 13% low.

**FIGURE 5.31: FEEDBACK**



The majority of respondents who reported problems related to the communication of performance feedback explained that feedback is often not communicated at all, communicated late or communicated inappropriately. In this regard, one of the respondents stated the following: "Well, you only receive negative feedback and positive one is kept in the boss's heart, not shared". Another respondent commented that: "The manager just tells you to rate yourself low without proper feedback". An example of destructive and non-developmental feedback is given by one of the respondents as follows: "There are those managers who just tell a person she is useless in front of everyone else".

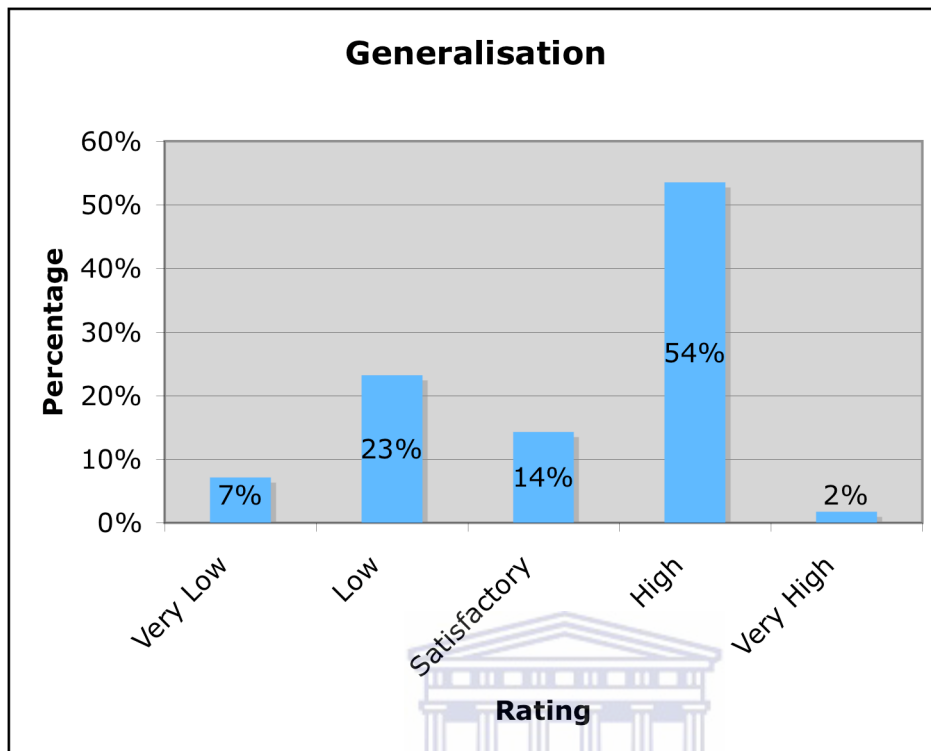
### **Generalisation**

Respondents were requested to rate the extent to which performance feedback is specific rather than being too generalised.

The majority of respondents who reported problems related to the generalisation of performance feedback explained that they never receive any feedback. According to one of the respondents, when performance feedback is given, it is about who qualifies for bonuses rather than about developmental aspects of the performance management system. In this regard, another respondent stated that: "You are not given feedback, so you do not know whether you are meeting the standard, only when you do wrong, you are attacked". According to one respondent: "Most of the feedback on low rating will be that, the top management instructed me to amend or reduce the points". In the words of another respondent: "The managers do not want to discuss the performance, they just tell you to give yourself three".

Figure 5.32 illustrates the extent to which performance feedback is specific rather than being too generalised. The level of specific performance feedback arising from performance management processes has been rated as 54% high, 23% low and 14% satisfactory.

**FIGURE 5.32: GENERALISATION**

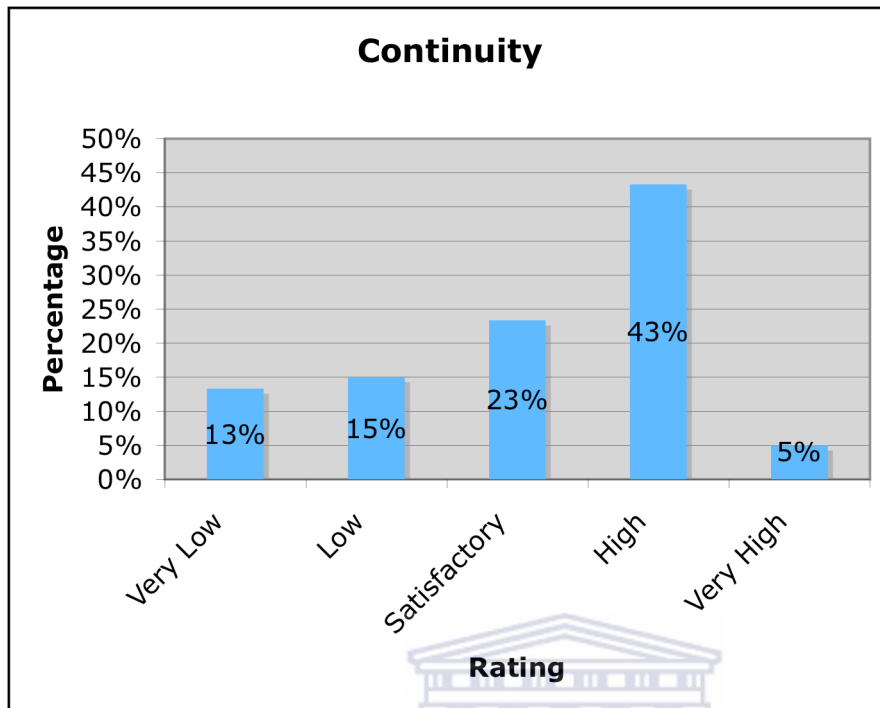


### **Continuity**

Respondents were requested to rate the extent to which the performance management process is conducted regularly at certain time intervals throughout the year. This also included investigation into the issues of performance monitoring mechanisms, administrative compliance or genuine application, and regular follow-ups.

Figure 5.33 illustrates ratings of the continuity of the performance management process. This aspect of performance management was rated as 43% high, 23% satisfactory and 15% low.

**FIGURE 5.33: CONTINUITY**



The majority of respondents who rated this question as very low or low commented that the performance management process is conducted mainly for compliance reasons and not to genuinely improve performance. Some respondents reported that deadlines are often ignored and that the performance management process is conducted only when the time comes for payment of bonuses, in order to justify payment of bonuses. Lack of adherence to timeframes, non-existent or inappropriate performance agreements, and inadequate monitoring mechanisms were cited as some of the major challenges in implementing the performance management system.

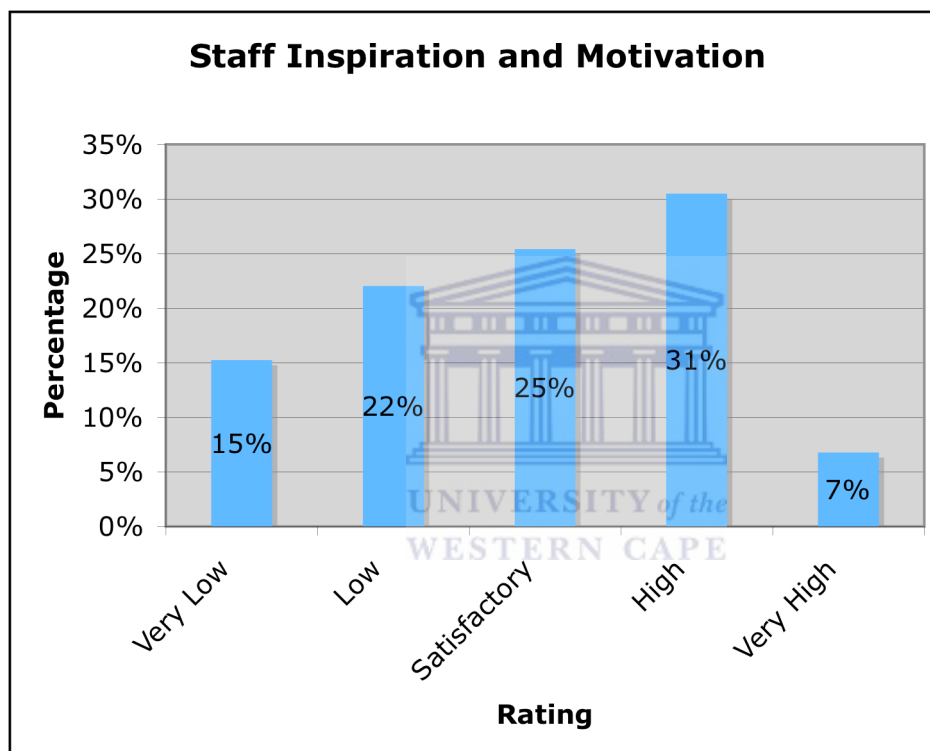
## **5.2.8 STAFF INSPIRATION AND MOTIVATION**

### **5.2.8.1 PRESENTATION OF RESULTS**

Respondents were requested to rate the extent to which the performance management system improves staff motivation and inspiration.

The following graph illustrates the extent to which the performance management system improves staff motivation and inspiration. 31% of respondents rated this question as high, 25% satisfactory and 22% low, as illustrated in Figure 5.34.

**FIGURE 5.34: STAFF INSPIRATION AND MOTIVATION**



The majority of respondents who reported problems indicated that the performance management system does not contribute to staff inspiration and motivation. In the words of one of the respondents: "It is more of an irritation at present". According to another respondent "Because of the inequities, the system produces low morale and dissatisfaction amongst staff".

Several reasons were given for staff demotivation, ranging from favouritism, lack of proper communication, staff attitudes and bias in allocating bonuses. In

this regard, one of the respondents stated the following: "You cannot be happy if a person who does not work is getting a reward on your expenses, just because that official is very close to the supervisor". In relation to financial rewards and staff motivation, another respondent made the following comment: "Financial rewards do not in my opinion have lasting motivational effect and denial thereof with no sufficient reasons given is even worse".

### **5.2.9 STRENGTHS OF THE CURRENT SYSTEM**

In terms of positive aspects of the current performance management system, major strengths identified are in the area of performance management legislation. Policies were reported to be enabling and flexible to accommodate different needs of different institutions within the public service. However, although there are enabling and progressive policies, regulations and guides for performance management, the major challenges remain in the process of implementation of policies.



### **5.3 SUMMARY**

This chapter presented results of the data collection process. Results were presented in the following eight categories: overall quality of the performance management system; relevance, appropriateness and simplicity; integration; strategic objectives; design; training; implementation; and staff inspiration and motivation.

Key issues raised about the overall quality of the performance management system include the following: a lack of knowledge and skills to design and implement the performance management system; lack of linkage between performance and rewards; non-adherence to time-frames; favouritism; and the overall low 'value for money' principle that the performance management system is achieving.



Thirty-five percent of respondents rated the relevance and appropriateness of the performance management system as either low or very low. Although this is a minority of respondents, the rating indicates that there are challenges around credibility and trust. The performance management system is perceived as a compliance or 'paper exercise' conducted inconsistently and on an ad hoc basis. It is not regarded as a tool for performance improvement which has a developmental impact.

The integration of individual goals with departmental goals, strategies, culture and systems has been reported as a major challenge. Interdepartmental and intergovernmental relations are acknowledged as important, but the practical implementation of integration proves to be difficult. These problems are caused by a lack of commitment and cooperation to integration processes, a culture of individualism and a lack of knowledge and skills to ensure integration.

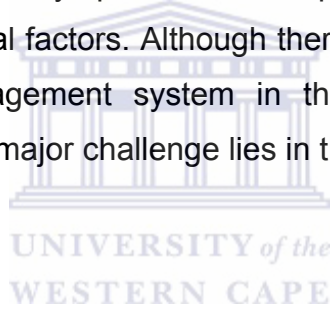
The results identified major challenges related to key areas of departmental performance: finance, quality, stakeholder management and learning. These areas, according to the Balanced Scorecard approach, are closely linked with the strategic objectives of an organisation. The causes of these problems were reported to be a lack of leadership, mismanagement, poor organisational culture and work ethic.

The implementation process of the performance management system was reported as a major challenge. This includes several issues such as: change management; the challenge of objective measurement; bias of judgement; lack of constructive feedback; and managers' avoidance of confronting poor performance.

The results revealed major challenges related to the negative impact of the performance management system on staff motivation. Staff demotivation is caused by a range of factors such as inadequate reward system, favouritism, poor communication, planning, implementation, monitoring and evaluation.

In summary, results suggest that the majority of respondents are satisfied with the overall quality and various other aspects of the current performance management system. However, for purposes of this discussion, it is important to note that the midpoint of the rating scale (satisfactory) has been considered as positive, although there is argument that a satisfactory rating should not be considered as being positive or adequate within the context of a high performing public service department. High performing organisations should strive for excellence and not mediocrity with regard to the performance management systems they utilise.

Based on results, minority respondents indicated that the public service is experiencing serious challenges with its performance management system. The problems identified tend to be symptomatic of deep-rooted problems caused by multiple internal and external factors. Although there are positive aspects of the current performance management system in the areas of legislation and flexibility of the system, the major challenge lies in the implementation process.



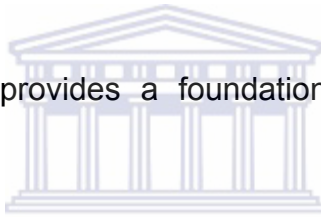
## **CHAPTER 6: ANALYSIS OF FINDINGS, INTERPRETATIONS AND DISCUSSIONS**

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### **6.1 INTRODUCTION**

Chapter Six: Research Findings (Figure 6.1) analyses, interprets and discusses the fieldwork results and information collected through questionnaires and interviews. Knowledge, insights and information from the literature review are combined, interpreted and synthesised with the results. This will provide insights for the creation of a new integrated performance management framework that aims to address key public service performance management challenges, weaknesses, obstacles and failure factors.

Furthermore, this chapter provides a foundation for recommendations and conclusions of the study.



### **6.2 CHARACTERISTICS OF THE CURRENT PERFORMANCE MANAGEMENT SYSTEM**

The following characteristics of the current performance management system are analysed, interpreted and discussed:

- Overall quality of the performance management system
- Value for money
- Relevance and appropriateness
- Simplicity
- Time requirements

Results indicate that 66% of respondents rated the overall quality of the performance management systems as satisfactory or better (satisfactory 37%; high 21%; and very high 8%). However, 25% of respondents rated the overall quality of the performance management system as low and 10% as very low.

The above results suggest that the majority of respondents are satisfied with the overall quality of the performance management system.

Results indicate that 75% of respondents rated the 'value for money' as satisfactory or better (22% satisfactory; 46% high; and very high 7%). However, nineteen percent of respondents rated the overall 'value for money' principle that the performance management system is achieving, as low and 7% as very low. The above results suggest that the majority of respondents are satisfied with the 'value for money' of the performance management system.

Results indicate that 62% of respondents rated relevance and appropriateness of the performance management system as satisfactory or better. However, 24% percent of respondents rated relevance and appropriateness of the performance management system as low and 13% as very low. The above results suggest that the majority of respondents are satisfied with the relevance and appropriateness of the performance management system.

Results indicate that 75% of respondents rated simplicity and user-friendliness of the performance management system as satisfactory or better (satisfactory 34%; high 34%; and very high 8%). Nonetheless, fieldwork results indicate that 25% of middle and senior managers in the public service rated simplicity and user-friendliness of the performance management system as a problem area. Respondents who expressed concerns in this area, noted that this problem is even greater on lower management levels where management and illiteracy problems are more acute. This finding indicates a need to simplify the performance management system and to make it more user-friendly. This finding also implies that appropriate training interventions should be implemented to ensure that staff can utilise the performance management system.

The majority of respondents (53%) expressed concerns regarding the time requirement for conducting the performance management process. However,

47% of respondents were satisfied with the time requirement for conducting the performance management process. In terms of the time management, it was reported that performance management is, generally, a last minute compliance exercise. It was also reported that performance management deadlines are often missed or completely ignored. The above results suggest that time management is the area of the performance management system that requires improvement.

The above results indicate general satisfaction by the majority of respondents with the following characteristics: overall quality; value for money; relevance and appropriateness; and simplicity. However, at least 25% of respondents in each of these categories expressed dissatisfaction. In contrast to the generally positive comments in these areas, time management was rated as a problem area by the majority of respondents.

The above results appear to contradict the initial suggestion of this study that the public service performance management system lacks integration and a holistic approach. Integration was rated as 79% satisfactory and better, while holistic approach was rated 64% satisfactory and better. On the one hand this is surprising considering generally negative public perceptions, widespread anecdotal evidence and stereotypical views of poor public service performance management. An example of this stereotypical view is well captured by the following quotation:

*“Grumbling comes from all sides about the ineffectiveness of the process. Employees often see themselves as victims of a subjective, failure-oriented procedure that focuses only on highlighting faults and flaws. Complaints come from managers who feel awkward as assessors and are uncomfortable having hard conversations. HR professionals who are charged with making sure that these systems are designed correctly and executed effectively get blamed when things are harder than they ought to be and don’t go as they should. And you, the executive, aren’t happy either (and not only because you had to spend a recent afternoon fabricating a set of ‘stretch’ goals). You need accurate and solid data on the quality of talent and*

*performance of your people, but you are suspicious that the company's performance-management system just doesn't deliver the goods. As important as performance management is, no one seems to like the current state of affairs." Grote (2008:36-37)*

On the other hand, feedback from the majority of respondents suggests that various policy initiatives have promoted and created an enabling environment which has facilitated intergovernmental relations, interdepartmental relations and cooperative governance.

The results suggest that while high levels of integration have been achieved at levels of policy development, there are ongoing implementation challenges. The feedback elicited from the minority of respondents pertains to such challenges as, for example, time management, design, skills development, communication, implementation, and trust. Addressing these challenges can enhance the efficiency of the overall system.

It takes a lot of time, human and financial resources, and energy, to design, implement, and maintain a public performance management system. The departments often pay consultants hundreds of thousands of Rands, and sometimes millions, to design performance management systems. However, a well-designed technical system does not guarantee the success of the performance management system because of implementation challenges. Furnham, (2004:90) confirms this assertion by suggesting that, paradoxically, it is the effort put into maintaining a system, rather than the initial design of the system, that is most important to ensure its success. In addition to the design of the system, there are other determining success factors such as the implementation process, people and change management. Implementing strategy and change is a difficult and complex process in the public service. Even in the business world, the majority of strategies and change management interventions fail. In this regard, Kaplan and Norton (1996), assert that only about 10% of organisational strategies and changes are ever successfully implemented.

Considering the complexities of implementing strategies and changes in the public sector, due to factors such as bureaucracy, politics, power and culture, it becomes, to a certain extent, understandable why the public service is struggling with the implementation of performance management systems. Performance management is a process of the constant management of strategy and change and no organisation can achieve it perfectly.

A minority of respondents expressed concerns about quality, value for money, the relevance and appropriateness of the performance management system. This seems to indicate a challenge of trustworthiness in the current performance management system. It also suggests that there is a gap between the objectives of the performance management system and practical experiences in the departments. Furnham (2004:84) confirms this finding by arguing that most people in public sector organisations, and many in commercial sector organisations, are deeply sceptical about performance appraisals. Clearly, the value of performance management is not understood and appreciated by employees, and often not by management. Performance appraisal is still largely perceived as a technical requirement or administrative exercise, which needs to be completed once or twice a year to satisfy organisational requirements and which does not have a direct bearing on organisational performance.

This argument is further substantiated by the ratings of the developmental nature of the performance management system. The extent to which the performance management system is used to develop performance rather than to punish unsatisfactory performance has been rated by 16% of respondents as low and 16% very low. In this regard, Furnham (2004:89) asserts that a common complaint of performance appraisal is that it is an evaluation by ambush because employees are encouraged to meet a standard they have not seen, understood or thought relevant to their job. Of course, this is the case only if the performance management system has not been properly developed,

if employees were not part of developing goals and standards, and if the system has not been properly tested and piloted.

The performance management system is perceived by some respondents as a compliance or "paper exercise". This points to problems with the development of the system, communication of its benefits and consultation with the users of the system. Structurally, the public service is a large organisation comprising many layers of bureaucracy which makes communication and the buy-in process a challenge. Information communicated from top leadership can easily become distorted, blocked, ignored or misunderstood at the lower levels of management.

The performance management system is also perceived by some respondents as a tool to obtain a performance bonus. The sentiment that "It is all about money" was expressed by one of the respondents and echoed by many. This indicates that there is a lack of understanding of what the purpose of performance management is. This implies a need for improvement in communication about the objectives of the system. In this regard, Furnham (2004:85) suggests that performance management systems may serve the following rather different purposes: improving work performance; administering merit pay; advising employees of work expectations; counselling employees; making promotion decisions; motivating employees; assessing employee potential; identifying training needs; improving working relationships; helping employees set career goals; assigning work more efficiently; making transfer decisions; making decisions about layoffs and terminations; assisting in long-range planning; validating hiring procedures; and justifying other managerial actions.

All of the above mentioned problems indicate that the current performance management system in public service is experiencing challenges that require attention. The identified problems signify a need to simplify the system, to



improve the development, communication and implementation processes, and to enforce a professional management discipline and culture.

### 6.3 DESIGN CHALLENGES

Lack of skills and knowledge to design and implement the performance management system have been identified as major constraints, especially for junior and middle management levels. In this regard, Grote (2008) asserts the following:

*“The problem with performance management as it is practiced in organisations today is not one of bad forms and unskilled managers. A good manager with even the worst form will do a good job; a mediocre manager with even the most sophisticated system and the finest of training will still be mediocre.”*

Results indicate that 67% of respondents rated the extent to which people are appropriately trained to use the performance management system as satisfactory or higher (satisfactory 22%; high 40%; and very high 5%). However, twenty three percent of respondents rated the extent to which people are appropriately trained to use the performance management system as low and 10% as very low. This problem of lack of skills in the public service is not unique to performance management processes only, it is related to the overall capacity of the public service to deliver its services and products in a professional and cost-effective manner. This implies that there is a need for performance management skills development.

Based on fieldwork results, multiple problems with the performance management system were attributed to the design of the system. This includes: the consultation process with the users of the system and key stakeholders; design of performance management tools; reward system; and customisation of the system to address particular departmental needs. The negative consequences of designing an inadequate performance management system are catastrophic. They range from staff demotivation, conflict, resignations, loss

of time, money and energy, which ultimately negatively affect overall organisational performance.

The design challenges suggest that much greater emphasis, caution and diligence is required in the process of the development of the performance management system. This means that performance management tools should be thoroughly tested, piloted and improved before being applied in an institution. All relevant stakeholders should be appropriately consulted to ensure their support of the implementation process. Consultation and interaction build trust and relationships with users of the system, which are requirements for the success of the performance management system. In this regard, De Bruijn (2007:55) suggests that as soon as mistrust exists between management and the professional, there will be strong incentives to pervert the system. The author further argues that trust will exist only if performance measurement is based on interaction between management and the professional, which means that the design of a performance measurement system should be interactive.

The reward aspect of the performance management system has been identified as being problematic. The following are key problems related to the reward system:

- Rewards are given based on relationships of employees with their managers rather than on their performance
- Rewarding of mediocre performance
- Favouritism
- Lack of objective judgement of performance
- Over-emphasis on monetary rewards and under-emphasis on non-monetary rewards.

Rewards are an important aspect of a performance management system. In this regard, De Bruijn (2007:258) asserts that no matter how clear the objectives, how precise the measurement or how meaningful the feedback, if there is no linkage to rewards, then performance will not be maximised. In this regard, the

perception of the lack of fairness and inequities generates staff dissatisfaction and low morale, which in turn negatively affect individual and organisational performance.

Performance agreements are an important technical tool aimed at defining goals and standards of performance of senior managers and improving levels of accountability. Research results identify various problem areas related to the implementation of performance agreements within the public service. These problems range from nonexistence of performance agreements, to design, misalignment of performance goals and standards with the departmental strategic plans, monitoring, and enforcement.

Although performance agreements aim at providing a mechanism to correct poor performance or reward good performance, implementation remains a major challenge. In cases of unsatisfactory performance, it is difficult to enforce the agreements because of labour laws which are employee friendly. Despite performance agreements, firing a nonperforming senior manager is a very difficult process which often involves several written warnings, remedial actions, training, disputes, Commission for Conciliation Mediation and Arbitration (CCMA) and court battles. This is contrary to labour legislation in some developed countries, like for example in the USA, where an employer can fire an employee with 24-hours' notice and with no explanation provided. South African labour laws are very employer unfriendly. This creates a huge negative impact on public service employers who are stuck with nonperforming employees and can do little to get rid of them, except to make huge payouts. A lot of time, money and energy are wasted in conflict, power struggles, politics, and court battles, which ultimately negatively affect the performance of individuals, teams and the department as a whole. Although performance agreements have good intentions, the failure is with their implementation.

The departmental strategic objectives, which are often poorly defined, undermine the process of cascading objectives to lower organisational levels.

This creates problems in setting up individual objectives and the development of performance agreements.

Furthermore, measurement of indicators and implementation of the performance management system become very difficult. This finding confirms Furnham's (2004:93) assertion, as follows:

*“Strive for as much precision in defining and measuring performance dimensions as is feasible. Define performance with a focus on valued outcomes. Therefore performance dimensions should be functions combined with aspects of value (such as quantity, quality, timelines, cost effectiveness, need for supervision, or interpersonal impact).”*

Precision and defining performance focus relate to a need to customise performance management systems for particular departments. Customisation ensures appropriateness, relevance and suitability of the performance management system to a particular public service department. This is also supported by De Bruijn's (2007:112) argument that precision and well defined performance focus enable performance management to be a meaningful activity rather than to degenerate into bureaucracy and ritual.

The institution's strategic goals, which are often not well defined in the public service, undermine the process of cascading goals to lower organisational levels. This creates problems in setting up individual targets and the development of performance agreements. Furthermore, measurement of indicators and implementation of the performance management system becomes very difficult.

## **6.4 MOTIVATION**

A performance management system can have either a positive or negative effect on staff motivation. Motivated staff is a prerequisite for high organisational performance. Without inspired and motivated people there cannot be high

performance. Similarly, demotivated staff leads to a decrease in organisational performance.

Results indicate that 63% of respondents rated the extent to which the performance management system improves staff motivation and inspiration as satisfactory or higher (satisfactory 25%; high 31%; and very high 7%). However, 37% of respondents expressed concerns about the extent to which the performance management system improves staff motivation and inspiration. This result indicates, again, the extent of the problems concerned with the overall quality of the performance management system. A statement by one of the respondents that the performance management system “is more of an irritation at present” succinctly captures the state of performance management in the public sector felt by some respondents. Instead of motivating employees, the performance management system often has rather a demotivating effect. Without motivated staff, no performance management system can be successful.

Motivating employees in public service departments is a complex and difficult task. It is difficult to reward good performance and it is difficult to correct low performance. Without motivated staff there cannot be high organisational performance. This finding is confirmed by De Bruijn's (2007:260) argument that without proper motivation, employees may be only sufficiently motivated to perform at the minimum acceptable standards.

Fieldwork results identify various performance management system problems causing staff demotivation. Within the departments surveyed, these problems range from rewards, favouritism, performance ratings, and feedback communication. Twenty-four percent of respondents rated the extent of negative conflict arising from the performance management system as problematic. This indicates that significant amounts of money, time and energies were spent on conflict management, negotiations with unions and legal battles.

These findings indicate that there is a need to ensure better objectivity of performance ratings and judgements. There should also be greater focus on non-monetary rewards. This applies especially for public service departments, which operate within constraints of large bureaucracies, predetermined and centralised budgets, and where there is not much financial flexibility and autonomy for managers to reward their staff financially. Research indicates that non-monetary rewards are greater motivators than monetary rewards. Non-monetary rewards may include rewarding staff with greater responsibilities, additional responsibilities, flexible time, learning, education and development opportunities, acknowledgements in public or in staff meetings and similar.

The successful implementation of a performance management system requires a conducive organisational environment. The organisational environment either hinders or promotes high performance. Organisational culture, which is characterised by hard work, integrity, team work, and transparency, plays an important function in staff motivation.

Based on fieldwork results, the extent to which organisational culture enhances performance management was rated by 26% of respondents as low and very low. Lack of commitment to the departmental mission, laziness, work-ethic, and values were reported as some of the major problems which negatively affect staff motivation and, in turn, overall organisational performance. This finding signifies that organisational culture is one of the stumbling blocks with regard to successful implementation of performance management systems in the public service. Instead of creating an enabling environment for performance management, organisational culture in the public service rather creates an environment which is not conducive to performance management.

## **6.5 IMPLEMENTATION CHALLENGES**

Fieldwork results indicate that, within the specific departments researched, significant challenges with performance management systems are related to the

implementation phase. Implementation challenges include a diverse range of issues such as lack of leadership support; change management; communication; lack of commitment to the system; favouritism and bias of judgement; managers not confronting poor performance or an avoidance problem; and monitoring and evaluation of performance.

This is evident in the following fieldwork results:

- Thirty-one percent of respondents expressed concerns with regard to the level of top leadership and management support for performance management system implementation
- Nineteen percent of respondents reported the level of resistance of staff to the performance management system as problematic
- Thirty-five percent of respondents reported fairness to be a problem
- Thirty-three percent of respondents expressed concerns with regard to measurement challenges
- Thirty percent of respondents expressed concerns with regard to the challenge of performance judgement
- Thirty-two percent of respondents expressed concerns with regard to the problem of managers not confronting poor performance or the avoidance problem
- Monitoring and evaluation of the performance management system have been reported as non-existent or very weak.

The following section elaborates further on key implementation challenges identified and reported in the previous chapters.

### **6.5.1 LEADERSHIP AND CHANGE MANAGEMENT**

Results indicate that 69% of respondents rated the level of leadership support as satisfactory or higher (satisfactory 26%; high 34%; and very high 9%). However, 17% of respondents rated leadership support in implementing the performance management system as low and 14% as very low. Leadership is

one of the most critical factors determining the success of performance management system implementation.

In this regard, Van der Waldt (2004:30) confirms the role of leadership in performance management as follows:

*“Above all, what makes individual departments perform in the complex and very demanding environment in which they operate is their personnel and not sophisticated strategic plans, programmes, equipment, techniques, etc. What makes personnel perform is the exercise of leadership from the top down, and the ability of departmental leaders at all levels to instil the fundamental philosophical principles of responsible and ethical behaviour; to motivate and channel individual and group efforts; to communicate objectives; and to promote an understanding of the department’s role and purpose among all personnel.”*

Implementing new ideas in the public service is not an easy process because of the structure, culture and environment of the public service. In this regard, Yang (2007:373) states the following:

*“Policymakers should not treat the new ideas as simple techniques that could be easily downloaded or installed in public organisations. Adopting those ideas is a change process that involves reducing administrators’ cognitive dissonance in the context of politics, power, and sense making. To overcome the barriers, the results suggest that traditional, procedure-based bureaucratic structures must be changed to be more open, flexible, and collaborative.”*

Successful change management requires full leadership support and proactive management of resistance to change. In this regard, Kotter (1995:61) suggests that successful management of change requires forming a powerful guiding coalition to lead the change effort. Indeed, successful management of change is about managing power. The concept of power and management of power is especially relevant to public service departments, which operate within a complex and diverse environment in terms of political affiliations, rules and regulations, race, gender, age, culture, etc. Public service departments are



influenced by multiple stakeholders who often have conflicting needs and interests. For example, management, staff, unions, politicians, and communities, all have their own needs, interests and expectations in terms of performance management of public service departments. Therefore the process of implementation of a performance management system should take into consideration the consultation and involvement of major powerbrokers and key stakeholders. Without the involvement of key stakeholders, there is a high risk of the performance management system being sabotaged or not supported fully. Forming a powerful guiding coalition ensures commitment of key stakeholders towards a common vision. It also ensures commitment towards removing obstacles to change and dealing with resistance to change.

Fieldwork results from this study indicate that generally there is a lack of a sense of urgency with implementation of the performance management system within the public service. This can be interpreted as one of the causes of the failure of implementing performance management systems. In this regard, Kotter (1995) suggests that a greater sense of urgency must be created and that a crisis should even be exaggerated so that change is taken seriously by those affected by the change and by those responsible for the management of change.

### **6.5.2 PERFORMANCE RATINGS**

Fieldwork results indicate that performance judgements and ratings are some of the major problems of the performance management system in the public service. The problems range from biases and favouritism to a lack of clearly defined indicators of performance to misalignment of individual and organisational goals. These problems create conflict, undermine relationships between managers and employees and negatively affect the performance of teams and whole departments. The main causes of these problems are related to a poorly designed system and a lack of skills in conducting performance appraisals. This finding is confirmed by Murphy *et al.* (2003:49) who contend

that rating problems typically result from poorly designed rating scales or a lack of rater training. These authors further argue that while it is certainly true that taking this perspective can lead to heightened understanding of the performance rating process, it ignores other sources of rating variance, such as rater goals and characteristics of the work context, which also play an important role in the performance rating process.

The success of the performance management system in the public service is generally undermined when the performance appraisals are opinion-based and require a manager to inform an employee how he or she has performed against a set of goals or standards that are often vague, imprecise and developed by the manager without consultation with the employee. Because performance judgements are opinion based, and can rarely be empirically proven in the public sector, they are open to different interpretations by the managers and the employees. However, the performance appraisal is about recording the manager's opinion of the quality of an employee's work, and not about forming friendships, favours or conflict management. In this regard, Grote (2008:38) suggests that performance appraisal is not a document that can be scientifically tested and proven and that it is not an agreement arising from a negotiation between the manager and the employee. Although this argument sounds one-sided and pro-management, the author argues that one of the greatest causes of performance management failure is a lack of understanding of what performance appraisal is. Grote (2008:38) further suggests that the purpose of the performance appraisal discussion is to get the individual to understand the reason why his or her performance was rated the way it was, and not to gain his or her agreement on the accuracy of that rating.

The fact that performance appraisals in the public service are conducted once or twice a year is highly problematic. It is not useful having to wait for six or twelve months to receive feedback and to be told of unsatisfactory performance. The performance management must happen continuously and performance

feedback must be instant. Performance appraisal should not be reduced to filling in sophisticated forms once or twice a year.

The range of performance rating problems identified and discussed above highlights the need to implement mechanisms to ensure greater objectivity of performance ratings and to improve performance appraisal processes in the public sector.

### **6.5.3 COMMUNICATION**

The findings reveal that effective communication in the performance appraisal interview is one of the greatest challenges of the entire performance management process. This includes inappropriate communication of feedback, late feedback, lack of feedback or lack of specific feedback. In this regard, Kikoski (1999:301) confirms that the public manager's performance in the face-to-face encounter of the appraisal interview itself is the Achilles Heel of the entire process. The author further argues that many public managers experience discomfort approaching the actual performance appraisal interview and experience difficulty in conducting it.

Communication skills required to conduct a successful performance appraisal include non-verbal communication skills, listening skills, feedback giving skills, paraphrasing skills, skills of communicating the purpose, introduction and conclusion of the performance appraisal process. In this regard, Kikoski (1999) suggests the following communication skills necessary for conducting a successful performance appraisal: non-verbal communication, using open and closed questions, paraphrasing, reflection of feeling, and giving feedback.

Courage to communicate truth and confronting poor performance are critical success factors of the performance management process. In this regard, Grote (2008:43) states the following:

*“Most of all, performance management success is at bedrock a matter of courage: the courage to tell the truth. Hold to high standards, and be willing to say bluntly that Jane is better than Jim but not as good as Harry.”*

#### **6.5.4 MONITORING AND EVALUATION**

Fieldwork results indicate that monitoring and evaluation are generally underdeveloped areas of management in the public service that require urgent improvement. Performance indicators are reported to be inappropriate and misaligned with departmental strategic plans. In this regard, Coplin *et al.* (2002:700) suggest that most government agencies may collect data that could be used for performance measurement. However, they do not have a system in place in which those data are part of decision-making processes and have not made a serious commitment to do so, whether they profess to or not.

The public service needs to understand the impact of its policies and programmes on citizens, development and democracy. Traditionally, public service performance management systems have neglected to consider the impact on clients or citizens and instead they have narrowly focused mainly on efficiency indicators, inputs and processes. In this regard, Wichowsky and Moynihan (2008:908) suggest that a public service performance management system should include citizenship outcomes such as public participation, social capital, a sense of belonging, trust and political efficacy. Within the context of a developing country such as South Africa, expanding performance measurement to focus on citizens helps the public service to measure the impact of its programmes on the broader aim of government, which is sustainable development.

## 6.6 THE BALANCED SCORECARD

The Balanced Scorecard is one of the frequently used performance management models in the public service. The model focuses on four elements of performance: efficiency of organisational processes, finance, innovation and learning, and clients or stakeholders.

Results indicate that majority of respondents rated these elements of performance management system as satisfactory or higher (processes 69%; finance 75%; learning 75%; and clients and stakeholders 69%). However, a minority of respondents who rated these aspects of the performance management system as negative expressed various concerns ranging from mismanagement of finance and stakeholders, to lack of planning, learning, openness and transparency. Their ratings of these four elements of performance are presented as follows:

- Thirty-one percent of respondents expressed concerns about the impact of performance management on improvement of organisational processes and efficiency in the areas of operations management, communication, information management, knowledge management and financial management. Twenty-two percent of respondents expressed serious concerns regarding the quality of performance feedback and communication to staff by their managers.
- Thirty-four percent of respondents reported that the performance management system does not promote the improvement of the quality of departmental products and services.
- Thirty-three percent of respondents reported that their current performance management system does not promote the development of good relationships with their clients and key stakeholders.
- Twenty-five percent of respondents reported that their current performance management system does not promote innovation, creativity and learning.
- The impact of the performance management system on the improvement of financial management processes has been rated as problematic by 25% of respondents.

A poorly managed performance management system has been commonly cited as an underlying cause of these problems. Lack of openness and transparency, laziness, nepotism, mistrust and favouritism have also been identified as causes of these problems. These issues highlight some of the causes of deep-rooted problems and the complexity of the performance management system.

## **6.7 INTEGRATION CHALLENGES**

The literature review has shown that performance management is not an isolated activity or function, and that the performance management system is related to and affected by various other organisational subsystems and processes. Therefore, high organisational performance requires harmonisation and integration of these subsystems and processes. In this regard, Spangenberg and Theron (2001) confirm that an integrated approach to performance management, which is based on systems theory, is a move from an isolated, mechanistic, HR driven performance appraisal process towards a comprehensive, integrated, business-driven performance management system aiming at improving overall organisational performance. They further argue that organisational success requires participative processes and the involvement of key stakeholders in the development of goals, coaching low performers and rewarding high performers.

Results indicate that 79% of respondents rated the integration of the performance management systems as satisfactory or higher and holistic approach as 64% as satisfactory or better. These results suggest that the majority of respondents are satisfied with the integration and holistic approach elements of the performance management system.

The above results appear to contradict the initial suggestion of this study that the public service performance management system lacks integration and a holistic approach. On the one hand this is surprising considering generally negative public perceptions, widespread anecdotal evidence and stereotypical

views of poor public service performance management. On the other hand, the results suggest that various policy initiatives have promoted and created an enabling environment that has facilitated integration, cooperative governance, intergovernmental and interdepartmental relations. It appears that integration has been achieved at the levels of policy and that challenges are experienced at the level of implementation.

However, the minority of respondents, who rated integration as negative, expressed the following integration related concerns:

- Integration of organisational, departmental, team and individual goals, strategies, processes, resources, culture and systems was rated as problematic by 21% of respondents
- The extent to which information and communication technology supports the implementation of the performance management system was rated as problematic by 20% of respondents
- Alignment of the performance management system with HR activities and functions such as promotions, training and development, succession planning, mentoring and coaching was rated as problematic by 21% of respondents
- The extent to which the current organisational structure enables implementation of the performance management system was rated as problematic by 16% of respondents
- The extent to which the performance management system promotes teamwork was rated as problematic by 35% of respondents. Various aspects of team work were probed, such as: team-based rewards, team spirit, relationships, the existence of team-based performance criteria, team-based targets and self-centeredness versus collectivism
- The extent to which the current performance management system promotes the holistic development of individuals was rated as problematic by 36% of respondents.

These results indicate the extent and complexity of the problems related to the integration of performance management systems. Both managers and employees generally have reservations about the performance management system. While most acknowledge the importance of setting goals, measuring and documenting performance, rewarding, correcting and developing performance, some people are sceptical about the real value that performance management adds to their organisations.

Many public service departments operate in a performance appraisal paradigm, which approaches performance as an isolated activity related to individual performance rather than from a greater overall organisational perspective. In this regard, Cederblom and Pernerl (2002:132) confirm that the performance appraisal form and interview, typically, constitute an isolated event focusing on the individual employee's performance, independent of the department's strategy and direction. They further argue that compounding this disconnection, most appraisals focus on the employee's past performance, independent of the department's current and future direction. Accordingly, they suggest that performance appraisals should link individual goals with departmental strategy and goals, especially future goals.

This approach would increase the relevance of performance appraisals to organisational future opportunities, threats and challenges. It would also be a move from reactive appraisal of performance towards proactive management of performance.



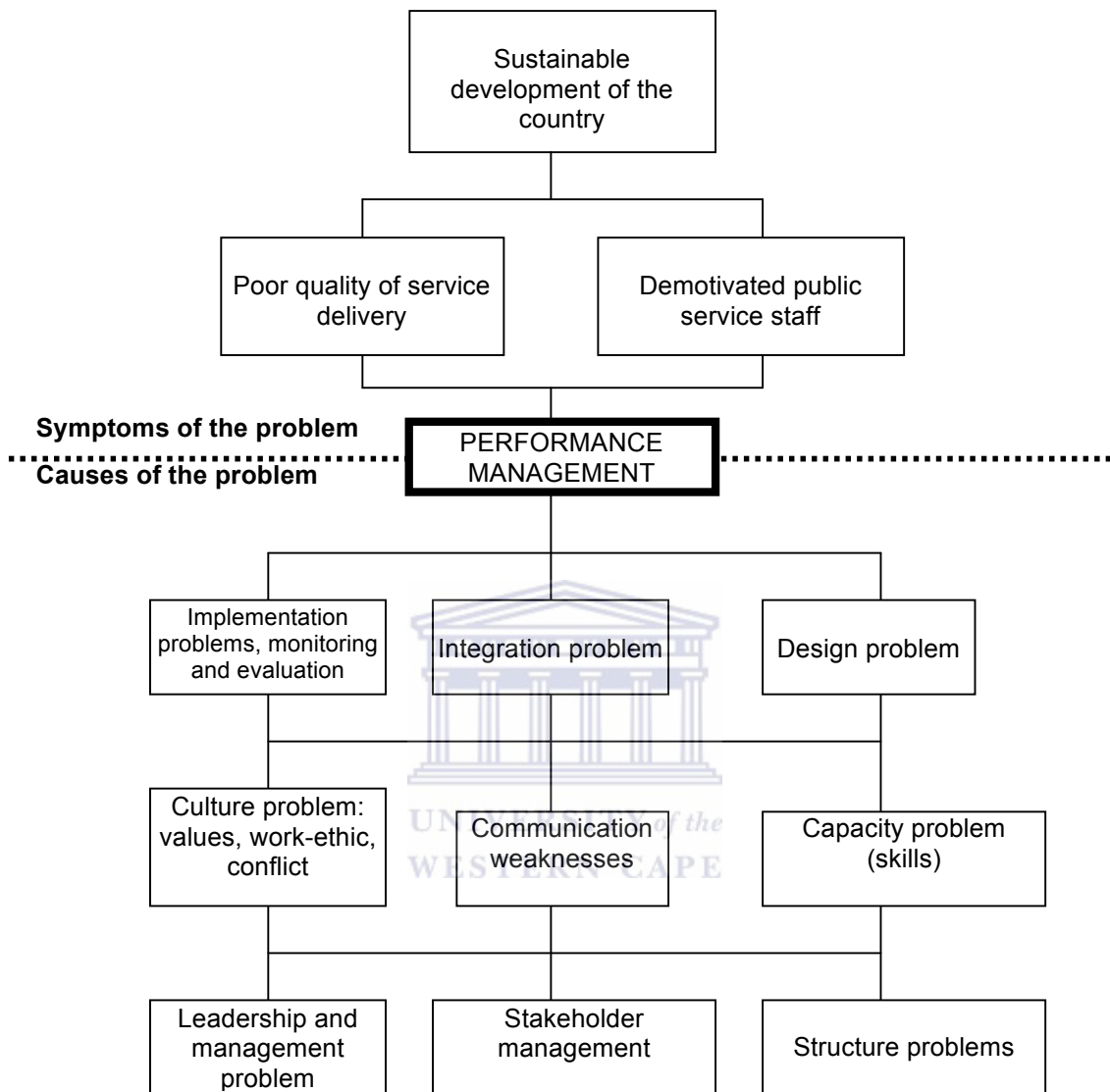
Noutomi and Nakanishi (2007:1422) confirm the importance of integration, as follows:

*“The essence of a management system is coordinated action. Budgeting is not a simple technical manipulation, and performance measurement cannot be implemented without financial management perspective. As far as behavioural concern is important for implementation of any management tool, human resources or organisational management is also important.”*

The integration of a performance management system within a public service department is a complex challenge. It is influenced by a set of multifaceted causal-effectual relationships ranging from capacity and structural problems to process, systems and management problems. Figure 6.2 presents the problem analysis of the performance management system utilising ‘the problem tree analysis tool’, which separates the symptoms from the causes of the problem.

Findings confirm that performance management problems are caused by deep-rooted problems of leadership, design, organisational culture and structure. In order to resolve performance management problems in a sustainable manner, the root-causes of the problems must be addressed. Change management interventions that focus on the symptoms of the problem do not resolve the problems in the long run. For example, when an attempt is made to resolve staff motivation problems by running a motivation workshop, the effect is usually short lived. Staff are motivated for a short period of time after which the problem of demotivation resurfaces. This phenomenon of addressing the symptoms of the problems rather than the causes, is probably one of the major reasons for the low success rate of change management interventions in the public service.

**FIGURE 6.2: PROBLEM TREE ANALYSIS**



The above problem tree analysis demonstrates the cause-effect interconnectedness of performance management problems and the challenges of integration of various subsystems of a performance management system.

Problems with the performance management system impact on quality service delivery and the motivation of public service staff. This subsequently affects the ability of the public service to deliver public goods and services, which are required for the sustainable development of the country.

Performance management is a dynamic and ever-changing process, hence there can never be an ideal state of integration and harmony between subsystems of the system. However, there is much to be desired in terms of improvement of integration of various subsystems of the performance management system within the public service. High performing organisations are those that achieve synergy between different subsystems and movement towards a common vision.

## **6.8 SUMMARY**

This chapter has analysed, interpreted and discussed fieldwork results and information collected through questionnaires and interviews. Insights from the literature review have been utilised and synthesised with fieldwork results in the process of analysis, interpretation and discussion of results. This has provided insights for the identification of key challenges and problem areas of performance management processes in the public service from a systems point of view. Subsequently, these findings have provided insights that can be utilised as a foundation for the creation of a new performance management framework that may provide solutions to current public service performance management weaknesses and challenges.

Results suggest that the majority of respondents are satisfied with the overall quality of the current performance management system. However, for purposes of this discussion, it is important to note that the midpoint of the rating scale (satisfactory) has been interpreted as positive, although there is the argument that a satisfactory rating should not be considered as being adequate within the context of high performing public service department. High performing organisations should strive for excellence and not mediocrity with regard to the performance management systems they utilise.

Within the public service some departments perform better than others. In South Africa, National Treasury and SARS have a reputation and public image

of being better performing institutions while, for example, the departments of education, health, correctional service and police service do not have a good reputation in terms of their performance. This implies that different departments may experience different benefits of a performance management system. For better performing organisations, a performance management system may be perceived as a great benefit while for other disgruntled departments and individuals a performance management system may be perceived as a liability. Different departments operate within different contexts in terms of their culture, leadership, structure, systems and processes, which affect their performance management system. Nonetheless, the minority of respondents identified valuable issues, weaknesses and challenges which are multifaceted, complex and interrelated. The problems range from analysis, design, implementation, to monitoring and evaluation of the performance management system.

Problems with the current public service organisational culture and structure should be addressed to create a more conducive environment for performance management. Public service processes tend to be overly bureaucratic and not supportive of performance management. Public service policies and strategies are commendable but they fail at implementation.

Public service human resource capacity is probably the single greatest obstacle in terms of the implementation of performance management systems, with challenges ranging from a lack of skills to poor work ethic, brain-drain, attitudes and behaviours of public service staff and the quality of public service managers.

The external organisational environment, with its current challenges of crime, the HIV/AIDS pandemic, the global financial and economic crisis, and political instabilities in South Africa and Africa, also has a negative impact on the physical and emotional wellbeing of people in the public service. Subsequently, this hostile external environment negatively affects the performance of individuals, departments and the public service as a whole.

In an environment like this, no single performance management model can succeed. There cannot be a simple solution to a complex problem. In this regard, Johnsen and Vakkuri (2006: 306) confirm that performance measurement is a complex issue that needs to address the variety in cultures, interests, ideologies, contingencies and institutions. They further argue that a preoccupation with one system or an ideal type of system may not be conducive in the long run. Indeed, public service departments are changing very fast and therefore performance management systems have to change continually.

A well designed performance management model will fail if the training of users is not done appropriately. The change management process will fail if there was no consultation process. Without proper communication there will be many obstacles and resistance to change. Without support from top leadership, the system is doomed to fail. Without motivated staff, there cannot be high organisational performance. Without integration of all the various subsystems, there cannot be a successful performance management system.

The performance management problems are interrelated, which leads to the creation of vicious cycles of destruction that ultimately undermine overall departmental performance. Attempts to resolve performance management problems in isolation cannot be sustainable due to their interconnectedness. Changing negative vicious cycles of destruction into positive virtuous cycles of development and performance, is an enormous challenge.

The solution to the problems of public service performance management requires an integrated approach and the addressing of deep-rooted causes of the problem. The solution requires a system that will inspire and motivate people because organisational performance ultimately depends on motivated staff. The solution requires an intervention that is holistic and capable of creating synergy between various organisational processes, systems and subsystems.

# **CHAPTER 7: RECOMMENDATIONS AND DESIGN OF AN INTEGRATED PERFORMANCE MANAGEMENT SYSTEM**

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## **7.1 INTRODUCTION**

The main goal of this study is to investigate the importance of an integrated approach to performance management in the public service. In order to achieve this goal, a literature review was conducted which served as the foundation on which the research could be based. The literature review informed the data collection tools and fieldwork research. Analysis and interpretations of the fieldwork results led to the key findings and insights. These findings and insights are crystallised into recommendations and the design of an integrated performance management system, and are presented in the following section.

This chapter provides a set of recommendations to decision makers in the public service in the following areas of integrated performance management systems: integration; design; leadership; implementation; competence; reward system; communication; motivation; monitoring and evaluation.

In addition, issues for further research in the areas of public service integrated performance management systems and motivation are identified and recommended.

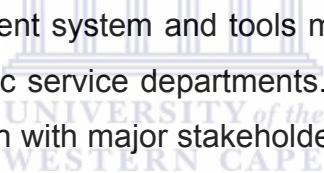
## **7.2 RECOMMENDATIONS**

The findings and insights of this research are incorporated in the following recommendations.

## 7.2.1 INTEGRATION

Performance management has to be approached from an integrated perspective. Synergy has to be created between the performance management system and strategic planning, human resource management processes, organisational culture, structure and all other major organisational systems and processes. Individual, team and organisational strategic objectives must be harmonised. Furthermore, confronting successfully large and complex societal challenges such as sustainable development, poverty alleviation, crime and HIV/AIDS, requires intradepartmental, interdepartmental and intersectoral collaboration of all public service agencies. No single department is capable of addressing these challenges successfully on its own.

## 7.2.2 DESIGN



The performance management system and tools must be designed to address the particular needs of public service departments. The design process should involve thorough consultation with major stakeholders and especially with future users of the system. Consultation and interaction are necessary to build trust and relationships with employees and relevant stakeholders. Trust is an absolute requirement for the success of the performance management system.

The new performance management system should be piloted and thoroughly tested before it is applied in the organisation. Applying an incomplete system leads to loss of credibility, loss of time, financial and human resources, and increases resistance to change and low acceptance of the new performance management system.

People involved in the design of the system must have expertise in public service performance management and an understanding of the institution's context. Overreliance on external consultants might be an expensive way of developing the system, which often has additional negative consequences of

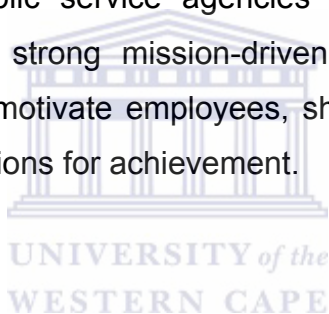
dependency and lack of ownership of the new performance management system.

### **7.2.3 LEADERSHIP**

The implementation of the performance management system has to be supported and driven by top leadership and management. Leadership has to be committed to implementing the performance management system.

Leaders should be encouraged to develop the capacity to create a shared vision, inspire staff and build a performance management system that drives the entire organisation towards a common purpose. In this regard, Sanger (2008:81) asserts that public service agencies with the best performance management results have strong mission-driven leaders at the helm who communicate the mission, motivate employees, shape strategies, and provide support, rewards, and sanctions for achievement.

### **7.2.4 IMPLEMENTATION**



The change management aspect of performance management should be managed strategically. The departmental top leadership must drive the change process. Resistance to change should be managed proactively. A communication process should be put in place, which will explain the benefits of the performance management system, communicate progress with the implementation and reduce uncertainties, fears and anxieties.

Managers must be encouraged to engage in careful, systematic and professional planning and implementation of the performance management system. Implementation time frames must be respected. All documentation and forms must be completed properly and professionally, especially performance agreements and personal development plans.



Mechanisms must be put in place to ensure the objectivity of performance ratings and judgements and to reduce favouritism and bias. Performance management should be a continuous process and not an activity conducted once or twice a year. Performance feedback should be timely and continuous.

A rewards system, comprising both monetary and nonmonetary rewards, should be developed to reward high performers. Mechanisms must be put in place to deal with nonperformers.

### **7.2.5 COMPETENCE**

All those involved in the performance management system must possess appropriate knowledge, attitudes and skills to utilise the system. The following are major skills required:

- Development of performance indicators, key results areas, core management competencies and performance agreements
- Measurement of performance indicators
- Communication of results and feedback
- Monitoring and evaluation of the performance management system.


Proactive training and development interventions should be implemented to ensure that the users of the performance management system are continuously developed. Special emphasis should be given to soft skills and the behavioural aspects of performance.

## **7.2.6 REWARD SYSTEM**

A reward system that rewards high performance and discourages low and mediocre performance must be put in place. A comprehensive and holistic reward system, which includes various rewards such as financial rewards, public acknowledgments, merit awards, promotions, greater work responsibilities, learning and study opportunities, should be developed and communicated to staff. Much greater emphasis must be given to non-monetary rewards.

Mechanisms must be put in place to take corrective action against low performers. With a large number of nonperformers, there cannot be high performance of a public service department.

## **7.2.7 COMMUNICATION**



A proactive communication strategy and process must be followed throughout the implementation of the performance management system. In the planning and design phases, good communication will enable buy-in from the major stakeholders. In the implementation phase, good communication will assist with managing resistance to change and building positive momentum. In the monitoring and evaluation phase, good communication will assist with learning and reinforcing achievements gained.

Users of the system must be trained to communicate professionally and developmentally during the process of conducting performance appraisals and when communicating outcomes and feedback. Communication is one of the most critical success factors of the entire performance management system. Effective communication requires the provision of relevant information, ensures buy-in from the users of the system, reduces fears and anxieties, reduces resistance to change, and generates commitment to the system.

## 7.2.8 MOTIVATION

The public service must ensure high levels of staff inspiration and motivation. This requires a systematic approach to addressing the challenges of staff motivation. It requires continuous investment in human resources. Staff motivation should not be left unmanaged. If it is left unmanaged, staff motivation naturally deteriorates. Programmes are required to ensure high levels of staff motivation and commitment to the organisational vision, which may include a variety of activities such as team building, strategic planning, family picnics, internal competitions and awards, learning and development opportunities, behavioural change exercises, attitude change activities, sport activities, and similar. These programmes must be proactive, continuous and have a long-term focus on ensuring sustainable levels of staff motivation.

In addition to direct staff motivation programmes, public service departments must build an enabling organisational environment for staff motivation. Organisational development interventions must be implemented continuously in order to ensure high levels of staff motivation in a sustainable manner. Special emphasis must be given to culture change programmes to ensure that the organisational culture is progressive and developmental. Issues of the objectivity of performance ratings, fairness and equity should be addressed – otherwise staff motivation is compromised.

The organisational structure should be reviewed and issues of power, layers of bureaucracy, organograms, accountabilities, reporting and communication channels should be analysed. Obstacles should be removed in order to ensure that structure is not an obstacle to staff motivation.

Organisational processes should be streamlined, simplified and made user-friendly to motivate staff and not to demotivate them with red-tape and bureaucratic procedures. Proactive communication processes must be put in place to ensure that information is continuously communicated to the right

people. Effective communication reduces fear and uncertainties and prevents wrong assumptions, gossip, and politics. Performance feedback should be given timeously and continuously and not once or twice a year following the performance appraisal process.

Human resource management and development policies, strategies and activities should be proactive and developmental. They should be designed and implemented to attract, nurture, develop and retain the best staff. In addition to the development of intellectual capabilities and technical skills, training and development interventions should emphasise the development of emotional and spiritual intelligence. A comprehensive reward system should be implemented, comprising monetary and nonmonetary rewards, to ensure high levels of staff motivation on a sustainable basis. A reward system should be designed in such a way that it encourages excellence, discourages mediocrity and addresses non-performance.

Leadership plays a crucial role with regard to staff motivation. It is the main responsibility of a leader to inspire staff, to ensure that obstacles to staff motivation are removed and to generate their passion and commitment to the organisational mission. High motivation generally leads to high performance. Without motivated staff, no performance management system can be successful, irrespective of how well the system is developed and how sophisticated performance documents, forms and agreements are.

### **7.2.9 MONITORING AND EVALUATION**

Performance management system implementation must be continuously monitored. Problems must be detected at an early stage to enable prompt corrective action. Monitoring systems must be developed to systematically collect information, analyse and interpret it, and use it for decision-making.

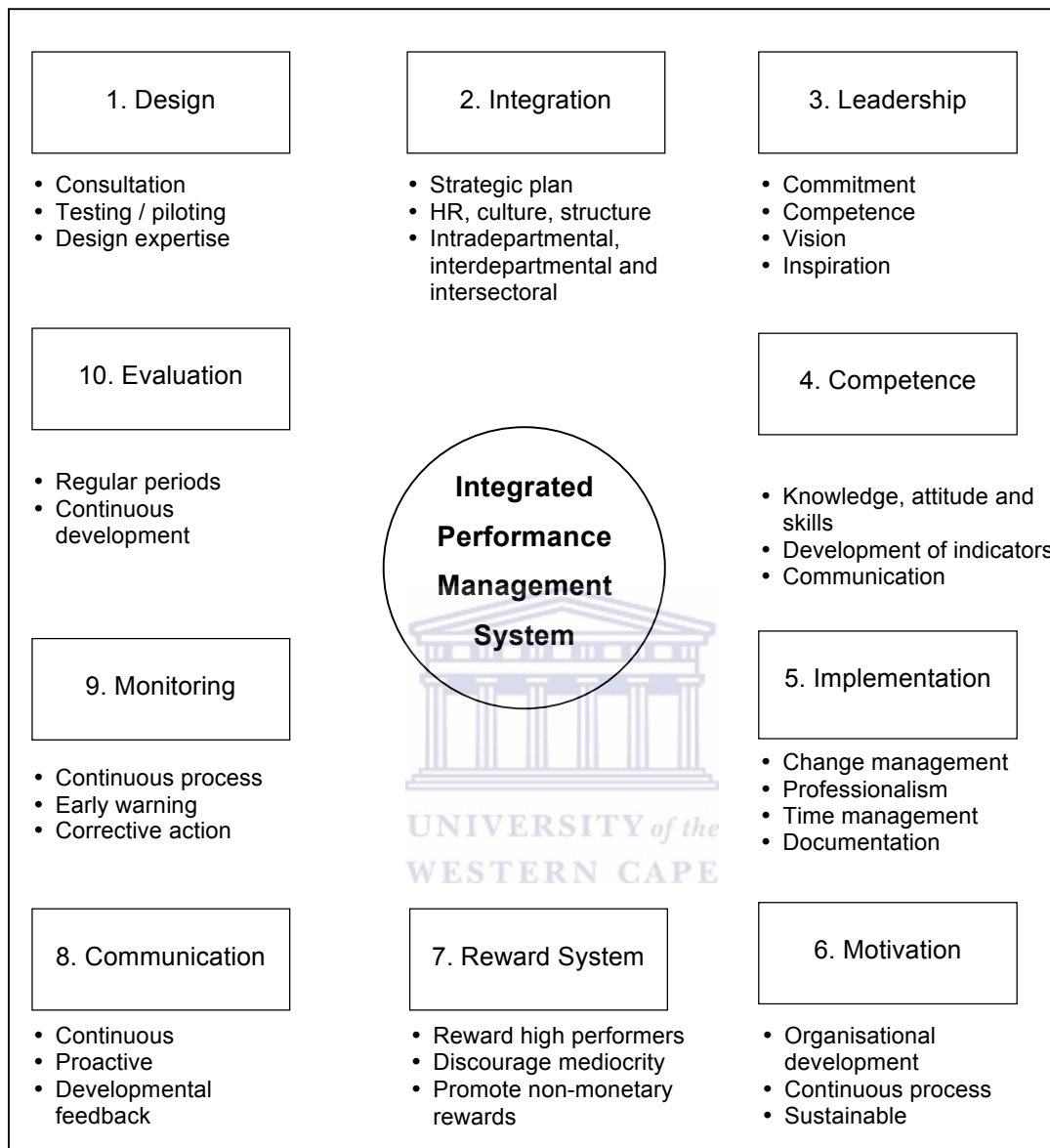
The evaluation process must be conducted at regular intervals to enable the detection of problems at an early stage. The problems identified should be fed back to the design phase. This will ensure that prompt corrective action is taken to address the identified problems. This will also ensure that government understands the impact of its policies, programmes and projects on its citizens and on the sustainable development of the country.

In order to ensure the integrity of the evaluation process, it is advisable that an independent party conducts the evaluation process. In order to be successful, the performance management system must be continuously evaluated and improved.

### **7.3 TOWARDS AN INTEGRATED PERFORMANCE MANAGEMENT SYSTEM**

One of the main objectives of this study is to identify performance management challenges from an integrated perspective and to develop potential solutions for these challenges. In order to achieve this objective, a literature review and data collection processes were conducted, which served as the foundation on which the research could be based. The fieldwork results identified major strengths, weaknesses and suggestions for improvement of the existing performance management systems in the public service. Results were analysed, interpreted, discussed and incorporated in the recommendations. Recommendations of this study are synthesised and transformed into an integrated performance management system, as presented in Figure 7.1.

**FIGURE 7.1 INTEGRATED PERFORMANCE MANAGEMENT SYSTEM**



The above system on Integrated Performance Management has been developed based on the identification of major performance management problems, weaknesses and challenges within the South African public service. The system addresses these problems in an integrated manner and provides long-term solutions. The solutions are based on practical recommendations from public service performance management practitioners. They are underpinned by strong theoretical foundations informed by leading local and

international performance management scholars, experts and performance management consultants.

The development of this system was based on a theoretical review of models already discussed and on practical recommendations made by public service performance management practitioners. Research findings identified major problems or failure factors with the performance management system implementation, which led to recommendations and the identification of key elements for the development of a new model on Integrated Performance Management Systems. These elements include: design, integration, motivation, reward system, leadership, competence, implementation, communication, monitoring and evaluation. Further discussion on this model and clarification on each of these elements is presented in the following section.

### **7.3.1 DISCUSSION ON INTEGRATED PERFORMANCE MANAGEMENT SYSTEMS**

Design has been identified as one of critical success factors of the entire performance management system. Ill-conceived or inappropriately designed performance management systems can have huge negative consequences on public service departments, ranging from conflict, staff demotivation, resignations, and loss of emotional energy, which ultimately leads to a decrease in overall organisational performance.

Fieldwork results identified several problems attributed to the design of the system. This includes: the consultation process with key stakeholders and especially with the users of the system; design of performance management instruments, indicators and performance agreements; design of the reward system; and customisation of the performance management system to suit specific departmental needs.

A proper consultation process generates several benefits. It builds relationships between key stakeholders, which are very important for the implementation phase. In this regard, De Bruijn (2007) confirms that the consultation process helps to build trust between management and employees because trust exists only when there is interaction. No performance management system can work in an environment of mistrust. The consultation process also ensures that the needs of various stakeholders are addressed and that the system is appropriate to the needs of a department.

Design of sound performance management instruments is an important aspect of the performance management system. Effective instruments define performance goals and standards of performance and enable their measurement. In this regard, Furnham (2004) confirms that precision in defining performance targets is one of the key requirements for the success of a performance management system. Indeed, targets that are not well-defined are difficult to measure and they can lead to misunderstandings, differences in expectations and eventually conflict.

The review of literature has constantly highlighted the importance of the integration of various subsystems of the performance management system. The fieldwork results have also identified lack of integration as one of the major challenges that public service departments are facing when implementing performance management systems. Cederblom and Pemerl (2002:132) highlight the importance of integration by referring to performance management as an umbrella of all organisational components and activities affecting individual, team and organisational performance. Furthermore, Vickers, Balthazard and MacMillan (2007) confirm that performance management systems require coordination of multiple key management practices, and the more these practices are in place, the more likely a performance management system will be effective.

The role of integration, within a particular department and between various departments, in improving the performance of the public service, is of



paramount importance. The public service is facing large societal problems, such as HIV/AIDS, crime and poverty, which cannot be addressed by individual departments alone. Sustainable solutions require the collaboration of several public service departments.

Leadership is ultimately responsible for any change management process, including the implementation of a performance management system. Without leadership support and commitment, a performance management system cannot be implemented successfully.

Fieldwork results identify several major problems related to leadership and performance management systems implementation. This includes: lack of leadership support and commitment; lack of knowledge and skills; and lack of willingness to change the culture of non-performance. In this regard, Sanger (2008) confirms that a successful performance management system requires a culture change and committed leaders with skills and commitment who are capable of mobilising energy, encouraging initiative, ensuring learning, promoting experimentation and focusing on results and value.

The literature review and research findings indicate that major problems with performance management systems are related to the implementation phase. This includes multiple issues such as lack of commitment to the system; communication challenges; lack of competence; favouritism; bias of judgement; avoidance of confrontation of nonperformers; and monitoring and evaluation of performance management systems. Kotter (1995) highlights change management challenges related to communication, stakeholder management, managing resistance to change, and empowering others to act on the new vision.

Research findings identified favouritism, performance ratings, and bias of judgement as major problems. These issues have a major negative effect on staff motivation and performance.

Professional communication and performance appraisal processes have been identified as vital requirements for the success of the entire performance management system. Kikoski (1999:301) confirms that the face-to-face encounter of the appraisal interview is the Achilles heel of the entire process, with both manager and employee experiencing discomfort in approaching the actual performance appraisal interview and difficulty in conducting it. Effective communication skills required to conduct a successful performance appraisal process include non-verbal communication skills, listening skills, feedback giving skills, paraphrasing skills, skills of communicating purpose, ability to introduce and conclude a performance appraisal process.

Motivated staff is a vital factor for success of any performance management system. Inspired, passionate and committed people generate high organisational performance. Similarly, demotivated staff affects the overall organisational performance negatively. In this regard, De Bruijn (2007:260) confirms that without proper motivation, the employees may be only sufficiently motivated to perform at the minimum acceptable standards.

Results indicate that the majority of respondents in the public service perceive that their current performance management system does not improve staff motivation and levels of inspiration. A reward system has been identified as one of the major causes of staff demotivation. There are two problems related to rewards: firstly, inadequate rewarding of high performers, and secondly, rewarding mediocre performers. In this regard, De Bruijn (2007) confirms that the performance cannot be maximised without linkage to rewards. Non-monetary rewards, such as acknowledgements, higher responsibilities and training opportunities, must play a much larger role within the public service rewards system.

Additional causes of staff demotivation range from favouritism, lack of objectivity of performance ratings, and unprofessional communication of performance

feedback. Therefore, addressing challenges of staff demotivation in a sustainable manner requires addressing the root causes of the problems.

The results indicate that monitoring and evaluation are generally underdeveloped and neglected areas of performance management in the public service. The literature review also confirms this finding. There are several problem areas related to monitoring and evaluation, ranging from poorly defined indicators to inadequate measurement and decision making processes. With regard to decision making processes, Coplin, *et al.* (2002:700) confirm that most government agencies do not have a system in place in which performance data informs decision-making processes.

Existence of a good monitoring and evaluation system, which can detect early problems so that corrective action can be taken, is a fundamental requirement for the success of any performance management system. In order to ensure success, the performance management system must be evaluated continuously and challenges identified should inform the design and development phase. Sound evaluation practice will also ensure that the public service understands the impact of its policies, programmes and projects on its citizens and on the sustainable development of the country.

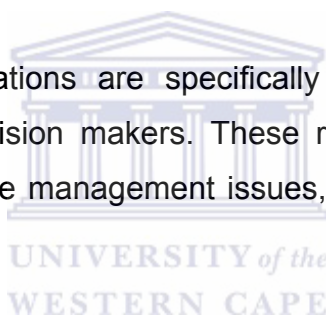
### **7.3.2 CONSIDERATIONS FOR THE APPLICATION OF THE SYSTEM**

This system has emerged as a result of research findings, which identified major failure factors of public service performance management. The research findings are underpinned by fieldwork results and a theoretical review of performance management systems, models and best practice, locally and internationally. Research findings and practical recommendations of senior public service managers led to key recommendations and the development of the system on Integrated Performance Management.

This system identifies ten key failure factors of public service performance management, namely: integration, design, motivation, reward system, leadership, competence, implementation, communication, monitoring and evaluation. These recommendations provide solutions for addressing key failure factors. Although this system has not been tested within the public service, it is assumed that if the key failure factors are addressed, the implementation of the performance management system will be successful. It can be argued that failure factors, when addressed and converted, become critical success factors. However, it is recommended that this system is tested by other researchers involved in integrated performance management systems in the public service.

#### **7.4 RECOMMENDATIONS TO DECISION MAKERS**

The following recommendations are specifically intended for senior public service managers and decision makers. These recommendations address a range of critical performance management issues, both from macro and micro perspectives, as follows:



- The DPSA should establish a separate performance management support unit which will assist all other public service departments to design, implement and train staff in performance management systems. This unit should comprise highly skilled and experienced staff in the areas of public service performance management, strategic and operational management. Understanding public service regulations, policies, structure, culture, systems, processes and context is of paramount importance.
- The current public service structure, which is too bureaucratic and centralised, is not conducive to the implementation of performance management systems. The large structure of public service has to be decentralised into smaller business units, which are manageable. Managers must be given authority and autonomy to manage, to reward good performers and to discipline poor performers.

- The current DPSA's performance management guide and documentation should be simplified. Practical examples of good documents and templates should be provided on the DPSA's website. These documents should include some of the following: performance management policies, strategic plans, departmental business plans, performance contracts with senior managers, job specifications, performance assessment forms and templates.
- Enforcing discipline, dismissing nonperformers or taking corrective action against low performing staff are huge challenges in the public service. These challenges are even greater when dealing with nonperforming senior managers. In South Africa, nonperformers are generally protected by labour legislation and unions and it is an extremely difficult, time consuming and expensive process to dismiss a nonperforming person. Therefore, the DPSA should provide legal support to managers who require legal support when dealing with nonperformers, unions or legal institutions.
- The performance management system implementation should be driven by top leadership and management. It should not be delegated to lower level management or outsourced to external consultants. The performance management system implementation requires major organisational change and without support and involvement from top leadership, the implementation does not stand a good chance of success. The performance management system implementation should not be reduced to the performance appraisal process. Performance appraisal is only one element of the overall performance management system.
- If necessary, support in the design and implementation of performance management systems should be sought from experts. It is recommended that internal expertise be utilised whenever possible before engaging external consultants. Utilising external consultants has several risks. Firstly, external consultants are not familiar with an organisation's specific context,

which may lead to design problems and affect the overall quality of system implementation. Secondly, utilising external consultants may lead to dependency and a lack of a sustainable long-term solution. Thirdly, external consultants may be overly expensive. Therefore great caution must be exercised before contracting external consultants.

- The recruitment process must be greatly improved. When inappropriate people enter the public service, it becomes extremely difficult to dismiss them. Much more time, money, and effort is required to recruit the right people. A performance management system cannot be successful if the recruitment process is weak.
- High performing departments that make financial savings during the financial year should be allowed to keep their funds, or a portion thereof, for future developments or staff rewards. High performing departments should not be punished by reducing their budgets in the following financial year. By allowing departments to reinvest their savings, public service will address the problem of 'fiscal dumping' towards the end of the financial year, when departments incur unnecessary expenditure in order to prevent future budget cuts.
- Incorporating local government within the public service will have a positive impact on overall government performance in terms of service delivery, effectiveness and efficiency. The process of creating 'one public service', which is currently underway, should be greatly accelerated. A single public service will address current challenges of intergovernmental relations, conflict and duplications of roles, functions and services.

## **7.5 RECOMMENDATIONS ON ISSUES FOR FUTURE RESEARCH**

Our world is changing rapidly, faster than ever before. Organisations are transforming at an unprecedented speed. Past performance management solutions are no longer relevant. Performance management has become a fast, ever-evolving and complex discipline. Therefore, huge opportunities exist for the research community to participate in research initiatives that lead to new knowledge development in the area of integrated performance management systems and motivation in the public service. Ultimately, this new knowledge will lead to performance improvements of the public service, which in turn will have a positive spin-off on the development of the country.

In this regard, a critical success factor is the relationship between the South African public service and the research community. There should be greater research cooperation between the South African public service and the research community, especially universities, in the area of integrated performance management systems and motivation. Knowledge developed locally will be appropriate, sustainable and relatively inexpensive, especially when compared to costs of overseas consultants, who are expensive and whose solutions are often inappropriate and not sustainable.

The following are recommendations regarding priority issues for research in the area of integrated performance management systems and motivation in the South African public service:

- The role of emotional intelligence in improving individual, team and organisational performance
- Managing behavioural change during implementation of integrated performance management systems
- The role of spiritual intelligence in improving individual, team and organisational performance

- Information and Communication Technology and e-government driven performance improvement interventions
- Managing communication during implementation of integrated performance management systems
- The role of sound financial management in implementing integrated performance management systems
- The role of policy and strategic management in implementing integrated performance management systems
- Implementing a successful reward system within an integrated performance management system in the public service
- The role of leadership in the successful execution of integrated performance management systems in the public service.





## CHAPTER 8: CONCLUSION

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Government's aspirations for improvement in service delivery have recognised the need for change, learning and innovation. Public service management systems, cultures and structures built in previous eras are inadequate to meet the contemporary challenges of a globalised world. Performance management has come to the forefront of change management efforts.

This study investigated the performance management challenges and motivation in the public service from an integrated perspective. A literature review was conducted which explored contemporary performance management trends and challenges, locally, internationally, internally and externally to the South African public service. Key external factors which influence public service performance and motivation, such as the HIV/AIDS pandemic, crime, poverty and unemployment, the brain drain, economic crisis, intergovernmental relations and the energy crisis, were also explored. A particular focus of the literature review was on the challenges of implementing integrated performance management systems and motivation in the public sector. This included an exploration of challenges of integrating performance management with organisational strategy, culture, structure, systems and processes such as HR, financial management, and ICT management. Principles and design considerations for integrated performance management systems were also investigated. Critical success and failure factors were identified and analysed, which led to the creation of an Integrated Performance Management System and recommendations for public service managers.

Performance management in the public service is a complex process and there are no easy solutions to it. Importing a private sector performance management model or models that work in the developed world does not guarantee success in the public service of a developing country. Therefore, successful performance management initiatives have to be customised and contextualised to unique local circumstances.

Performance management is a process that requires integration, mobilisation and harmonisation of various resources, systems, strategy, structure and culture. In order to resolve large societal problems, a public service performance management system requires intradepartmental, interdepartmental and intersectoral collaboration.

The public service has an enabling legislation and policies for the implementation of progressive and developmental performance management systems. However, the major challenge lies in the implementation of performance management processes. Lack of knowledge and skills to design and implement successful performance management systems remain a major constraint.

The integration of various systems within the public service requires commitment from top management and leadership. Performance management system development requires the creation of innovative organisational processes. It requires the development of an organisational culture characterised by trust, a sense of belonging to the organisation, commitment to a higher cause, a strong work ethic and courage to follow the truth.

This research on performance management made it apparent that the biggest challenges are not about developing sophisticated models and smart documents, but it is about people and managing change. Inspiring people, managing change and getting people to buy into and use the system are the issues that require the greatest attention. Even the best designed performance management systems fail if there is insufficient buy-in from the people using the system. There cannot be high performance without motivated and committed staff. However, highly motivated staff can generate high performance, irrespective of any performance management system. The simple logic is that motivated people make high performing organisations. Ultimately, it is the role of leadership to inspire human resources and to generate commitment towards

the departmental vision, and to create an enabling organisational culture based on the foundations of strong work-ethics and responsibility. A further role of leadership is to harmonise and channel individual, team and organisational energies towards the department's purpose.

In conclusion, although results suggest that the majority of respondents are satisfied with the overall quality the current performance management system, it has been argued that high performing organisations should strive for excellence and not mediocrity with regard to the performance management systems they utilise. However, results indicate that minority respondents have identified a number of areas that require significant improvements. Improving a performance management system requires better design, higher commitment for implementation, enhanced skills and knowledge, capable leadership, regular monitoring and evaluations. Performance management is not an event – it is a continuous process, which requires continuous learning and improvement. There is no performance management recipe or magic formula for success. In order to create a successful performance management system, organisations must take a multidimensional approach to addressing problems of performance. Organisations must harmonise their performance management system with organisational strategy, structure, processes, culture and capacity. There should be balance and emphasis on both the technical and human aspects of performance management. Organisations must align individual, team and organisational objectives, needs and aspirations.

By approaching performance management from an integrated and holistic point of view, public service departments will stand a better chance of building a successful and sustainable performance management system - a system which will be capable of harnessing human potential and keeping people motivated and committed to the departmental mission. Performance management, as a cross-cutting management methodology, integrated with related methodologies, such as strategic planning, HR management, financial management and quality management, should be regarded as a critical vehicle for improving the

performance of individuals, teams, departments and the public service as a whole.

The new Integrated Performance Management System proposed in this study has been informed by the major performance management challenges identified within the South African public service. The model addresses these challenges in a systematic manner and provides sustainable solutions. The solutions to these challenges are underpinned by strong theoretical foundations informed by a literature review of leading local and international scholars and experts in the area of performance management. The solutions are also informed by recommendations from senior public service performance management practitioners.

The implementation of a new integrated performance management system, and the subsequent change management process that accompanies its implementation, is a battle for the heart, mind and soul of the organisation. And it is not one battle to be won and victory to be declared. It is a continuous learning process. Performance management success requires continuous reflection and improvement.

In an increasingly global and competitive world, improving performance is an enormous challenge, especially for public service departments which operate within the constraints of bureaucracy, rules and multiple stakeholders. However, high performance is the only way to achieve the sustainable success of any individual, organisation or society.

It is my hope that the findings and knowledge developed in this study will help public service departments to improve their performance. A better performing public service will make a greater contribution to the millennium development goals, poverty eradication and the development of South Africa and Africa. I am inspired by the thought that this study will play a part in realising the dream of a better world.

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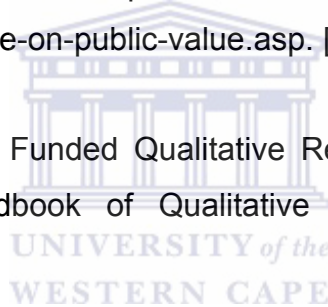
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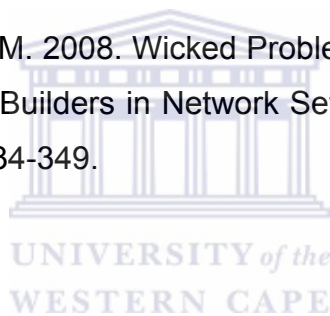
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## APPENDIX 1: QUESTIONNAIRE

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Marko Saravanja  
Postal address: Postnet Suite #405  
Private Bag X29, Gallo Manor, 2052  
Tel: (011) 603 0300  
Fax: (011) 603 0301  
E-mail: marko@regenesys.co.za

1 July 2008

### **Questionnaire: Research on Performance Management**

Dear Sir or Madam

My name is Marko Saravanja and I am conducting research on performance management with the University of the Western Cape as part of my studies on the PhD programme. The purpose of the study is to identify performance management challenges in the public sector and to develop potential solutions.

I have identified you as one of the experts and leaders whose experience and opinion would greatly benefit the results of this study. Research findings will enable public sector departments to improve their performance. I do hope that you will be able to find 45 minutes of free time in between your busy schedules to complete the attached questionnaire. If you are unable to complete the questionnaire, it would be greatly appreciated if you could request appropriate member of your organisation to complete it on your behalf.

Your anonymity, as well as that of all members of your work community will be respected and the information from the interview will be treated confidentially.

I would highly appreciate if you could return the questionnaire at your earliest convenience, either emailing it to marko@regenesys.co.za or by fax to (011) 603 0301. Your assistance and cooperation in this project will be much valued. Research findings will enable public sector departments to improve their quality of service delivery, value for money and overall performance.

With my best wishes,

Marko Saravanja



## QUESTIONNAIRE

### **PART 1: RESPONDENT'S INFORMATION**

Name and Surname (optional): \_\_\_\_\_

Organisation / Department: \_\_\_\_\_

Division/Business Unit: \_\_\_\_\_

Position: \_\_\_\_\_

Your main roles and responsibilities: \_\_\_\_\_

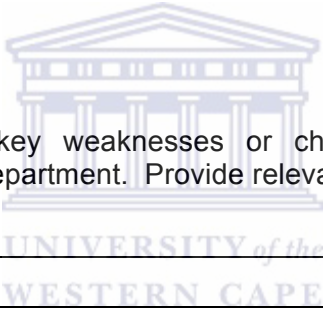
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### **PART 2: QUESTIONS**

#### **SECTION 1**

**Question 1.1:** Explain the key weaknesses or challenges of the performance management system in your department. Provide relevant examples where possible.



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**Question 1.2:** Explain the key strengths of the performance management system in your department. Provide relevant examples where possible.

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**Question 1.3:** Please provide suggestions for potential improvements of the performance management system in your department.

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## SECTION 2

Based on your experience and understanding of the performance management system in public sector, please rate the following:

- 5 – Very high (or excellent)
- 4 – High or (good)
- 3 – Medium (or satisfactory)
- 2 – Low (or poor)
- 1 – Very low (or very poor)

2.1 Quality of the performance management system. Please rate the overall quality of the performance management system.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.2 Relevance and appropriateness. Please rate the extent to which the performance management system is achieving what is supposed to achieve i.e. improving overall performance of the organisation.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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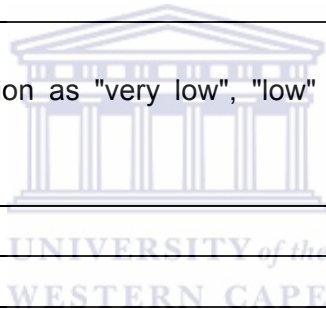
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2.3 Simplicity. Please rate the administrative simplicity and user-friendliness of the system.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.




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2.4 Processes. Please rate the extent to which the current performance management system promotes efficiency of organisational processes such as communication, knowledge and information management, financial management and operations management.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.5 Quality of service or products. Please rate the extent to which the current performance management system promotes improvement of quality of departmental products or service delivery.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.6 Clients and stakeholders. Please rate the extent to which the current performance management system promotes relationships development with key stakeholders and clients.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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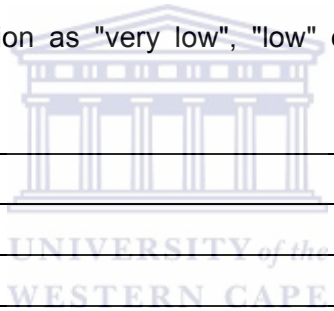
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2.7 Innovation and learning. Please rate the extent to which the current performance management system promotes innovation, creativity and learning.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.8 Financial management. Please rate the extent to which the current performance management system promotes sound financial management.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.9 Time. Please rate the extent of time requirements to conduct the performance management process.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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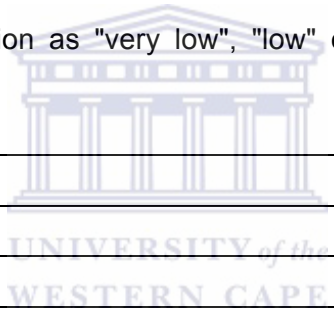
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2.10 Value for money. Please rate the extent to which the performance management system provides value for money. Please reflect on issues of meetings, time, preparation, administration, monitoring, evaluation, conflict management, etc.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.11 Consultation process. Please rate the appropriateness of consultation process in the development of the performance management system.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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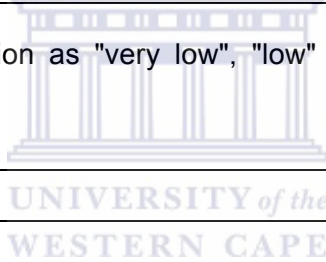
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2.12 Performance indicators. Please rate the extent of appropriateness of indicators i.e. key result areas (KRAs) and core management criteria (CMC). Please reflect on issues of joint identification and agreements on indicators with all relevant parties.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.




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2.13 Training. Please rate the extent to which people are appropriately trained to use the system.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.14 Fairness. Please rate the extent of fairness of performance ratings and judgements. Please reflect on issues of subjectivity and objectivity.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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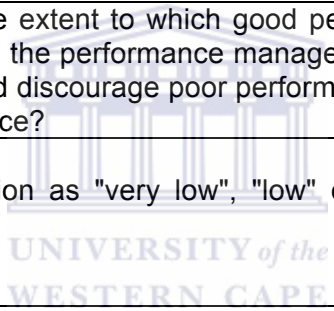
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2.15 Reward. Please rate the extent to which good performance is appropriately rewarded. Does the performance management system reward good performance and discourage poor performance or does it reward mediocre performance?	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.




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2.16 Continuity. Please rate the extent to which the performance management process is conducted regularly at certain time intervals throughout the year. Is it once-off annual event conducted because it has to be done? Please reflect on regular follow-ups and performance monitoring mechanisms.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.17 Developmental nature. Please rate the extent to which the performance management system is used to develop performance rather than to punish unsatisfactory performance.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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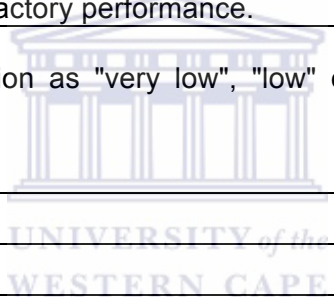
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2.18 Performance agreements. Please rate the usefulness of performance agreements as a tool for management of performance of senior managers in the public service.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.19 Integration. Please rate the level of integration of organisational, departmental, team and individual goals, strategies, processes, resources, culture and systems.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.20 Leadership support. Please rate the level of top leadership and management support for performance management system.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.21 Measurement. Please rate performance measurement difficulties and challenges. Please reflect on issues such as gathering of information and documentation, accuracy of measurement, access and validity of measurement information especially in the case of qualitative data.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.22 Judgement challenge. Please rate the extend of difficulties related to making performance judgements, especially in the cases of qualitative indicators and targets.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.23 Avoidance problem. Please rate the extent to which managers avoid uncomfortable activity of confronting problems of poor performance.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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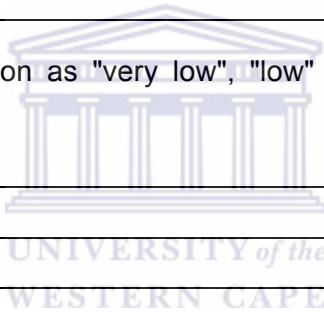
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2.24 Resistance. Please rate level of resistance of staff to the performance management system.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.25 Destructive conflict. Please rate the level of destructive conflict arising from performance management processes. Please reflect on appeals, legal battles, involvements of unions, time and emotional energies spent in conflict management processes.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.26 Feedback. Please rate the extent to which the performance feedback is communicated constructively and developmentally rather than negatively, destructively or punitively.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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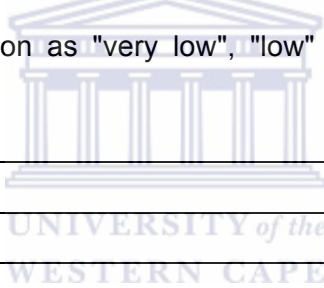
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2.27 Generalisation. Please rate the extent to which the performance feedback is specific rather than being too generalised.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.28 Staff inspiration and motivation. Please rate the extent to which the performance management system improves staff motivation and inspiration.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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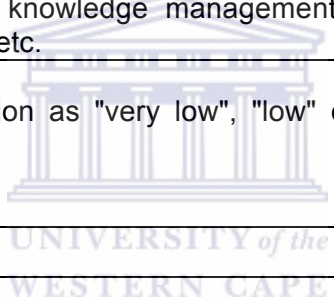
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2.29 Technology. Please rate the extent to which the information and communication technology supports implementation of performance management system. Reflect on the areas of communication, data collection, monitoring, evaluation, recording and storage of information, knowledge management, safety and confidentiality of information, etc.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.




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2.30 Culture. Please rate the extent to which the organisational culture promotes performance management processes and ethos such as hard work ethics, values, integrity and commitment to organisational purpose and vision.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.31 Human resource management. Please rate the extent to which the performance management system is aligned with other HR activities and functions such as promotions, training and development, succession planning, mentoring and coaching, etc.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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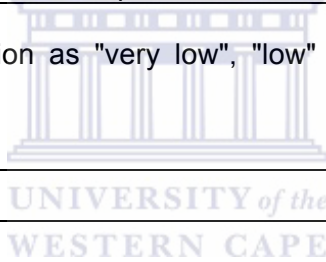
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2.32 Structure. Please rate the extent to which the current organisational structure is enabling for implementation of the performance management system. Please reflect on issues of bureaucracy, capacity, staff, teams, departments, skills and power.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.




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2.33 Team work. Please rate the extent to which the performance management system promotes team work. Please reflect on issues such as team-based performance criteria, targets, rewards, team spirit, relationships, self-centredness versus collectivism, etc.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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2.34 Holistic development. Please rate the extent to which the current performance management system promotes holistic development of individuals. Please reflect on the issues such as intellectual needs, emotional needs, spiritual needs, physical needs and balance.	1	2	3	4	5

If you rated the above question as "very low", "low" or "medium" please elaborate further.

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**Section 3: Additional Comments**

Please indicate any other issues which are not covered in the questionnaire but might be critical in terms of performance management.

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Thank you very much for your input.

## APPENDIX 2: QUESTIONNAIRE GUIDE FOR INTERVIEWS

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Marko Saravanja  
Postal address: Postnet Suite #405  
Private Bag X29, Gallo Manor, 2052  
Tel: (011) 603 0300  
Fax: (011) 603 0301  
E-mail: marko@regenesys.co.za

1 July 2008

### Questionnaire: Research on Performance Management

Dear Sir or Madam

My name is Marko Saravanja and I am conducting research on performance management with the University of the Western Cape as part of my studies on the PhD programme. The purpose of the study is to identify performance management challenges in the public sector and to develop potential solutions.

I have identified you as one of the experts and leaders whose experience and opinion would greatly benefit the results of this study. Research findings will enable public sector departments to improve their performance. I do hope that you will be able to find 45 minutes of free time in between your busy schedules to complete the attached questionnaire. If you are unable to complete the questionnaire, it would be greatly appreciated if you could request appropriate member of your organisation to complete it on your behalf.

Your anonymity, as well as that of all members of your work community will be respected and the information from the interview will be treated confidentially.

I would highly appreciate if you could return the questionnaire at your earliest convenience. Your assistance and cooperation in this project will be much valued. Research findings will enable public sector departments to improve their quality of service delivery, value for money and overall performance.

With my best wishes,

Marko Saravanja

## QUESTIONNAIRE

### **PART 1: RESPONDENT'S INFORMATION**

Name and Surname (optional): \_\_\_\_\_

Organisation / Department: \_\_\_\_\_

Division/Business Unit: \_\_\_\_\_

Position: \_\_\_\_\_

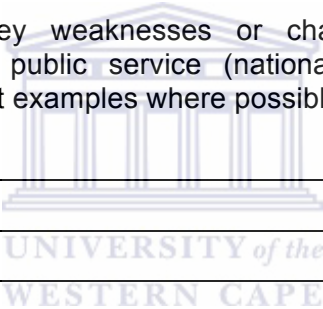
Your main roles and responsibilities: \_\_\_\_\_

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### **PART 2: QUESTIONS**

**Question 1:** Explain the key weaknesses or challenges of the performance management system in the public service (national and provincial government departments). Provide relevant examples where possible.



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**Question 2:** Explain the key strengths of the performance management system in the public service. Provide relevant examples where possible.

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**Question 3:** Please provide suggestions for potential improvements of the performance management system in the public service.

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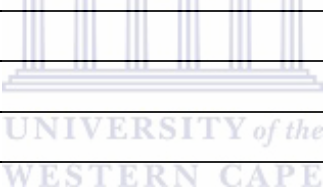
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**Section 4: Additional Comments**

Please indicate any other issues which are not covered in the questionnaire but might be critical in terms of performance management.



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Thank you very much for your input.