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# PERFORMANCE CONTRACTING IN

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# PERFORMANCE CONTRACTING IN GAUTENG DEPARTMENT OF HOUSING

**Gaithi, Lucy Muthoni**

A Research Report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg, South Africa, in partial fulfillment of the requirements for the Degree of
Masters of Management (In the Field Public and Development Management)

June, 2010

# DECLARATION

I declare that this report is my own, unaided work. It is submitted in partial fulfillment of the requirements of the degree of Masters of Management (in the field of Public and Development Management) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.

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Lucy M. Gaithi

June, 2010

## DEDICATION

This study is dedicated to my late parents, Mary Wacuka and James Gaithi for instilling in me the discipline to study hard. May the Lord Almighty rest your soul in eternal peace.

# ACKNOWLEDGEMENTS

My deepest gratitude is to my maker and keeper, the almighty God!

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To you all, thank you again and God bless

# ABSTRACT

South Africa has since the end of apartheid struggled with the issue of poor public sector performance. Performance contracting for public servants, introduced to improve the public sector's performance, has not borne much fruit. In this study, performance contracting refers to a framework that uses a form of 'relational' contract referred to as a performance agreement for performance management. This study sought to establish challenges in the implementation of performance contracting in the public sector. In addition, it sought to recommend interventions to improve implementation of performance contracting in the public sector. A qualitative research approach was used with Gauteng department of housing as a case study. The study focused on performance contracting for senior managers who are members of the senior management service

The study established that although performance contracting has an important role to play in performance management, its implementation is hindered by several challenges. The complexity of performance agreements format templates; inadequate resources and managerial authority; political interference; inadequate leadership; inadequate personal training and development; systems and processes challenges; organization culture and a weak implementation strategy were identified as the main challenges in the implementation of performance contracting. The study recommends interventions to improve the implementation of performance contracting. These include: the development of a comprehensive implementation strategy that takes cognizance of the identified challenges and provision of adequate political and administrative leadership.

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# LIST OF ABBREVIATIONS

| | |
|---|---|
| ANC | African National Congress |
| CSA | Civil Service and Administrative |
| CMC | Core Management Criteria |
| DPSA | Department of Public Service and Administration |
| EA | Executive Authority |
| GDH | Gauteng Department of Housing |
| HR | Human Resource |
| HRM | Human Resource Management |
| HRM&D | Human Resource Management and Development |
| HoD | Head of Department |
| IEG | Independent Evaluation Group |
| KRA | Key Result Area |
| MEC | Member of the Executive Council |
| MPMM&E | Ministry for Performance Management Monitoring and Evaluation |
| NPM | New Public Management |
| OECD | Organisation for Economic Co-operation and Development |
| PA | Performance Agreement |
| PM | Performance Management |
| PMS | Performance Management System |
| PMDS | Performance Management and Development System |
| PSA | Public Service Act |
| PSCBC | Public Service Co-ordinating Bargaining Council |
| PSC | Public Service Commission |
| PSR | Public Sector Reform |
| PSR&PC | Public Sector Reforms and Performance Contracting |
| PSRs | Public Service Regulations |
| PFMA | Public Finance Management Act |
| SMS | Senior Management Service |
| SA | South Africa |
| SRA | Strategic Result Area |
| UN | United Nations |

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# CHAPTER ONE: INTRODUCTION

Chapter one presents a detailed introduction of this research report and consists of the background, research problem, purpose statement and research questions. In addition, the significance and limitations of the study, and the structure of the report are also included as part of this chapter.

This study sought to establish why performance contracting in the South African public sector has not achieved the envisaged improvement in performance. Specifically, the study investigated challenges faced in implementing performance contracting in Gauteng government departments. The Gauteng Department of Housing (GDH) was used as a case study. In addition to the findings, the report proposes how the implementation of performance contracting in the public sector can be improved.

The end of apartheid marked a great and new beginning for South Africa and with it created a lot of hope and expectancy for better services. The new and successive governments had since then developed policies geared to address the issue of poverty, unemployment and inequality. Improvement on service delivery, such as housing was identified as one of the key priority areas that needed to be addressed. Fifteen years later, poor service delivery is still a persistent feature on the list of concerns as people stage protests.

Performance management has been widely debated as central to improvement of public service delivery and facilitation of the implementation of public policies in order to make an impact. In a bid to improve the public sector's performance, the government, following the precepts of the New Public Management (NPM), introduced a Performance Management and Development System (PMDS) in which performance contracting is a core element. Performance contracting in this study refers to a framework that uses a form of 'relational'[1] contract referred to as a Performance Agreement (PA) for performance management in the public service.

[1] A contract that has no legal binding between parties as it is based on the relationship between them.

Performance contracts or agreements have specific advantages in that they focus on output and outcomes rather than processes and are instrumental in providing a basis of measuring performance. Some countries have succeeded in improving the performance of their own public sector by adopting the use of performance contracts in their performance management system. However, similar to many other public sector reform initiatives, it has been faced with many challenges.

Performance contracting was introduced in the public sector to help improve on efficiency, effectiveness and accountability in public sector service delivery. However, poor service delivery still persists especially in provision of basic services such as housing. A study conducted by Department of Public Service and Administration (DPSA) indicates that the public sector inability to improve on service delivery is mainly as a result of weaknesses in performance management (Public Service Commission (PSC), 2007A). In appreciation of the ensuing challenges, the President, in this year's (2010) State of the Nation Address highlighted the creation of the Planning Commission and the Ministry for Performance Management, Monitoring and Evaluation (MPMM&E) as a concerted effort to create a performance oriented public service.

Moreover, acceptable compliance level on performance agreements, a key element of the Performance Management and Development System (PMDS), is yet to be achieved (PSC, 2008A). The compliance rates of PAs have been deteriorating to the extent that the President, in the state of the nation address, highlighted it as a key priority (PSC, 2008D). In light of this, this study sought to establish the current practices and challenges in the implementation of performance contracting in the Gauteng department of Housing.

## 1.1 Background

The government, as mandated by the electorate and through the public service, is obliged to provide certain services to the public using the available resources. As such and given that the scarcity of resources, it is of utmost importance that the public service performance is well managed as it is critical to efficient and effective service delivery.

Performance management is at the core of New Public Management (NPM) which the government adopted in an effort to improve its operations (DPSA, 2004). The public service performance management is guided by clauses in the Public Service Act (PSA) and several regulations which include the Public Service Regulations (PSRs), resolutions of the Public Service Co-ordinating Bargaining Council (PSCBC), Treasury Regulations, 2001 and the *Batho Pele* White Paper (DPSA, 2000B). The amended chapter four of the Senior Management Service (SMS) handbook (*Ibid*) pertain the PMDS for members of SMS.

A review of the public sector achievements and challenges, ten years after the end of apartheid, indicated that despite the several measures undertaken to enhance the performance in public service delivery, the government continued to be accused of poor service delivery (DPSA, 2004). The report stated that the public sector poor service delivery is mainly as a result of performance management not being effective and one that needed to be strengthened. In support of this finding, recent reports still attribute poor performance to "shortcomings inherent in the performance management system" among other things (PSC, 2007A:9) and lack of the system being implemented properly (DPSA, 2004; PSC, 2007A; PSC, 2008D).

Performance agreements for senior managers were introduced with the purpose of providing a basis for salary increments, performance incentives and the overall facilitation of the achievement of the departments' objectives (DPSA, 2000B). Fundamentally, it is a performance management effort envisaged to have the capability to improve performance and accountability in the public sector. However, a country should be wary of its' prevailing context and the applicability of performance contracting in performance management. Professor Franks in DPSA (2004) implore the need for a more realistic approach, with an in depth review of critical issues surrounding performance problems in order to effectively manage performance as opposed to the use of theories. He views the public service as one that always adopts 'technical solutions' for all problems regardless of their basis.

A research study conducted by the Public Service Commission (PSC) indicated that in the year 2007/08, there was a 24% (31/129) compliance rate in filing of Performance Agreements (PAs) at both National and provincial departments as compared to 78% (101/130) in 2005/06 (PSC, 2008B). In the same year, only a mere 16% of national and 13% of provincial Heads of Departments (HoDs) complied with the requirement of filing PAs with PSC by the expected date (PSC, 2008D). PSC also revealed that in the year 2008/09, submission of PAs by HoDs at both national and provincial levels decreased by 14% when compared to the previous year (PSC, 2008D). Failure to file performance agreements has profound implications which render the PMDS ineffective. Further, this creates a situation in which certain managers in the departments have no basis for performance assessment and the eventual award of performance incentives. These findings serve as an indication that performance contracting is not well implemented and hence not achieving its intended objective of improving public sector performance. Consequently, they provide the motivation to establish the challenges senior managers are facing in the implementation of performance contracting. This study was undertaken to establish performance contracting implementation challenges in the Gauteng department of housing.

The establishment of the Gauteng department of Housing (GDH) is articulated in the Gauteng Housing Act of 1998. The department also derives its mandate from the Constitution of the Republic of South Africa, Act 108 of 1996 among other legislations. The department's key objective is to provide housing and housing related services to targeted communities in Gauteng province. This delivery is focused on five key programmes, which include formalisation and eradication of informal settlement, mixed housing development, alternative tenure, urban renewal and prioritised townships programme.

## 1.2 Problem Statement

Performance contracting was adopted in 1998 by the government as a tool for improving performance in the public sector. In spite of the implementation of performance

contracting, public sector performance still needs improvement in a number of areas as indicated by the recent and ongoing protests by citizens on lack of delivery of adequate services such as housing in Gauteng. A recent study conducted in sampled government departments, including housing, in five provinces, established that there is laxity in complying with performance agreements and there are cases of bonuses being paid out without performance agreements in place (PSC, 2008B). Another report also indicated that submission of PAs by HoDs in the year 2008/09 at both the national and provincial level declined by 14% as compared to the previous year, 2007/08 (PSC, 2008D). However, the challenges of the implementation of performance contracting in government departments have not been established. Unless the challenges of public sector performance contracting implementation are established, public sector performance and accountability may not be improved as envisaged.

## 1.3 Purpose Statement

The purpose of this study was to establish what hinders performance contracting in Gauteng government departments from contributing to the envisaged improvement in the departments' performance. Specifically, the study investigated the challenges of implementing performance contracting in the Gauteng department of housing. In addition, the study sought to ascertain how performance contracting implementation can be improved to achieve its intended objectives effectively.

## 1.4 Research Questions

The following questions were designed and used to guide the study:-

a) What are the current Performance contracting practices in the Gauteng department of housing?
b) What are the challenges encountered in implementing performance contracting?
c) What can be done to improve performance contracting?

## 1.5 Significance of the Study

The government in recognition of the importance of enhancement of performance in the public service delivery introduced the performance contracting framework within the Performance Management and Development System. The framework is supposed to be implemented at all levels of government. However, poor service delivery still persists as indicated by the recent protests. Several reports prepared by DPSA and PSC conclude that the issue of performance management is the major contributing factor. As found in several departments included in a number of studies conducted by the DPSA, the PMDS is still not as effective as envisaged.

The DPSA and PSC have conducted several studies that indicate that the system is not being implemented properly. Compliance on signing of performance agreements meant for accountability and used as a basis for evaluation is still low and seems to be deteriorating. In addition, cases in which bonuses have been paid without agreements in place have been established. Based on this background, this research study provides critical insights into the current performance agreements practices to establish challenges that hinder their effective implementation and overall contribution to enhance performance. In addition recommendations on how performance contracting can be improved are presented. The results of this research study will assist the DPSA to address issues specific to performance contracting implementation and hence contribute to enhancement in public service performance. Other countries considering introducing performance contracting in their public sector and have a context similar to South Africa may also find this study's findings to be of great importance.

## 1.6 Limitations of the Study

This research study faced a number of limitations. One of the limitations was premised on the fact that the public service is continuously subjected to research, studies and investigations which demand much of senior management's time. As a result, the interviews were mainly delegated to directors who are the lowest level members of

Senior Management Service (SMS). Only one chief director was interviewed. As such their responses may not provide a complete picture of the members SMS in regard to implementation of performance contracting. Another important aspect of this research is that it was based on a sensitive issue of performance which many people do not wish to disclose the details. It is also a possibility that their responses were subjective and this might have negatively impacted on the accuracy and quality of research findings. Finally, the short time and resources available for the research, may have limited the findings and recommendations.

## 1.7 Report Structure

This research report is organized as follows:

**Chapter One: Introduction: -** Chapter one presents a detailed introduction of this research report and consist of the background, research problem, purpose statement, research questions, the significance and limitations of the study.

**Chapter Two: Literature Review: -** Chapter two presents a review of books, journals, reports and other literature on major topics that relate to performance contracting. It provides the theoretical framework that underpin this study

**Chapter Three: Research Methodology: -** Chapter three presents the research methodology that was used in the study. This includes the research approach, research design, data collection, data presentation, analysis and interpretation.

**Chapter Four: Data Presentation: -** Chapter four presents the data collected based on the research questions. Information gathered from the interviews and document review is presented.

**Chapter Five: Data Analysis and Interpretation: -** Chapter five presents an analysis and interpretation of the data presented in chapter four in response to the research questions. The results are presented as the study findings.

**Chapter Six: Conclusions and Recommendations: -** Chapter six is the last chapter in this research study report in which the research problem, the purpose of the study and research questions are summarized. Thereafter, the conclusions and recommendations based on the findings are presented. Areas requiring further research work are also recommended.

# CHAPTER TWO: LITERATURE REVIEW

Literature review provides a sound background on which this research is premised and forms the theoretical framework for the subsequent discussion on the findings. It was basically the beginning point of the study as it provided what already existed and was known on the research topic. The review was undertaken to establish, integrate and summarize knowledge that already existed within the research area (Neuman, 2006). This includes an indication of what past research had covered and how this research links to it. The literature review presented herein discusses key concepts, theory and relevant previous research on key themes in an effort to contextualize the research that was undertaken within the existing body of knowledge (Badenhorst, 2007).

This chapter presents a review of literature, from books, government reports, journals and various scholarly articles associated with performance contracting. Key topics covered include: definition of key terms and concepts; Public sector reforms, New public management; Performance management; Public sector performance contracting model; Performance contracting in South African public sector; and the New Zealand and Kenyan experience in performance contracting implementation. A conclusion highlighting key issues from the review and their implication to the research problem is presented at the end of the section.

## 2.1 Definition of Terms and Concepts

This section provides definitions of some key terms and concepts used in this research report. This is important so as to avoid the possibility of ambiguity or multiple interpretations by different people in meaning whenever they are used in this document.

**Performance**

Performance in the context of this research refers to achievement made by an individual or organization in pursuit of specified objectives within their responsibilities. It concerns the work done and the results achieved (Mwita, 2000). Any organization values the

performance of its staff as the basic tenet in achievement of its overall goals and objectives.

### Accountability

Accountability refers to an individual's or organization's obligation to account or justify decisions, actions and result. In the public sector, accountability to the public and other stakeholders is one of the key aspects of good governance. To facilitate accountability, requires that performance measurement criteria be defined as well as a mechanism to monitor and evaluate the achievements (Van der Waldt, 2004).

### Organisational Culture

Organizational culture refers to "a set of key values, guiding beliefs, and understandings that are shared by members of an organization" (Hennessey, 1998:524). As such, it should be viewed as central to defining basic organizational values to which members subscribe to and determining how they things get done as well shaping the behaviour of individuals or group.

## 2.2 Public Sector Reforms

The quality of the public sector, government departments and agencies, in terms of accountability, effectiveness, and efficiency in service delivery is a basic ingredient to a country's development (Schacter, 2000; World Bank, 2008). In order to realize the government's economic and social policies, the public sector designs and implements relevant projects and programs, collects revenue and is accountable to the public. Whilst line departments are specialized around programs and policies that relate to a particular economic or social sector such as health, transport and education, central agencies are specialized around functions that serve the entire government such as planning and finance (Schacter, 2000).

Public Sector Reform (PSR) refer to a collection of efforts geared to review, change and strengthen management of the public sector operations (Schacter, 2000). Some of the reforms are targeted to deal with specific institutional issues while others are an effort to overhaul the whole system through a combination of strategies, innovation and other approaches (Ayeni, 2002). Critical aspects mainly targeted in recent reforms include, financial management, justice and rule of law, the civil service and administration and other operations that relate to delivery of public services. The overall objective is that implementing the reforms will ultimately result in economic growth, poverty reduction, good governance and delivery of quality public services to the public (World Bank, 2008).

PSR has become crucial in the recent times due to an increase in demand for good governance, transparency, integrity and accountability (Kiragu, 2002). Most of the recent public sector reform worldwide is designed based on the precepts of NPM, which mainly focus on adoption of private sector management practices (Ayeni, 2002). The reforms have been mainly as a result of the failure of the public service to deliver efficiently and effectively on its mandate. Kiragu (2002) asserts that developing countries' debts and budgetary constraints adversely affect the capacity and performance of their public service and as such justify their dire need for reforms as compared to developed countries.

Civil Service and Administrative (CSA) reform is an element of the PSR that include: - Human Resource Management (HRM) issues such as recruitment, retention and performance management; Organizational reforms aimed at improvement of operational efficiency through contracting, use of agencies, restructuring; and Capacity building among others (World Bank, 2008). World Bank points out that, despite the fact that CSA reform is expected to play a critical role in the success and sustainability of other elements of PSR, it has fared less compared to other reforms. This is mainly attributed to lack of a coherent strategy, inherent political difficulty and the weak diagnostic work on civil service (*Ibid*). However, it is imperative to note that improvement on public service performance and accountability can be significant only if CSA reforms succeed.

An evaluation report on reforms in several countries supported by the World Bank's Independent Evaluation Group (IEG) identified three factors that contribute to their success. These includes considering the political and institutional feasibility, focus on changing behavior and organizational culture and undertaking relevant preparatory work to provide a firm background and sustainability of the reforms (World Bank, 2008).

Major constraints to PSR in developing countries include: - inadequate support by the various stakeholders (Kiragu, 2002; World Bank, 2008); lack of performance incentives and inadequate implementation capacity (Kiragu, 2002). In South Africa, failure of a significant number of PSR efforts, initiated since 1994, to yield the expected results, has been mainly attributed to weak implementation (Kambuwa and Wallis, 2002). Scharter (2000:7) argues that the highly "technocratic" approach commonly used is a major contributor to failure in PSR efforts as they undermine the need for "culture change".

### 2.2.1 New Public Management

New Public Management (NPM) is an approach that has been used by many countries to reform the public sector management. It is of great importance that one has an understanding of the concept as it's the premise on which performance management and specifically performance contracting is based. The NPM represents a paradigm shift from public administration to public management. The use of private sector management approaches and explicit standards and measures of performance are among some of the attributes associated with NPM (Hughes, 2003). NPM emphasizes that management should be focused on results, both outputs and outcomes; performance both by the individuals and the organization; and in addition give cognizance of the intended beneficiaries as clients. The approach calls for devolution of authority and responsibility through mechanisms such as performance contracting for performance improvement and accountability (Hughes, 2003; Norman, 2004).

In essence, NPM may be viewed as a solution to the failures of the public administration but at the same time its adoption and successful implementation in the public sector may be limited given its inherent differences from the private sector (Hughes, 2003). However, the political agenda and the nature of government business pose a major hindrance to practices of private sector management styles (*Ibid*). Public servants accountability is complicated and multi-pronged as it is demanded by several stakeholders including the political leadership, parliament and public among others. Performance as a key aspect is given much weight resulting to use of short term contracts which are renewed on the basis of achieved performance. This may serve as a de-motivation to the public sector employees to whom the contracts are subjected to as it's a deviation from the traditional permanent career. This presents a contradicting scenario as the reforms advocate for 'devolution' of responsibility while at the same time abolishes job tenure (Hughes, 2003).

### 2.2.2 Performance Management

Performance Management (PM), a HRM intervention, is "an integrated process of defining, assessing, and reinforcing employee work behaviour and outcomes" (Cummings and Worley, 2009:421). It aims at improving organisational performance by linking staff efforts to achievement of the overall organisation strategy (Mwita, 2000). A performance orientation in management deviate focus from inputs and process rules to results and mainly revolves around the use of information and controls. An established performance management system provides a more systematic way of managing staff performance in an organisation. Managing of staff performance is a necessity for the overall organization performance management (Nel, Dyk, Haasbroek, Schultz, Sono, and Werner, 2004).

Performance management refers to a combination of processes and methods used to harness the staff efforts in contributing to achievement of the organization goals and objectives. It cultivates the results focus culture in any economic entity by linking primary objectives to the secondary ones (Mwita, 2000) and involves setting the goals to

be achieved, reviewing and rewarding performance (Cummings and Worley, 2009). In the public sector, performance management is oriented towards improving service delivery through increased productivity, quality and accountability.

Performance Management Systems (PMSs) are implemented mainly to enhance the delivery of efficient and effective services and to reinforce accountability on use of resources and the results achieved (Radnor and Mc Guire, 2004). The introduction of a Performance Management System (PMS) in the SA public sector was geared to improve its performance by institutionalizing the processes for accountability processes for public servants (Kambuwa and Wallis, 2002).

Critical to the system is the institution's strategic plan which clearly defines the objectives to be pursued over a period of time. Institutions have to develop performance indicators and targets by which their overall progress in achievement of objectives is to be measured at an interval of an agreed period which is mainly annual. Performance measurement is also crucial in a PMS and "includes measures based on key success factors, measures for detection of deviations, measures to track past achievements, measures to describe the status potential, measures of output, measures of input among others" (Lebas, 1995 in Radnor and Mc Guire, 2004:246).

To implement the strategic plan the manager identifies key areas to focus on and prepares a work plan indicating specific activities to be undertaken and the expected results. Subsequently, the managers' have performance indicators and targets defined, based on the overall organization objectives, upon which their performance is measured. However, government institutions are never explicitly clear on the objectives as they are always subject to change, and as such there should be flexibility to review the indicators as well (Cohen, 1988 in Hughes, 2003). Moreover, evaluation of performance is complex and often constrained by the difficulty in results measurements (Van der Waldt, 2004).

Performance appraisal in performance management is the review conducted to assess individual performance against their work plan targets. It is a systematic process between

the staff and human resource department through which achievements, good and poor performance contributors are reviewed (Cummings and Worley, 2009). Mwita (2000) asserts that it's crucial to take into consideration of the circumstances prevailing during the appraisee's performance period. The individual performance results, compared to the planned and agreed expectations may be used for rewarding or as a basis for performance development. Rewards and poor performance management interventions are instituted as a way of motivating staff and enhancing capacity for better performance respectively.

### 2.2.3 Performance Contracting

In general, performance contracting refers to the use of contractual agreements in performance management. According to the Organisation for Economic Co-operation and Development (OECD), performance contracting provides a framework within the agenda of performance management for generating the desired focus and practice in the context of devolved management (OECD, 1999). Contracting in the public sector, mainly influenced by NPM, occurs in several areas which include contracts between: different sectors; departments and agencies; government and private agencies; and, government and citizens (Greve and Ejersbo, 2005). It is used as tool to increase efficiency and effectiveness in service delivery.

A performance contracting system in most cases forms a constituent part of a broader performance management framework. Performance contracts, within the context of the public sector, are instruments for explicitly stating agreed on areas of responsibilities and the targeted achievement levels between government and its agencies or unit managers. Objectives to be pursued, with the supporting plan of action, performance indicators and targets are clearly defined. In addition, performance contracting requires that public managers be given the authority and powers necessary to facilitate efficiency and innovation in achievement of results (Hughes, 2003; OECD, 1999) which rarely happens. Hughes (2003) argues that the persistence of bureaucratic procedures pose a major challenge as they are a hindrance to public managers trying to achieve expected results.

### 2.2.3.1 A Public Sector Performance Contracting Model

In this section we review the model used in practice of performance contracting in the public sector. The performance contracts mainly used in the public sector are based on a "relational" contractual model (OECD, 1999). These contracts have a similar design to that of the formal contracts but do not have a legal binding between the parties involved (Greve and Ejersbo 2005; World Bank, 2003). They are an indication of an agreement premised on the contracting parties relationship given that the public sector operate in a very unpredictable political and financial environment, is challenged in defining targets for rendering services, and results are at times hard to measure. As such "trust, flexibility and generality in the contract specifications" are key attributes of the relational contracts (OECD, 1999:9). In anticipation of poor performance or other problems, a performance contracting system should provide a framework that provide for capacity development, adjustments and dispute resolution.

Performance management using performance agreements for senior public servants has been argued as a possible effective approach to increasing efficiency and effectiveness in delivery of services (Kambuwa and Wallis, 2002). According to OECD (1999:27), a performance contract's key elements include:

*(i)* *Core contractual agreement (preamble/broad)*

*(ii)* *Separate protocols or plans that include more specificity to link the contract to [organizational] goals, specific activities, and set out simple qualitative and quantitative performance measures.*

*(iii)* *Procedures for reporting, monitoring and appraising performance*

*(iv)* *Devices for dispute resolution.*

Integration of the different management systems is critical for an organization to achieve its objectives. To exploit the potential benefits, performance contracting is linked to performance management framework which is in turn part of the resource allocation system. Hence, the period of performance contracts in the public sector may differ from case to case but in most cases it is based on the annual budgeting cycle. To ensure that a

momentum is maintained and issues are dealt with as they emerge, regular performance monitoring and reporting should be instituted. This reduces getting undesired results at the end of the contract period, allows for assessment and correction of priorities and targets if changes or contingencies occur. However, managers may end up only focusing on a narrow range of performance targets at the expense of the wider government policy issues (OECD, 1999)

### 2.2.3.2 Public Sector Performance Contracting Objectives

Governments' objectives in adoption of performance contracting in performance management are all similar. In all the cases where performance contracting is in use within the public sector, the objectives are mainly directed or linked to results and revolve around ensuring efficiency and effectiveness of service delivery. In most cases, accountability is used as the vehicle to deliver on the individual performance expectations and can be achieved through an agreement that defines the role, responsibilities and results to be achieved (OECD, 1999). The accountability process is more effective if the expected outputs are clearly specified at the beginning of the period as vague specifications create opportunities for managers to decide what the organization will produce (Scott, Ball and Dale, 1997). The objectives being pursued are key determinants of the indicators and targets that are agreed upon and included in the contract.

### 2.2.3.3 Performance Contracting in the South Africa's Public Sector

Performance contracting in the South Africa public sector is premised on the principle of results orientation and accountability. It is implemented as part of the results based management approach within the NPM framework and is also meant to provide a mechanism to "entrench the spirit and principles of *Batho Pele"* in the South African Public Service (DPSA, 2009B:9). It involves the use of 'relational[1]' contracts referred to as 'performance agreements' and exists within the broader framework of the performance

[1] Based on relation and have no legal binding between the parties

management and development system. The PMDS framework encompasses all the processes and sub-systems geared towards facilitating management and development of individual performance at all levels (Van der Waldt, 2004). The public sector two main performance agencies include PSC and DPSA. The PSC's mandate includes public service performance evaluation and advisory role to government agencies and departments on management issues while DPSA is in charge of HRM *(Ibid*). DPSA develops the interventions for performance, efficiency and effectiveness, improvement in the public sector.

The PSC is mandated by the constitution Section 196 (4) (b) and the Public Service Commission Act, 1997 sections 9 and 10, to "investigate, monitor and evaluate the organization, administration and personnel practices in the Public Service" (PSC, 2008C:2). This mandate allows the PSC to monitor and periodically evaluate the implementation of the PMDS in the Public Service. Several surveys conducted by the Leadership and Management Practices Chief directorate within the commission indicate that the PMDS implementation is not achieving the intended objective to improve performance.

The Department of Public Service and Administration (DPSA), established in 1996 through the Public Service Act of 1994, is mandated to promote service delivery and to support the Minister in the transformation of the Public service. It is the government department that oversees Human Resource Management and Development (HRM&D), conditions of service, labour relations, IT and service delivery in the public service (DPSA, 2007). The two departments, PSC and DPSA, play a complementary role in the implementation of the PMDS.

#### 2.2.3.3.1 Performance Contracting for SMS Members

Performance agreements are used at the National and provincial sphere of government and are applicable for staff in Senior Management Service (SMS), who are senior managers from level 13-16. Members of SMS include directors, chief directors, deputy

director generals and director generals. The DPSA guidelines specify that performance agreements should be linked with the departmental strategic and annual work plans and should at least include:-

> (1) *Personal particulars of the member.*
> *(2) Description of the purpose of the job.*
> *(3) Identification of Key Result Areas (KRAs), their weighting and the standards for measuring them.*
> *(4) Agreement on which Core Management Criteria (CMCs) are relevant, their weighting and the standards for measuring them.*
> *(5) Agreement on the personal development plan.*
> *(6) Dates of reviews and formal assessment of the SMS member's performance.*
> *(7) Dispute resolution.*
> *(8) Dates for consideration of performance related rewards.*
> (DPSA, 2000A:16)

Performance contracting for SMS members in all government departments is articulated by DPSA in chapter 4 (performance management and development), revised in 2006, of the SMS handbook. A graphical representation of the PMDS cycle is attached as appendix 2. The SA public service SMS members' performance management is guided by clauses in the Public Service Act and several regulations which include: the Public Service Regulations (PSRs), resolutions of the Public Service Co-ordinating Bargaining Council (PSCBC), Treasury Regulations, 2001 and the *Batho Pele* White Paper (DPSA, 2000B). The table below presents a summary of the specific provisions.

**Table 1**: **The Legislative Requirements Governing Performance Management System of SMS Members in the Public Service**

| Source | Provision |
|---|---|
| **Public Service Act, 1994** | (a) **Chapter II, Section 3(7):** Assigns powers and duties to an EA concerning the internal organization of a department including its organisational structure and establishment as well as the career incidents of employees of that department, such as performance management and dismissal.<br>(b) **Chapter III, Section 7(3)(b):** Provides the following responsibilities of HoDs: Efficient management and administration; Effective utilisation and training of staff; Maintenance of discipline; Promotion of sound labour relations; and Proper use and care of state property<br>(c) **Chapter IV, Section 12:** Assigns the President and relevant Premiers the powers concerning the appointment and career incidents of HoDs. |
| **Public Service Regulations 2001** | (a) **Paragraph B.2.1 of Part VII, Chapter 1:** Indicates that the prescribed employment contract of a HoD shall be as set out in Annexure 2 of the PSR.<br>(b) **Paragraph 7 of the employment contract (Annexure 2):** Contains the measures that govern the Performance Agreements (PA) of a HoD.<br>(c) **Paragraph B.1 of Part VIII, Chapter 1:** Indicates that an EA shall determine a system for performance management for employees in her/his department other than employees in the SMS; MPSA should determine such a system for members of the SMS.<br>(d) **Chapter 4** provides for the establishment of the SMS.<br>**Paragraph A**, **Part III** states that the performance of all members of the SMS will be managed through a PA, which should be linked to the department's strategic plan.<br>**Paragraph B** states that all new members of the SMS shall enter into a PA, which will define key responsibilities and priorities, encourage improved communication and enable the supervisor to assess the work of the member of the SMS. |

| Source | Provision |
|---|---|
| **PSCBC Resolution No 13 of 1998** | (a) The resolution states that the purpose of the negotiated collective agreement is to set a framework for senior managers to agree to individual PAs.<br>(b) The agreement thus extended the signing of PAs from HoDs to all senior managers (levels 13-16) and prescribed the following five items that must be included in a PA: Key duties and responsibilities; Output targets for the PA period; Dates for performance review; Dispute resolution mechanism; Date on which salary increments will come into effect and mechanisms for the management/ awarding of salary increases. |
| **PSCBC Resolution No 9 of 2000** | (a) This resolution extends Resolution 13 of 1998. It provides for the remuneration packages of senior managers/professionals to be translated to a more transparent total cost-to-employer and inclusive flexible remuneration package system. |
| **Treasury Regulations, 2001** | (a) Departments must comply with the Treasury Regulations regarding strategic planning and budgeting.<br>Part 3, Chapter 5 of the Treasury Regulations deals with strategic planning. The Guidelines provided by National Treasury give detailed and extensive outlines of what is required to effectively link departmental strategy to budgets. Departments need to budget for projected salary increases and financial rewards that may be allocated to members of the SMS based on the framework determinations made by the MPSA.<br>(b) This chapter contains both <u>advisory</u> and <u>mandatory</u> elements. The advisory part is captured in paragraphs 6 – 7. The mandatory elements are set out in paragraphs 8 – 19. The latter part is designed so as to allow departments flexibility during the implementation process, while ensuring that there will be consistency across departments when assessing SMS members and deciding on monetary rewards. |

| Source | Provision |
|---|---|
| ***Batho Pele* White Paper, 1997** | (a) *Batho Pele* is a deliberate strategy to instill a culture of accountability and caring by public servants. Through this strategy public servants must become service orientated, strive for service excellence and commit to continuous service delivery improvement.<br>(b) The White Paper sent a strong message of government's commitment to a citizen-centered approach to service delivery, anchored by eight *Batho Pele* principles: consultation; service standards; access; courtesy; information; openness and transparency; redress; and value for money. |
| **Senior Management Service Handbook** | (a) Chapter 4 of the SMS Handbook describes the process and requirements of performance managements and development for members of the SMS. It is issued as a directive by the Minister for Public Service and Administration in terms of Part III. B3 of Chapter 4 of the Public Service Regulations, 2001 and was amended in 2006. |

**Source:** Adapted from Public Service Commission (2008C:14-16).

Manager's are expected to be involved in the preparation of the PAs so as to be clear on what is expected of them and identify possible measures on improving performance. The departmental strategic plan, work plans and PAs should also incorporate the relevant of the eight '*Batho Pele'* principles. '*Batho Pele'* is a strategy intended to promote a culture of accountability and provision of excellent services by the public servants.

The key principles stated in the '*Batho Pele'* White Paper of 1997 (Republic of South Africa, 1997) relevant to performance management include:-

> *Maximum possible consultation with citizens on service delivery and quality; The need for service standards, so that the public will have a clear picture of what to expect.; A move towards greater equality of access to services, a point of great importance given the inequalities inherited from apartheid; Courtesy: 'citizens*

> *should be treated with courtesy and consideration'; . Full and accurate information whilst stressing the importance of openness and transparency.; Redress: the need to have in place procedures by which remedial action can be taken where service standards are not achieved; and Value for money, highlighting the need for increased emphasis on economy and efficiency* (Republic of South Africa 2001:6 in Kambuwa and Wallis, 2002:6-7)

These principles cut across the Key Result Areas (KRAs) and the Core Management Criteria (CMCs) and form the standard against which SMS members are to be evaluated. KRAs are key tasks or activities captured in a work plan and are critical to the achievement of the strategic objectives and goals. Managers are urged to prioritise the KRAs and weight each depending on how it is likely to impact on service delivery. CMCs are "units of knowledge, skill, attribute or work activity, undertaken that are directly related to effective performance in a job" (DPSA, 2000B:15). A list of eleven CMCs is provided for the managers to select those relevant to them. This includes: 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; and Communication and Honesty and Integrity (*Ibid*).

Each department has an established committee that moderates the preparation and review of the implementation of PAs. Recommendations for performance rewards and pay progression are made based on the moderated results assessment. Performance reviews for SMS members should be done on quarterly basis, of which at least two must be formal while the rest can be done verbally with the supervisor in a case of satisfactory performance (DPSA, 2006). The reviews are meant to be utilized by the supervisor as an opportunity to give feedback that is necessary for continuous performance improvement.

Annual individual's performance reviews and the unit or departmental performance review should be linked. Any proposed improvement measures should be included and

should reflect decisions on how results could be improved in the forthcoming year. As it is the case of lack of a legal obligation in the public sector performance contracting model (Greve and Ejersbo, 2005; OECD, 1999; World Bank, 2003), failure to deliver in terms of a PA cannot result in summary termination of service. However, this can serve as evidence in support of such termination based on incapacity should such a process become necessary.

#### 2.2.3.3.2 Performance Management Challenges

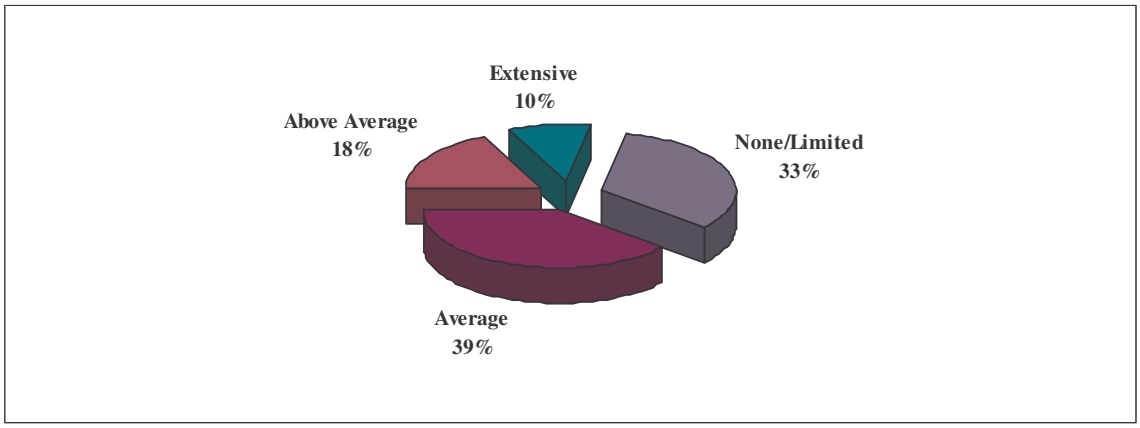
A review of government departments' operations indicate ineffective HRM at all levels of government and inadequate funds to be the main impediments to the public sector performance and productivity improvement (DPSA, 2009B). Findings from recent research studies, conducted by the government, conclude that poor public service delivery is attributable to "Misalignment of the legislative and regulatory framework and ineffective institutional design of delivery units which does not recognize the need for managerial authority and clear decision making rights to accompany clear lines of accountability for results" (The Presidency, 2009A:20).

The document review established that there have been decentralization efforts in the SA public sector. The Public Service Act (PSA), 1994 in conjunction with the Public Service Regulations (PSRs), 1999, provide for the delegation of the HR functions such as "organization and staff issues; the appointment, promotion and transfer of members of staff; and the obligations, rights and privileges of officers and employees", by Executive Authorities (EAs) to either Directors General (DGs), provincial Heads of Departments (HoDs) or to departmental managers (DPSA, 2009B:70).

A survey conducted by DPSA, upon instructions by the cabinet in 2008, to establish the status of 'HR delegations from EAs to HoDs' and in which 73 of the 111 departments responded indicate that there is not much progress (DPSA, 2009B). The findings indicate that 33% of the departments had limited delegations from EAs to HoDs; 39% were average; 18% were above average; and only 10% had extensive delegation. A further

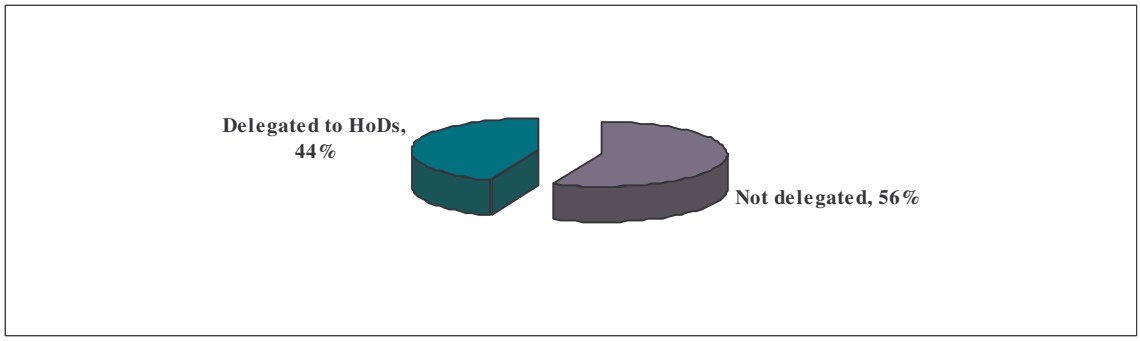
breakdown based on PSA and PSR as well as individual delegations, both in terms of appointment of employees and performance management indicate that 56% had not delegated. These findings are illustrated below in figure 2 and 3 respectively. Further analysis to ascertain the relationship between delegation and performance indicate that those departments in which there was significant delegation equally performed well (DPSA, 2009B).

**Figure 1: Status of HR Delegations in terms of the PSA and PSR from EAs to HoDs**




**Source**: Adapted from DPSA (2009B:75).

**Figure 2: Status on Delegation from EA to HoDs in terms of Appointment of Employees and Performance Management**



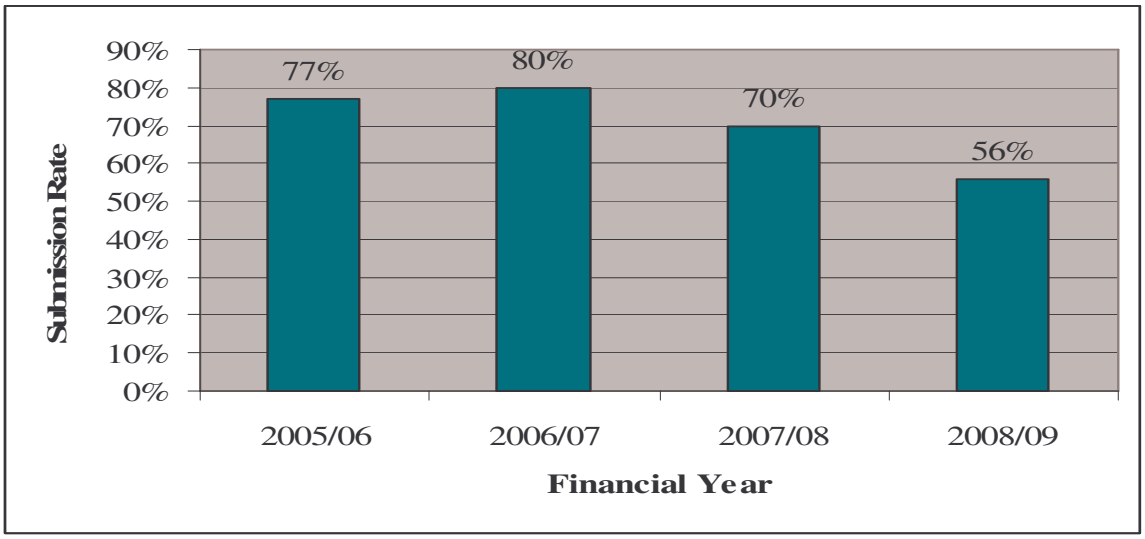

**Source**: Adapted from DPSA (2009B:75).

Cameron (2009) argues that the PSA's 1998 amendment gives executive powers to politicians by granting the Members of the Executive Council (MECs) managerial power over the provincial departments and only provide for further delegation to the managers. This practice is more of 'let the politicians manage' and is against the 'let the managers manage' key requirement for performance improvement and accountability stipulated in NPM whose aspects are reflected in performance contracting (*Ibid*).

Further to this, budgetary and financial management reforms introduced shift focus from inputs and rules to outputs and responsibilities but do not grant managers financial discretion (Cameron, 2009). On the other hand, the Public Finance Management Act (PFMA) of 1999 granting of the department's financial management responsibility to the Director General (DG) conflicts lines of accountability given that the EA has the department's HR responsibility (Cameron, 2009) and the PSA hold him or her accountable (The Presidency, 2009A)

The Ministry for Performance Management Monitoring and Evaluation ( MPMM&E) view the lack of political will, inadequate leadership, management weakness, inappropriate institutional design and misaligned decision rights as amongst the reasons why the public service reforms to improve on service delivery has not yielded results (The Presidency, 2009A). HoDs compliance rates in filing of PAs over the last two years are not encouraging as shown in the figure 4 below.

**Figure 3: Submission of Performance Agreements of HoDs**




**Source**: adapted from PSC (2008C:20)

The 2005 state of the nation report highlighted the lack of effective 'performance evaluation frameworks' as a hindrance towards proper implementation of public management reforms (PSC, 2005). The report also observed that while performance assessments, used as an accountability enforcement mechanism, had not been conducted for some HoDs for valid reasons, 26 National and provincial HoDs had not complied with the requirements (PSC, 2005).

The 2005 and 2008 state of the nation reports appreciate human resource as the public service key asset and identify its transformation and empowerment as a challenge that need to be addressed (PSC, 2008D; PSC, 2005). Despite the various efforts by government to build the capacities of public servants, the shortage of skills still persist including those required to implement reforms from time to time. MPMM&E is of the view that the PMDS implementation has been ineffective in addressing the management capacity gaps (The Presidency, 2009A). The shortage of staff and critical skills in the public sector is a persistent problem that is worsened by shortage of skills and delay in filling of vacancies (Cameron, 2009)

The inability of the public sector to improve on service delivery can be attributed to "Lack of strong management and leadership to create a performance culture with measurable objectives, accompanied by sanctions and incentives" (The Presidency, 2009A:20). Top leadership and management do not accord a high priority to the implementation of performance management efforts. A report by PSC cites the weaknesses in performance management in departments to be an indictment on the both the political and administrative leadership (PSC, 2008D).

The greatest concern by the PSC is on the delay in filing PAs and subsequently failure to make their optimal utilization in performance management during the financial year. The PSC notes that for PAs to play an effective role to improve performance, managers should integrate them into their management practices (PSC, 2008C). The documents revealed that the completion rate, which includes preparation and signing, of performance agreements by senior managers in government departments is still very poor. In the year 2007/08, there was a 24% (31/129) compliance rate in filing of PAs at both National and provincial departments as compared to 78% (101/130) in 2005/06 (PSC, 2008B).

In an effort to deal with the issue of poor rate of filing PAs by members of SMS, DPSA recently issued the following amendment on the directive on PMDS set out in chapter 4 of the SMS handbook:

> *With effect from 1April 2009, all members of the SMS must conclude and sign their performance agreements within the first two months of the financial year, i.e. by 31 May of each year;*
>
> *Members of the SMS who do not comply with the above-mentioned directive shall not qualify for any performance incentive, including pay progression for the relevant performance cycle.*
>
> (DPSA, 2009C:1).

A key challenge to PM in the public service is lack of a performance culture supported by effective reward and sanctions (The Presidency, 2009A). The ministry for performance management monitoring and evaluation states that successful reforms will occur only if

there is a change in the organizational culture and subsequently a change in how both political leaders and public servants think and work (The Presidency, 2009A). The public sector reforms history indicate that while there is success in new systems establishment, the main issue lies in "malicious compliance" through which people comply with the regulation "in a way that undermines the spirit" (The Presidency, 2009A:14). DPSA also attribute poor service delivery to isolated existence and operations of the different spheres of government (DPSA, 2009A).

#### 2.2.3.4 Performance Contracting in a Developed Country: The Case of New Zealand

The introduction and success of comprehensive reforms in the New Zealand public sector is widely reviewed by scholars. Major public sector management reforms spanned from the 1980s through to the 1990s and basically aimed at orienting public servants towards results (Norman and Gregory, 2003). "Since the mid-1980s virtually every aspect of public management in New Zealand has been redesigned, reorganized, or reconfigured in some way" (Boston and Pallot, 1997:382). Christensen and Laegreid (2007) contend that the uniqueness of the New Zealand reform model is premised on the innovation, sophistication and coherence in the reform framework. Among other reforms, New Zealand is viewed as one of the countries with an elaborate performance contracting regime (PSC, 2008C).

To begin with, "Strategic Result Areas" (SRAs) to be achieved within a period of three years are defined for budget purposes and to determine the "Key Result Areas" (KRAs) that the departmental heads are to focus on annually (Boston and Pallot, 1997:383). At the beginning of each financial year, a detailed specification of each minister's expected outputs is included in the budget approved by parliament (OECD, 1996). The relevant outcomes are also stated but not justified or expounded on. The budget is an indication of an agreement between the executive and the legislature.

Subsequently, performance agreements based on outputs are signed between the minister as the principal and chief executives serving as heads of departments under him or her as the agents. These agreements together with an ex-post performance agreements form the basis of formal accountability by the chief executives to the ministers. Whilst the chief executives are held responsible for their departmental outputs, the minister is responsible for the outcomes, the expected ultimate results to which the outputs contribute to (Bale and Dale, 1998). Performance reviews conducted at the end of the financial year by State Services Commission determine rewards in form of bonuses or sanctions in form of employment termination (Scott *et al.*, 1997). The reviews also facilitate a systematic and reflective thinking between the agent and the principal on how the department's services value can be improved (OECD, 1996). It is important to note that contracts drawn by the minister with other agencies apart from the departments are not administered within the performance agreement formal system.

To facilitate the implementation of performance contracting, the New Zealand government also put in place other measures that were identified as critical to enhance performance. Agencies were given more power on use of inputs by relaxing the controls, accounting systems were changed and elaborate performance measurement and monitoring was instituted (OECD, 1996). An important appreciation was that failure to provide an appropriate balance between performance requirements and resources control presented a high possibility of a negative impact on achievement of the objectives (Scott *et al.*, 1997).

The reform efforts in New Zealand changed the culture in the public sector and this was attributed to significant "political and bureaucratic support not evident in previous unsuccessful attempts at strategic management" (Boston and Pallot, 1997:399). In addition, there was leadership, a critical element in management, from both the political leaders and the chief executives with the vision and determination to bring about change (*Ibid*). To align control with accountability, chief executives are given "far greater authority over decisions about resource use than is typically found in other countries and

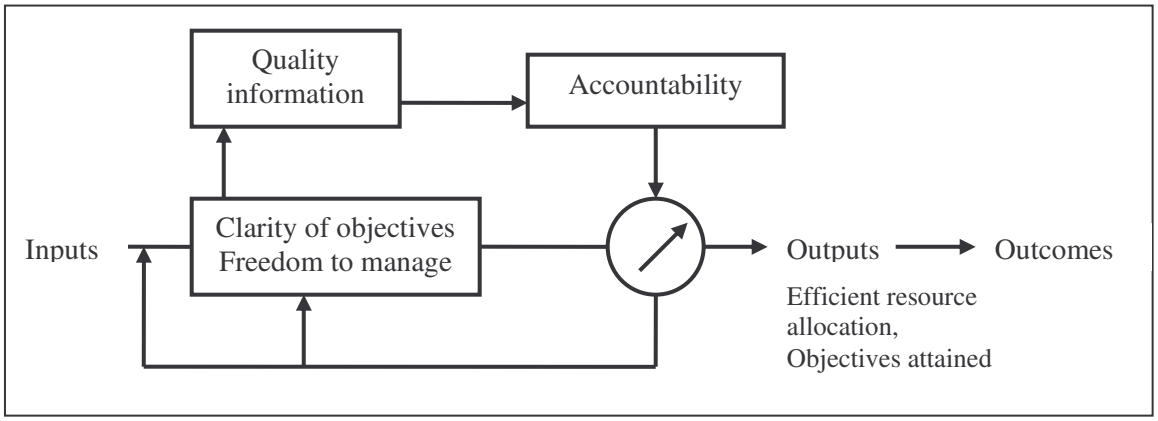
the State Sector Act delegates procurement entirely to them, along with control of staff and finances" (Scott *et al.*, 1997:366).

Attributes of the New Zealand management reforms supported by the State Sector Act of 1988, and the Public Finance Act of 1989 include: - Clear lines of accountability between government ministers and their departments; Fixed – term employment contracts for senior government officials; Clear and measurable performance specification; Delegation of authority to chief executives; Performance incentives in form of rewards and sanctions; and Performance reporting and monitoring (Bale and Dale, 1998). In New Zealand, political neutrality in regard to public administration is clearly spelt out in law (Ketelaar, Manning and Turkisch, 2007). The State Sector Act "assures the political neutrality of the public service by requiring that heads of government departments be appointed by the independent State Services Commission" (Scott *et al.*, 1997:365)

Describing the management reform approach, the State Services Commission (1999:13) in Norman and Gregory (2003:36 -37) presents a logic similar to a thermostat-like system of effective managerial control summarized in Figure 1 below that states:-

> *If managers are clear about what is expected of them (clarity of objectives) and are given the power to achieve their specified objectives (freedom to manage) and then made accountable for achieving the objectives by being judged (accountability) with quality information (adequate information flows) on how well they met their stated objectives (effective assessment of performance), managers will make efficient resource allocation decisions and obtain objectives in the most efficient way*

**Figure 4: Inputs Outputs Model of Control**




**Source**: Adapted from Norman and Gregory (2003:37).

Scott *et al.* (1997:368) attributes the implementation success to "the relatively powerful executive, bipartisan support; the leadership of key ministers and public servants; and, critically, the extensive autonomy granted to departmental chief executives to make decisions and implement them". However, they further argue that the change of the budgetary, accounting and appropriation systems based on the concept of performance contributed to achievement of significant impact of the public sector management system reform. The New Zealand public management reform approach presents a successful model whose key element is its "underlying consistent, comprehensive conceptual framework" (Bale and Dale, 1998:113; Wallis and Dollery, 2001:253).

### 2.2.3.5 Performance Contracting in a Developing Country: The Case of Kenya

Performance contracting is seemingly a new public reform phenomenon that has not been widely implemented in Africa. In 2007, Egypt, South Africa and Kenya were the only three African country's programmes on implementation of Performance Contracts in Management of Public Services that made to the top 20 list for the United Nations (UN) 2007 Public Service Award. An overview of the Kenyan case, which won the award, is presented here.

Performance contracting in Kenya was introduced to provide a framework for accountability in utilization of public resources and service delivery. It is among several public sector reforms being implemented in an effort to improve efficiency and effectiveness in the management of the public service (Public Sector Reforms and Performance Contracting (PSR&PC), 2008). The PSR&PC was established as an oversight institution to co-ordinate all public service reforms and development and spearhead results based management. The guidelines define performance contract as an agreement negotiated between a government agency and its management and clearly states their intentions, obligations and responsibilities (*Ibid*). Parties to performance contracts include the civil service, state corporations, local authority and tertiary institutions.

Performance contracts are based on strategic plans which should be linked to the overall prevailing government policy objectives and priorities. A team of experts who are not public servants is appointed to negotiate performance contracts and evaluate performance of public institutions. This is intended to bring objectivity in the process. At the negotiation stage, each performance contract must be 'vetted' to ensure that it conforms to the guidelines provided. As part of monitoring and reporting on progress and achievements, the agencies submit quarterly and annual performance reports. A performance evaluation is conducted to establish the performance of the public service manager and the government. Evaluation of the government side is done to establish whether it fulfilled its facilitative obligations and commitments. The PS R&PC deals with any disputes that may arise in the evaluation. However, the success of the use of performance contracts in the Kenya public sector is yet to be established as there has been no evaluation of their implementation.

### 2.2.4 Public Sector Reform Challenges

A review of literature reveals several challenges likely to derail PSR. These challenges mainly relate to leadership, politics, monitoring and evaluation, systems and models adopted. Leadership in an organization involves providing guidance, motivation and

direction to staff. Strong leadership is a necessary and important element for effective management of the public sector and its reform effort(s) (Ingraham, Selden and Moynihan, 2000). Hennessey (1998:523) also argues that “Leaders have a tremendous effect on individual organizations and on the performance of those organizations. The most effective leaders foster, support, and sustain organizational cultures that facilitate the type of management reform envisioned by "reinventing government" and the attendant increases in effectiveness and efficiency”. In addition, the importance on strong leadership in dealing with issues of bureaucracy and politics in reforms cannot be overemphasized. Consequently, lack of leadership or poor leadership present a big challenge to reforms efforts. In the case of management reforms, poor leadership is a challenge especially in regard to change of an organisation’s culture, building and maintaining the required momentum.

Another key challenge to PSR revolves around the public sector organization culture. The operating principle in the Clinton-Gore reinvention model, operationalized in 1993, to change the federal bureaucracy cited an organization's culture as a major determinant of organizational performance (Hennessey, 1998). Organizational culture is viewed as central to any reform effort and contributes largely to improvements in efficiency and effectiveness. However, Becca (2006) indicate that there is a general tendency in the public sector to resist performance measurement. Other barriers to performance management efforts in the public sector include:- lack of collaboration and sharing of information; insufficient communication of strategy; poorly defined strategy; little accountability; lack of corporate alignment; ineffective strategy execution; lack of an executive champion; and lack of buy-in from the bottom (*Ibid*).

Monitoring and evaluation is a crucial element in the implementation of PSR. It provides evidence of what has been done, challenges encountered and the results. Coplin, Merget and Bourdeaux (2002) observe the ability of performance monitoring to improve accountability and its crucial role in management. However, Van Thiel and Leeuw (2002:273) are of the view that “measurement problems make it difficult to be certain

about the validity of performance assessment". In addition the success of performance management is adversely affected if information is inadequate.

Review of various scholars' views and proposals on the approach to successful public sector management reforms concludes that a comprehensive systems review and performance orientation is critical. Key systems in management reforms for performance enhancement include budgetary, personnel, information and reporting systems. Complex and contradictory systems are a hindrance to performance (Ingraham *et al.,* 2000). In support of this, Mwita (2000) proposes that PM systems should be integrated with other related systems and the issues of strategy implementation and monitoring considered during their design. Implementation of performance contracting can only be successful if it is supported by other good management practices (PSC, 2008C). However, this is often stated than done and many countries attempts to introduce reforms in public management by only introducing performance management have not been successful.

The PM model adopted by the public sector is basically designed, with minimal variations, for the private sector. However, the public sector largely differs from the private sector. It has no "bottom line against which performance can be ultimately measured" given that it barely generates income and does not make profits (Boland and Fowler, 2000:417). In addition, its management is done in a fairly complicated and unstable system and accountability is to several stakeholders with different interests. In comparison to the private sector, the public sector can be viewed as more bureaucratic with more rules constraining employees' behaviour. Most of these rules are aimed much more at restricting than informing managerial action. This is coupled with limited discretion or control powers on routine matters for senior managers, making them focus on observing rules than managing personnel performance (Frant, 1993).

Politics and institutions play a big role in virtually every PSR. As such, any related challenge that they present may be detrimental to reforms. Lack of political commitment and changes in political leadership are the most common political challenges to reforms (World Bank, 2008). Political restriction in administrative issues is necessary for

succeeding in reform efforts. Failure to draw separate political and administrative issues poses a hindrance to management reforms (Ketelaar *et al.*, 2007).

## 2.3 Conclusion

The literature review presents a detailed background to the study and critical issues that relate to performance contracting. A review of public sector reform was presented. NPM, a recent PSR was identified as the premise on which performance management, the pillar for performance contracting, was designed. Key NPM principles, such as giving public sector managers considerable authority while holding them accountable, underpin the performance contracting debate. Performance contracting in the South African public sector as well as two other countries cases, New Zealand and Kenya were presented. It was reiterated that Performance contracting focuses on results, demand accountability and provides performance incentives. In this regard, Performance contracting has been highlighted as a step in the right direction in improving public sector service delivery. The literature further appreciates that successful implementation of performance contracting requires among other things devolution of power in decision making, political and administrative management leadership, political restriction in public management and an integration and performance orientation of various management systems such as budgetary, personnel and reporting systems. The performance contracting system in New Zealand clearly exhibits these features.

This study was an effort to establish the reasons why performance contracting in Gauteng government departments has not contributed to the envisaged improvement in their performance. Specifically, the research sought to establish the challenges in the implementation of performance contracting in Gauteng department of housing. The literature review provides the debates upon which this research is premised. Performance management challenges in the South African public sector were reviewed and presented. Key issues that may contribute to performance contracting not achieving the intended objectives are likely to be based on the key requirements or considerations outlined by the literature.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

Chapter three presents the research methodology used in the research study. This includes the research approach, research design, data collection, data presentation and analysis. The chapter presents a detailed account on how the research was conducted and specifically addresses the overall research approach selected, research design and the related aspects on data collection and data analysis. This includes a presentation of the theory and the argument on its applicability in the context of this research study.

This research study sought to answer the following questions:-

1) What are the current Performance contracting practices in the Gauteng department of housing?
2) What are the challenges encountered in implementing performance contracting? and
3) What can be done to improve performance contracting?

## 3.2 Research Approach

There are two main distinct research approaches, quantitative and qualitative. A research study may use either of the approach depending on the applicability to the study. However, in some cases a mix of the two methods is used to complement one another and draw on the strengths of the two approaches. This research study used a qualitative research approach. However, some quantitative data was incorporated to support the qualitative data. "Qualitative research is an umbrella term that encompasses several philosophical or theoretical orientations, the most being interpretive, critical, and postmodern" (Merriam, 2002:15). This approach can be used to describe, understand, interpret, verify or evaluate a phenomenon (Peshkin in Leedy and Ormrod, 2005). Most suitable to this study was the aspect of interpretation, as the researcher got a better

understanding of the situation, identified the problems and constructed new perspectives (*Ibid*). The researcher was central to the whole process of data collection and analysis (Creswell, 2003; Merriam, 2002). However, for the purpose of increasing reliability and validity of the results from this study, quantitative data, on PA compliance rates and delegation of authority was also collected and analysed.

This research study mainly used a qualitative approach to gather and analyse information on the challenges in performance contracting implementation in the Gauteng department of housing. The approach was suitable as performance contracting is still not yet widely researched on and the specific issues on the challenges that need to be focused on for interrogation are not well known (Creswell, 2003). In addition, the approach provided for researcher flexibility in the framework (Neuman, 2006) and allowed for active participation by both. This flexibility allowed the researcher to modify research questions and accommodate the responses of persons interviewed. Moreover, given that the researcher was the primary instrument for data collection, the methods used in qualitative approach allowed the researcher and data source to interact and to take into consideration the participants' sensitiveness (Creswell, 2003).

Further, the qualitative approach did "expand [the researcher's] understanding through nonverbal as well as verbal communication, process information (data) immediately, clarify and summarize material, check with respondents for accuracy of interpretation, and explore unusual or unanticipated responses" (Merriam, 2002:5). The researcher was able to make adjustments as the research proceeded and there were new insights. The clarity on what needs to be asked and whom to ask at times precipitated a review of the interview questions (Creswell, 2003). Another key aspect of qualitative approach is that it is mainly inductive as the researcher analyses the data collected to draw meaning and conclusions on the research topic. Using the data collected, the researcher through induction constructed concepts and meanings, and generated hypotheses (Merriam, 2002). However, Creswell (2003) argues that in this scenario the interpretation of the data may be influenced by the researcher's experiences and background.

## 3.3 Research Design

In this research study, a case study research design was undertaken. Stake (2005:443), argues that a case study is "not a methodological choice but a choice of what is to be studied". The "what" in this case refers to one specific Gauteng government department that has a clearly defined boundary of existence (Merriam, 2002). The Gauteng department of housing was used as the case study. The unit of analysis, which is based on the context, can be defined as "the case and the interaction between context and action" (Henning, 2004:41). The unit of analysis in this study was the implementation of performance contracting. This study involved an in depth description and analysis of only the department of housing in relation to performance contracting implementation.

The Gauteng department of housing, the case study in this research, was chosen to gain an in-depth understanding of the challenges in performance contracting implementation for those who are involved. A case study approach was chosen due to its inherent attributes that were applicable to this research. In this research, a case study was applicable as the researcher had no influence in the events and performance contracting is a current practice in the public sector (Yin, 1994). Another key attribute contributing to choosing a case study for the research design in this study was that it "allows an investigation to retain the holistic and meaningful characteristics of real-life events" (Yin, 1994:3). In this regard, the department's actual operations processes, organizational and managerial were not tampered during the study. However, despite the fact that a lot more can be learnt from a case study (Merriam, 2002), it may not be easy to generalize the findings to others instances of the case. The challenges that were found from the Gauteng department of housing may not necessarily be concluded as the case for all other Gauteng governments departments.

## 3.4 Data Collection

Data collection in a qualitative case study is similar to that adopted by other qualitative researches (Merriam, 2002). The qualitative approach uses interviews, observation and

document reviews as the main instruments for data collection (Merriam 2002; Neuman 2006). Two types of data, primary and secondary data were collected for the purpose of this study. Primary data, central to this research, refers to data that is collected from the primary source of evidence while secondary data refers to data collected by other people and is contained in documents. Interviews were used as the primary data collection instrument while documents review was used for collection of secondary data. The documents review was intended to complement the interviews by providing further insights on the practices and challenges. The use of the two data collection instruments enhanced the validity of the results (Merriam, 2002).

### 3.4.1 Interviews

An interview refers to a social interaction between the interviewer and a selected participant, the interviewee, in which the former poses questions to the latter in an effort to gather specific data or information (Neuman 2006). There are three main types of interviews which include; structured interview, in which the same questions are asked in the same order for every participant; unstructured interviews, in which the interviewer has just a list of topics, as a guide to the discussion and the questions or their order is not determined prior to the interview; and semi-structured interviews, in which there is a mix of some structured and some less structured questions. The interview guide is attached as appendix 1.

The researcher conducted semi - structured interviews which comprised of a number of closed ended questions but mainly open ended questions. In the interviews, the structured questions were geared toward gathering particular information from all participants while the rest of the questions not explicitly stated or ordered were meant to be used to probe and gather information on some key issues (Merriam, 2002). This provided the necessary flexibility to the researcher to determine what and how to put across the questions, probe further and give the interviewee the opportunity to give as much insights to the issue.

### 3.4.2 Documents Review

Document review involves the review of books, reports, journals and newspapers among others. Documents are an easy source of information in that they are readily available and neither is their form of existence affected in any way by the researcher's presence nor are they expected to cooperate or change as the information is already documented (Merriam, 2002). Also important to note is that performance management is a rather sensitive area in the public sector. It is on the premise of these reasons that this research used documents review, to provide insights, in addition to interviews.

The Gauteng department of housing has a monitoring and evaluation unit which is in charge of tracking the progress of implementation of its various programmes and projects. This study reviewed some of the unit's reports as well as the department's annual reports. In addition, the DPSA and PSC, the two government agencies mandated to oversee the public sector performance, have several relevant documents among others which were resourceful to the study. To supplement these documents and build on existing knowledge, books, journals and reports from international agencies such as World Bank and OECD were also reviewed.

### 3.4.3 Sampling

Qualitative research mainly uses purposive sampling to identify potential interviewees. Purposive sampling is the best in qualitative research given that the approach uses the information collected from the people to construct meaning and make conclusions. In light of this, it is crucial that the selected sample be one that can provide the most information, as does purposive sampling (Merriam, 2002). As such, the sample of persons interviewed in this research was purposive. Purposive sampling involves selecting interviewees who will give the most information on the issue being investigated (Henning, 2004). The persons interviewed were mainly those who file performance agreements. A total of seven people who are members of SMS, including six directors and one chief director, were interviewed. One person from the human resource management directorate was interviewed to provide information on the general overall

management of the performance contracting process in the department of housing. Two people external to the department, one from PSC and one from DPSA who had been sampled for interview were not available but provided documents for review.

## 3.5 Data Analysis

Data analysis involves the researcher understanding and interpreting the data collected in order to generate findings, make conclusions and recommendations on the phenomenon under investigation. In qualitative approach, data analysis begins and continues through and after the data collection process (Merriam, 2002; Neuman, 2006). Qualitative data analysis also requires that the researcher iterates through the process to refine the interpretations made from the data (Basit, 2003). In this study, the researcher analysed the data collected on performance contracting implementation, both from documents and interviews all through the data collection period. The data analysis was inductive, one of the major qualitative research principles, since the themes and conclusions were argued and based on the collected data and facts (Tashakkori and Teddie, 2009).The researcher began to form concepts at the start of data collection and as the analysis continued, these concepts, constructs and their relationship were refined (Neuman, 2006) and at times precipitated adjustments in assumptions and data collection. This gave prospect to collection of quality data in terms of reliability and validity (Merriam, 2002).

Neuman (2006) argues that given qualitative data is mainly descriptive, statistical analysis, which is more developed and systematic, is rarely used. However, qualitative data analysis is currently more systematic, unlike in the past, though there do not still exists a singe universally proposed or prescribed approach (*Ibid*). In analyzing more than one type of data, primary and secondary, more than one type of analysis may be used take into consideration the source differences (Tashakkori and Teddie, 2009). The qualitative data in this study was first organized for analysis and then reviewed severally to identify relationships, patterns or trends. The researcher then identified themes, similar dominant features or arguments, to be used as the basis for synthesizing and categorizing the data.

In finalising the analysis, the researcher looked through the data and selected what fitted and supported the identified key themes (Neuman, 2006). The resulting major themes are eventually presented as the key findings and are the premise on which interpretation was made (Creswell, 2003). The key findings on internationally existing best practices from literature are also presented in the discussion against those of the Gauteng department of housing.

## 3.6 Reliability and Validity

### (a) Reliability

In general, reliability is used to indicate the extent to which a research would yield the same results if it was repeated. It "refers to the extent to which research findings can be replicated" (Merriam, 2002:27). However, given the nature of qualitative research, replication or a repeat of a study may not produce the same results. Instead, dependability or consistency, an indication of concurrence on the sense, of research results should be used as the determinants to judge reliability (Neuman, 2006). Strategies such as triangulation, through the use of several data collection methods, and peer review can be used to ensure reliability (Merriam, 2002). In this study, the researcher used interviews, document reviews and peer reviews to ensure that the results are reliable.

### (b) Validity

In qualitative research the researcher focuses on capturing and presenting the participants account of how they view, understand and interpret social life. Validity refers to the extent to which the research results presented agree with reality. There are two main types of validity in qualitative research, internal and external validity, which are discussed in the next sub-section.

#### Internal Validity

Internal validity in qualitative approach concerns whether the research findings are compatible or reflect the reality (Merriam, 2002). This is in cognizance of the assumption by the inquiry that reality is relative and ever changing. In addition each individual's

point of view on reality is unique as it represents how they interpret the situation. The researcher interpreted the data collected, views and perceptions of participants, to provide a case of the reality of the issue being studied. This reality can be viewed as one that reflect a more true sense of reality and which qualifies as internal validity (Merriam, 2002).

Triangulation is one of the strategies that was used to enhance the internal validity of this qualitative research. There are four main types of triangulation: "multiple investigators, multiple theories, multiple sources of data, or multiple methods to confirm emerging findings" (Denzin, 1970 in Merriam, 2002:25). The most commonly used type of triangulation is the 'multiple source of data' which is achieved by using two or more different data collection instruments. Data collected through interviews was confirmed against what had been found in documents. In this study, triangulation was implemented through use of interviews and documents analysis to enhance the internal validity of the research findings.

Other strategies of ensuring validity include: 'member checks', which requires that the researcher confirms with the participant on his or her interpretation of the data provided, and 'peer review', which requires that the researcher subjects the data and findings to his or her peers' review (Creswell, 2003; Merriam, 2002). These two approaches were also utilized in this study. Two member checks and two peer reviews were conducted to enhance the validity of the research results.

**External Validity**

External validity refers to the extent of the applicability of a research findings to other situations. In order for other people to decide whether to transfer or apply this research' findings, the study provides comprehensive and detailed information for them to study and compare the similarities of this research to their situation (Merriam, 2002). The findings of this research may be to an extent applicable to other provincial government departments given that they use similar performance contracting guidelines and are under the same DPSA.

## 3.7 Conclusion

This chapter presented the research methodology used in this study. The study used mainly a qualitative approach and a case study as the research design. Interviews and documents review were used for data collection. Seven interviews were conducted and several documents were reviewed. Data analysis was inductive as themes and conclusions were based on the data collected. Two sources of data, interviews and documents review were used for triangulation to ensure reliability and internal validity of the data. Finally, member checks and peer reviews were also used to ensure internal validity of the data collected.

Having, presented a detailed account of the how the research was conducted, the next chapter presents data collected during this study.

# CHAPTER FOUR: DATA PRESENTATION

## 4.1 Introduction

This chapter presents the data collected through interviews. In addition, information collected from document reviews was used in this study to validate data collected through interviews. Documents from the PSC, DPSA and GDH were reviewed and provided critical insights mainly on performance management issues in government departments. The information from the document reviews is presented in the literature review section. The interviews were conducted in the Gauteng Department of Housing (GDH) offices, situated in Johannesburg town. Seven people from different chief directorates and directorates within the department were interviewed. One of the interviewees was from the HRM directorate which oversees the implementation of the PAs.

The data collected was meant to answer the following research questions:-

1) What are the current Performance contracting practices in the Gauteng department of housing?
2) What are the challenges encountered in implementing performance contracting? and
3) What can be done to improve performance contracting?

## 4.2 Gauteng Department of Housing

The Gauteng Department of Housing (GDH) derives its mandate from political directives of the Executive Committee and the various legislations which mainly include:- the Constitution of the Republic of South Africa, Act 108 of 1996 which makes provision for access to housing as a constitutional right of all South Africans; The National Housing Act (No 107. of 1997); and the Gauteng Housing Act of 1998 (GDH, 2008A). In pursuit of improving co-operation and coordination with municipalities and implementing *Batho*

*Pele* principle of ensuring access to services to their customers, GDH operations are decentralized to four regional offices located within Metropolitan councils and District Municipalities. These include the City of Johannesburg, Ekurhuleni, Tshwane and Westrand.

The GDH programmes include: - Administration; Housing Planning and Research; Housing Performance/Subsidy Programmes; and Housing Property Management. The department's strategic plan's objectives are to be achieved through the implementation of the following programs: - Mixed-housing Development; Eradication of Informal Settlements; Alternative Tenure; Urban Renewal Programme and; and 20 Prioritised Townships Programme (GDH, 2008B).

In Gauteng, the estimated housing backlog of 746,000 households in 1994 continues to rise and was estimated to be 870,246 households in 2001. The GDH provided approximately 200,000 houses between 1996 and 2001 (GDH, 2008B). Formalizing the 122 informal settlements, a political objective, targeted to be achieved by 2009 is being addressed by the department through a project known as Project 56 (GDH, 2008). However, the government's promise to eradicate informal settlements by 2014 has now been shifted to 2020 (SOWETAN, 2010, February 1).

A report on the department's performance attributes the challenges facing delivery of houses to be mainly in relation to the "coordination and implementation process by various institutional components" (GDH, 2008:99). Another report by DPSA that elucidates a similar view attributes poor public service delivery to issues of coordination between the various spheres of government (2009A).

## 4.3 Interviews

Interviews were conducted to obtain data on implementation of PAs in the GDH. In total, seven people including six directors and one chief director were interviewed. Each of the directors reports to a chief director and has between three to five deputy directors

reporting directly to him or her. The period in which the interviewees have been on performance agreements range from 3 to 8 years. On average, each has been on performance agreement for a period of five years. For purpose of anonymity, their names and chief directorates or directorates are not mentioned. In this report, the interviewees are identified using alphabet letters (A, B, C, D, E, F and G). However, the supervisor was provided with the details of the interviewees.

Among the interviewees was a representation from the HRM directorate which oversees the implementation of performance contracting in the department. Proposed interview with contacts from DPSA and PSC did not materialize but documents relevant to the study were provided. In addition, the researcher confirmed from a discussion with the PSC contact that indeed performance contracting in most of the departments is not working as expected. They were hopeful that the findings of this study would provide them with some critical insights on the issues pertaining to performance contracting not working well and how they can be addressed from the point of view of the respondents.

### 4.3.1 Challenges in Implementation of Performance Agreements

The data presented in this section is organised in three broad themes that emerged from the responses to interview questions which were guided by the research questions. The themes mainly relate to stated purpose statement that sought to establish the challenges of performance contracting in the Gauteng department of housing. In addition, there are proposals on how it can be improved.

The interviewees were in general agreement that despite the challenges facing performance contracting it has a critical role to play in performance management in the public sector. They cited that it assists to draw clear lines of accountability and spells out the performance targets against which performance is to be assessed. However they noted that for it to effectively achieve its objectives, the implementation challenges need to be addressed. Subsequently they proposed on how performance contracting can be improved to be successful.

#### 4.3.1.1 Challenges in Preparation of Performance Agreements

Preparation and filing of PAs is a critical step in performance contracting. Under this general theme, the interview responses mainly revolved around the format template provided to assist them in preparation of their PAs.

The issue on performance agreements format template featured prominently as a challenge during the interviews. All the interviewees except one[1] expressed dissatisfaction on the current format template that they use to prepare their performance agreements. In general, the templates are not easy to understand and each one is bound to make their own interpretations which may differ from the other. One respondent stated that "The PA template has confusing terminologies that are not well understood and no formal training was provided on their use except for the explanation by the HR persons who had been trained"[2]. Two of the respondents were of the view that the templates are cumbersome to complete as they require a lot of detailed information which is never utilized[3]. However, one respondent was of the view that the template was easy to use since there were clear guidelines.

Respondents' opinions on definition of performance measurements were also sought during the interviews. Four[4] respondents pointed out that they found it difficult to define performance measurements in the PA. Some indicated that they consider agreed on outputs as the performance measurements[5]. In addition the respondents find it hard to define measurements for the expected results of some of the activities implementation, such as those that regard the *Batho Pele* principles and financial management.

Another key section of the PA on which the interviewees responded on was weighting. Allocation of weights to tasks and targets in the PA, meant to indicate the contribution

[1] Respondent 'G' (15th Jan 2010)
[2] Response from 'A' (16th Nov 2009)
[3] Response from 'A' (16th Nov 2009) and 'F' (7th Dec, 2009)
[4] Respondents 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'C' (23rd Nov 2009) and 'F' (7th Dec, 2009)
[5] Response from 'B' (17th Nov 2009) and 'E' (30th Nov, 2009)

and level of priority, feature as not clear on how it should be done. While there are guidelines on weighting, the respondents had varied responses. Some stated that it is done depending on what one thinks is commensurate to the measurements and the guidelines provided[1]; while others indicated that weighting is done based on the priority of the supervisor[2]. Other responses indicated that the targets defined in the PA are weighted depending on the impact that they contribute[3] while one stated that "I allocate weights mainly based on the time allocated in the plan. Activities or outputs that take more time to complete or achieve have more weight while those that take less have less weight"[4]. One respondent was of the view that weighting is not objective and is just done to comply with the PA preparation requirements[5].

Respondents also highlighted some other PA format template sections that they find difficult to understand and complete. The financial management section was cited by some respondents as one that they have limited skills and understanding and that they completed it only for the purpose of securing funds[6]. Some view the definition and linkage of KRAs, CMC and *Batho pele* principles as not clear[7]. One respondent stated that "it is not clear to me the importance of defining CMC as one can still perform with gaps in CMC"[8].

#### 4.3.1.2 Challenges in Implementation of Performance Agreements

Challenges specific to the implementation of PAs were identified as another broad theme under which most of the responses were concentrated. Under this theme, implementation is used to refer to the next major step that follows once a member of SMS has prepared and filed a PA with his or her supervisor.

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[1] Response from 'A' (16th Nov 2009) and 'D' (30th Nov 2009)
[2] Response from 'B' (17th Nov 2009) and 'F' (7th Dec, 2009)
[3]Response from 'C' (23rd Nov 2009)
[4] Response from 'D' (30th Nov 2009)
[5] Response from 'B' (17th Nov 2009)
[6] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009) and 'F' (7th Dec, 2009)
[7] Response from 'C' (23rd Nov 2009), 'D' (30th Nov 2009) and 'F' (7th Dec, 2009)
[8] Response from 'C' (23rd Nov 2009)

To begin with, some respondents[1] cited the issue of inadequate resources as a challenge to implementation of activities meant to achieve the targets specified in the PAs. They were of the opinion that the financial and human resources provided are inadequate[2]. There were claims that there is no commitment or assurance on resources required to implement the PA as no money is 'ring fenced' for targets specified in the PA[3] and incidentals such as inflation are not taken into consideration[4]. In addition, budget provision and control, especially for the directors, is dependent on the relationship with the supervisor[5]. A respondent stated that "managers have limited authority due to principals' inability to delegate"[6].

Human resource capacity, in terms of skills and numbers, is critical for PA implementation. However, respondents indicate that this is hardly ever adequate as there is a high turnover of staff and persistent number of vacancies through out the year(s) that take a long time to fill[7]. One respondent stated that "when people leave, their share of work is allocated to the remaining staff leaving them overloaded since in addition they have their own targets to meet. In certain cases those to be assigned the work do not even have the relevant skills"[8]. Efforts to handle all the assigned work would eventually affect the achievement of other targets. Respondents claim that it takes a long time to fill vacant positions. One respondent stated that "We have positions that have been vacant in this directorate for three years now"[9]. Hiring of staff cannot be done for one chief directorate or directorate as all vacant positions in the department have to be consolidated over an indefinite time and then advertised together. The delay in filling vacant positions affects the performance of the directorate.

[1] Respondents 'A' (16th Nov 2009), 'B' (17th Nov 2009) 'D' (30th Nov 2009) and 'E' (30th Nov, 2009)
[2] Response from 'B' (17th Nov 2009) 'D' (30th Nov 2009) and 'E' (30th Nov, 2009)
[3] Response from 'D' (30th Nov 2009) and 'E' (30th Nov, 2009)
[4] Response from 'A' (16th Nov 2009)
[5] Response from 'B' (17th Nov 2009)
[6] Response from 'C' (23rd Nov 2009)
[7] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009) and 'E' (30th Nov, 2009)
[8] Response from 'A' (16th Nov 2009)
[9] Respondent 'E' (30th Nov, 2009)

Political interference in the implementation of performance agreements featured consistently as a key challenge. Six[1] of the respondents cited some form of political interference. Priorities of the department get to change along the way in the course of the year, political appointees have their own agenda to pursue and transition periods of new elected governments adversely affect the operations of the department and consequently those of the directorates.

Upon the completion of an election and a 'new' government taking over, numerous changes are made especially in the political leadership and top management of the department. Four of the respondents stated that the changeover always results in the department's major activities being put on hold until the new government gives direction on how to proceed[2]. New leaders and top management may not wish to make major decisions until they understand how things work and are clear on the implications of their actions. These changes affect the department adversely in that the required direction and guidance lacks and the implementation of projects stall. It takes one to two years before the department can stabilize again and may even result in a complete overhaul of the department's operation. Two of the respondents were of the view that the department get to spend less time fully functioning in the span of 5 years a government is in power[3].

Political interference result to introduction of new tasks and targets or reprioritization of planned activities during the year[4]. One respondent argued that political pronouncements during the year result to changes in the 'goal posts' that affect the department's targeted outputs and subsequently those of its chief directorates and directorates[5]. Instructions from the political leadership to implement *ad hoc* activities, whose resources are not provided for, conflict with planned activities and derail the implementation of the PA

[1] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'C' (23rd Nov 2009), 'D' (30th Nov 2009), 'E' (30th Nov, 2009) and 'F' (7th Dec, 2009)
[2] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'C' (23rd Nov 2009) and 'F' (7th Dec, 2009)
[3] Response from 'B' (17th Nov 2009) and 'F' (7th Dec, 2009)
[4] Response from 'A' (16th Nov 2009), 'C' (23rd Nov 2009) and 'F' (7th Dec, 2009)
[5] Response from 'C' (23rd Nov 2009)

from the track[1]. In addition, there is the interference by political appointees with special interests in the activities of a chief directorate or directorate[2].

Performance review is a critical attribute of a performance contracting system as it ascertains the extent and level of performance achieved against expected performance. The interview responses revealed the issue of performance reviews as a major challenge to the implementation of PAs. There was consensus from five[3] of the six PA implementers interviewed that absence or quality of performance reviews was a big challenge to PA implementation. On the contrary, the other two[4] respondents indicated that performance reviews were conducted on a quarterly basis and finally at the end of the year

Respondents indicated that no proper performance reviews are ever conducted in most of the chief directorates and directorates[5]. The reviews are rarely done but managers prepare reports to comply with the HR directorate requirements[6]. A respondent referred to the reports sent to HR as "spin doctored" and that "they lack on content and objectivity since no one bothers to look at them"[7]. This was confirmed by another respondent who indicated that nothing is done to establish whether what is in the report is true or whether the actual targets have been achieved[8]. These 'reviews' are not objective more so if poor performance is evident. A reflection of non-achievement may be interpreted as personal dislike and managers who try to do follow ups receive no support or cooperation from the staff[9].

[1] Response from 'D' (30th Nov 2009) and 'E' (30th Nov, 2009)
[2] Response from 'B' (17th Nov 2009)
[3] Respondents 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'D' (30th Nov 2009), 'E' (30th Nov, 2009) and 'F' (7th Dec, 2009)
[4] Respondent 'C' (23rd Nov 2009) and 'G' (15th Jan 2010)
[5] Response from 'A' (16th Nov 2009) and 'E' (30th Nov, 2009)
[6] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'D' (30th Nov 2009), 'E' (30th Nov, 2009) and 'F' (7th Dec, 2009)
[7] Response from 'B' (17th Nov 2009)
[8] Response from 'D' (30th Nov 2009)
[9] Response from 'B' (17th Nov 2009), 'E' (30th Nov, 2009) and 'F' (7th Dec, 2009)

Effective performance management requires continuous review and building of the staff capacity to ensure that they have the skills relevant to their work and for career advancement. The performance agreements have a section which requires one to specify personal training and development requirements for the PA financial year as agreed with the supervisor. However, this never gets implemented and similar to other sections managers no longer give it the attention it deserves when completing the PA[1]. As a result the staff resorts to continuous attendance of unnecessary training which only benefit them financially[2]. Performance may not improve as some tasks that require certain enhanced skills may not be completed.

However, one respondent[3] gave a contradicting response that indicated managers are trained on the priority areas identified and agreed on with their supervisors during preparation of PAs or performance reviews.

Three respondents[4] identified bureaucracy in systems as a hindrance to implementation of PAs. Systems referred to include budgetary, procurement and personnel[5]. Bureaucratic procedures and processes are a bottleneck to progress which in turn affects performance. An example is requirements for approvals such as from some specific person(s) or committee(s), not within your control, on certain aspects of a task before it progress. The completion of the task is dependent on the availability and speed to take action of the person(s) or committee(s). A respondent argued that "Development of a policy or engagement of a consultant may take a long period to complete if the relevant committee does not get to meet and act on the proposal or terms of reference"[6]. Another respondent was of the view that "persons in certain positions use the bureaucratic processes to maintain their 'comfort zone(s)'. If he or she is the only one who can give approval or

[1] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'D' (30th Nov 2009), 'E' (30th Nov, 2009) and 'F' (7th Dec, 2009)
[2] Response from 'D' (30th Nov 2009)
[3] Respondent 'G' (15th Jan 2010)
[4] Respondents 'B' (17th Nov 2009), 'C' (23rd Nov 2009) and 'F' (7th Dec, 2009)
[5] Response from 'B' (17th Nov 2009)
[6] Response from 'F' (7th Dec, 2009)

make the decision(s) on certain issues in the process, they wield a lot of power which they would lose if the bureaucracy is dismantled"[1].

Another issue regarding systems and processes that was cited as a challenge to implementation of PAs is lack of performance orientation. However, only three respondents gave responses in line with this challenge. The three stated that the budget system is not linked to the implementation of PAs[2]. Each is done separately and when the directorates submit their requests for financial resources they never get adequate funds. One of the respondents noted that most managers are not conversant with budgeting as it's done by their personal assistants and they only have to sign it off for approval[3].

Poor information management was also identified as a challenge to implementation of PAs. Respondents indicated that information systems to capture, store and disseminate information are nonexistent and subsequently performance monitoring is not established[4].

Another issue raised by the respondents was on leadership. Respondents were of the opinion that the political and top management leadership necessary to guide the implementation of PAs has been weak and in many cases nonexistent[5]. There is basically no existence of high level commitment and leadership on performance management. Some respondents were of the opinion that political leaders' utterances and actions do not match and top management is not keen on implementation of PAs[6].

Six of the respondents raised issues that relate to the organisation culture. Four respondents[7] cited lack of a performance culture in the department to have played a significant role in hindering the implementation of PAs. Support and collaboration based on relationships was cited as a common practice. Two respondents pointed out that support or facilitation from sections not within one's control is mainly dependent on

[1] Response from 'C' (23rd Nov 2009)
[2] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009) and 'D' (30th Nov 2009)
[3] Response from 'A' (16th Nov 2009)
[4] Response from 'B' (17th Nov 2009), 'C' (23rd Nov 2009) and 'D' (30th Nov 2009)
[5] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'C' (23rd Nov 2009) and 'E' (30th Nov, 2009)
[6] Response from 'B' (17th Nov 2009) and 'C' (23rd Nov 2009)
[7] Respondents 'B' (17th Nov 2009), 'C' (23rd Nov 2009), 'D' (30th Nov 2009) and 'E' (30th Nov, 2009)

relations[1]. Another respondent cited recognition and adoption of any innovative ideas to be dependent on the relationship with the supervisor[2]. In addition, cases of corrupt practices exist as most people have devised ways to circumvent the laid down procedures[3].

Coordination, communication and sharing of information between the various divisions within a directorate and among directorates were identified as weak. Five respondents highlighted the issue of various units within the department operating in 'silos'. A respondent was of the view that "Divisions, directorates and chief directorates exist as kingdoms"[4] This is affirmed by another response that indicate that "directorates prefer to operate in isolation to 'protect kingdoms' and do not give priority, either in terms of time or budget to tasks or issues that they perceive as not their core mandate"[5]. There is a 'silo mentality' in the department which contributes to lack of integration and coordination among the divisions and directorates and affects implementation of activities that depend on one another[6].

Finally, some respondents claimed that the use of a top down approach and inadequate sensitization and training at the time of introduction of performance agreements and even thereafter was a hindrance to the successful implementation of PAs. There were no measures in place to provide the necessary support, build and maintain a momentum on the implementation of PAs. Respondents stated that no formal training was conducted and managers were only taken through internal briefing sessions by the HR personnel who also did not comprehend the PAs well[7]. On the other hand, performance management is accorded very low priority in the department as there is a general lack of understanding and appreciation of its importance[8].

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[1] Response from 'E' (30th Nov, 2009) and 'F' (7th Dec, 2009)
[2] Response from 'B' (17th Nov 2009)
[3] Response from 'E' (30th Nov, 2009)
[4] Response from 'C' (23rd Nov 2009)
[5] Response from 'A' (16th Nov 2009)
[6] Response from 'B' (17th Nov 2009), 'C' (23rd Nov 2009), 'D' (30th Nov 2009) and 'E' (30th Nov, 2009)
[7] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009), 'D' (30th Nov 2009), 'E' (30th Nov, 2009) and 'F' (7th Dec, 2009)
[8] Response from 'B' (17th Nov 2009) and 'F' (7th Dec, 2009)

### 4.3.2 Recommendations on Improvement on PAs Preparation and Implementation

The PAs important role in performance management is generally accepted by all the respondents. Respondents were in agreement that PAs have an important role to play but are currently not doing so given that they are simply done for compliance sake as their implementation is never reviewed[1]. Following are recommendations from the respondents on how the implementation of performance agreements can be improved.

The PA template should reviewed and revised to be more user friendly by use of simplified terminologies and clear guidelines and should request only for information that is to be used[2]. There should be continuous engagement and consultation on its improvement[3].

Strategies to enforce, monitor and evaluate the implementation of performance agreements should be developed and implemented[4]. An information management system should be developed to capture, store and disseminate information[5]. The system will facilitate performance monitoring and sharing of information across the department and other executive authorities. The DPSA and PSC role should be harmonized and effectively implemented to ensure that the HRM directorate is well capacitated to handle the implementation of performance agreements and any related issues[6].

It is critical to have high level, both political and the departments' top management, commitment in order to mobilize the necessary facilitation for performance. Top management embracement of the implementation of PAs will be easily cascaded to the

[1] Response from 'A' (16th Nov 2009), 'B' (17th Nov 2009) and 'E' (30th Nov, 2009)
[2] Response from 'A' (16th Nov 2009)
[3] Response from 'B' (17th Nov 2009)
[4] Response from 'B' (17th Nov 2009) and 'D' (30th Nov 2009)
[5] Response from 'E' (30th Nov 2009)
[6] Response from 'G' (15th Jan 2010)

rest of SMS members. Appropriate leadership should be provided to guide the implementation of PAs.

Effective implementation of PAs requires adequate support from other relevant systems such as budgetary, procurement and personnel. These systems should be aligned with the PM system in order to facilitate the implementation of PAs by availing adequate resource requirements. Mechanisms for coordination and integration among the various divisions, directorates or chief directorate should be developed and established to deal with the 'silo mentality'.

Political interference in public sector management should be restricted. Political leaders should be made to refrain from interfering unnecessarily with the department's management and while political appointees should focus on achieving the targets specified in the PAs. In addition, SMS members who refuse to divert the use of resources meant for priority areas should be protected through law.

Finally, respondents indicated that the current performance agreement implementation plan should be reviewed in consultation with SMS members. They were of the opinion that these would ensure that all salient issues relating to PA implementation are addressed and there is the necessary buy in from all involved. The strategy should provide for formal training and sensitization on performance contracting, its importance and their roles for its successful implementation[1].

## 4.4 Conclusion

This chapter presented data collected during this study through interviews. A brief on Gauteng department of housing and the interviewees' profiles was presented. All the respondents appreciate that PAs have an important role to play in performance management. However, they are of the opinion that it has failed to do so due to a number of prevailing challenges that hinder its implementation. The interviewees responses are

[1] Response from 'B' (17th Nov 2009)

presented under three broad themes which include: - challenges in preparation of performance agreements; challenges in implementation of performance agreements; and recommendations on improvement in implementation of performance agreements.

In regard to preparation of PAs, respondents indicate that the format templates are not easy to follow, have difficult and ambiguous terminologies which are tantamount to be interpreted differently by those completing the PA and are unnecessarily too detailed.

On implementation of the PAs, managers encounter several challenges. The challenges identified by the respondents were mainly on resources and managerial authority; political interference; performance reviews; personal training and development; systems and processes; political and administrative leadership; public sector organisation culture and the implementation plan. The gaps identified in terms of training, leadership, monitoring, prioritization, coordination and integration with other systems serve as evidence that the implementation plan has weaknesses.

To improve the implementation of performance agreements, respondents proposed that the PA format templates be reviewed, managers be provided with adequate resources and the necessary authority, performance reviews be instituted, political leaders and political appointees be restrained from interfering in the department's management, managers' capacity gaps be addressed and systems, processes and public servants be made performance oriented.

The next chapter presents a discussion of the data presented in view of the literature review and researcher's opinion.

# CHAPTER FIVE: DATA ANALYSIS AND INTERPRETATION

## 5.1 Introduction

The previous chapter presented data collected in the course of this study. Chapter five presents an analysis and interpretation of these data in response to the research questions. The results are presented as the study findings. The analysis and interpretation results presentation encompass the data collected (voice of data), the literature review (voice of literature) and the researcher's views (voice of the researcher). The findings are presented based on the themes that emerged from analysis of the data compiled and presented in the previous chapter. In the analysis and interpretation, the study also takes cognizance of critical success factors in implementation of performance agreements internationally renowned case of New Zealand. This is an effort to identify what suitable lessons the SA public sector can hopefully learn and adopt to improve on its implementation of performance agreements. However, it's important to note and take into account the variances in the two countries' prevailing contexts.

## 5.2 Challenges in Implementation of Performance Agreements

The analysis and interpretation of the data collected through the interviews and document reviews sought to establish the challenges of performance contracting in the Gauteng department of housing and in addition make recommendations on how it can be improved. Specifically, it is geared to provide answers to the study's research questions defined in chapter one and which include:-

1) What are the current Performance contracting practices in the Gauteng department of housing?

2) What are the challenges encountered in implementing performance contracting? and
3) What can be done to improve performance contracting?

Performance contracting can improve performance and accountability in the public sector. However, it is faced by several challenges which if not addressed can be a hindrance to its success. This is supported by evidence from the literature, document reviews and data collected through the interviews during this study.

### 5.2.1 Complex Performance Agreement Format Template

Performance contracting requires the 'agent' to enter into a contract or agreement with the 'principal' for an agreed on duration of time. The PAs for SMS members clarify their areas of focus and the strategic areas that they contribute to. In addition it indicates the agreed on expected performance levels, in terms of outputs and the targets to be achieved

Preparation of a Performance Agreement is done at the beginning of the financial year using a format template provided by DPSA. This study revealed that the PA format template provided is complex. Interview respondents stated that it has many confusing and ambiguous terminologies. This presents a challenge to SMS members who use the template to prepare their PAs. The completed PAs vary in quality of the contents due to the differences in interpretation by the managers. Grounded on the fact that the PA is a key reference document, it cannot be refuted that this definitely affects its implementation as well as performance monitoring and review. This finding is also supported by recent observation by PSC, based on its experience from monitoring implementation of PAs that SMS members find it difficult to comply with all the requirements in PA format (PSC, 2008C).

The managers interviewed also claimed that they are required to provide information such as on personal development which is never utilized. This consumes their time and effort. The knowledge that certain information provided is not utilized often result into a

situation where not much attention is given to the whole exercise as it is seen as just a routine. On the other hand, an effort to address many issues within the PA increases their complexity and detail. Subsequently, too many details are likely to distract the PA from focusing on the critical aspects for performance and accountability. OECD (1999) argues that the amount of specification in the PA should depend on the relationship with other performance management and resource allocation instruments, the level of trust between parties and how the information is to be used. As such it is important that PAs be kept simple and clear for improved and effective implementation and monitoring.

Defining performance measurements, a critical element of the performance agreements, was also identified as a challenge. Majority of the respondents in this study pointed out that they found it difficult to define performance measurements. This appears to be a challenge that has persistently remained in the public sector for many years. A report by PSC (2005) pointed out the inability of departments to define performance measurements and cases of differences between the achievements stated in the annual reports and the planned priorities. OECD (1999) also indicates that the public sector in most countries is unable to define appropriate measures for its performance. Setting of targets and indicators featured as a common issue amongst the managers interviewed. Failure to define the right performance measures is likely to affect the monitoring of performance and henceforth the accountability of managers.

This study established that in most cases managers take outputs to be the performance measurements and they also find it hard to define measurements for the expected results of some of the activities, such as those that regard the *Batho Pele* principles. A review of the PA section on definition of KRAs and CMCs, alignment to the relevant *Batho Pele* principles and subsequently allocating weights clearly illuminate that it is indeed an uphill task for the managers. The prevailing understanding and practice on weighting deduced from the interview responses is not as stipulated in the guidelines. Weighting is supposed to done on the basis of the KRAs' contribution to the department's objectives. The lack of clarity in the definition and linkage of KRAs, CMC and *Batho pele* principles is indication of the level on knowledge and skills in regard to the PA system. This lack of clarity and focus is likely to be carried forward to the work plans in definition of

activities for the defined KRAs and consequently it can derail the achievement of the overall department objectives.

The financial management section was also cited by the respondents as one in which they have limited skill and understanding. In the advent of introducing a new tool, there is need to ensure that the users have certain specific skills that pertain to their preparation. This study revealed that there was minimal training provided for the managers at the introduction of the PAs. Respondents claim that even the HR, responsible for the PMDS, is not well conversant with the PA format and do not offer the necessary support when approached. The school of thought in introduction of change in an organization view adequate preparation of the users as critical. De Waal and Counet (2009) contend that implementation success of a PMS is only feasible if the staff have the required adequate knowledge and skills which may be acquired through training. Training of the managers on performance management with the inclusion of PAs would resolve most issues affecting their preparation. Also critical are periodic reviews and consultations with managers on the PA format template to ensure that it is responsive to their changing needs. Matheson (1997:177) notes that "contracts carry a collective compliance burden (because standardised specification is likely to be designed for the least trusted agency) which is resented by departments and which could precipitate a slide into organisational sclerosis".

### 5.2.2 Inadequate Resources and Managerial Authority

Financial and human resources and managerial authority are a critical requirement for successful implementation of PAs. However, as this study established, the resources and authority availed to managers for implementation of PAs are inadequate.

This study established that though there are some efforts to provide financial and human resources they are still inadequate. The respondents stated that there is no commitment or assurance on financial resources required to implement the PA. Attached to the PAs are work plans that clearly indicate the activities, against relevant KRAs, to be implemented

to achieve the expected results. It is therefore necessary to provide the funds required for these activities to be implemented and in their absence fail to be implemented. A recent review of government departments' operations revealed inadequate funds as one of the main impediments to public sector performance and productivity improvement (DPSA, 2009B). This should be equally translated as an impediment to implementation of PAs as it is the managers' performance which culminates into public sector performance.

However, it can be argued that, given that PA financial requirements are supposed to be within the budget provisions, the issue of financial resources should not arise. It is likely as stated by one respondent that there is allocation and utilization of funds on activities not planned for. Notwithstanding, reports from the media indicate that government departments continue to be plagued by corruption risks in financial management which have the potential to deviate funds earmarked for implementation of various PAs activities.

Besides the funds, human resource capacity in terms of skills and numbers is also critical for PA implementation. As this study established, there is a high turnover of staff and persistent number of vacancies throughout the year(s) that take a long time to fill. Activities spelt out in the PAs work plans have to be put on hold if the required human resources are not available. In certain cases where staff workload is increased due to other having left, their time and attention is thinly spread dragging completion on activities. Those left behind may not even possess the right skills and depending on how crucial their work was, achievement of targets may be curtailed. Cameron (2009) attributes the persistent high vacancy rates in the public service to shortage of critical skills and delays in recruitment.

As established in this study, inextricably linked to the issue of inadequate resources is the manager's lack of authority on the budget and staff. Respondents stated that budget control is dependent on the relationship with the supervisor while HR issues are centralized. This leaves the managers in a precarious situation in regard to undertaking their responsibilities to ensure that activities are implemented as scheduled in order to

achieve the expected results. As Holzer and Lee (2004) argue, clarity on expected results and the associated responsibilities is not adequate for public sector managers to be held accountable as they are constrained by inadequate control on financial and human resources and various regulatory procedures that must be adhered to. Managers should be accorded authority commensurate with the responsibilities (Jabbra and Dwivedi, 1989).

Respondents indicated that all human resource management issues are handled by the HR directorate and take long to be dealt with due to the bureaucratic procedures. For example, hiring of staff cannot be done for one chief directorate or directorate. All vacant positions in the department have to be consolidated over an indefinite time and then advertised together. This can delay filling of vacant positions for a year of more, while at the same time performance of the directorate is at stake due to shortage of staff. In the New Zealand performance contracting system, over and above the assured budget provision, the managers are accorded, through the state sector Act 1988 and Public finance Act 1989, adequate authority and control over the budget, procurement and personnel (Christensen and Laegreid, 2007). Scott *et al*. (1997) argues that failure to balance performance requirement and authority on resources undermines the underlying principles for performance contracting. It cannot then be contested that managers in this study cannot be held accountable for their performance as expected in performance contracting.

Hood (1991) asserts that governments that adopt results-based management approaches such as performance contracting commit themselves to facilitate public managers to provide 'hands-on professional management'. In this respect, many countries claim to have decentralized managerial authority. However, this is easier said than done and Matheson and Kwon (2003:21) view it as more of 'rhetoric than action'. Decentralization efforts in the SA public sector provide evidence in support of this view. The Public Service Act (PSA), 1994 in conjunction with the Public Service Regulations (PSRs), 1999, provide for the delegation of the HR functions by Executive Authorities (EAs) to either Directors General (DGs), provincial Heads of Departments (HoDs) or to departmental managers.

However, a survey conducted by DPSA, to establish the status of 'HR delegations from EAs to HoDs' indicate that 33% of the departments had limited delegations from EAs to HoDs; 39% were average; 18% were above average; and only 10% had extensive delegation. In terms of appointment of employees and performance management, the survey found out that that 56% had not delegated. In addition the study ascertained that there is a relationship between delegation and performance. Departments in which there was significant delegation performed better than those without. This is supportive of the argument that similar to the private sector, managers in the public sector have the same ability if well facilitated to perform and be held accountable. In essence there is also evidence that a public agency, in developing countries, autonomy from various centralized controls, as in the case of Ghana revenue services, is a critical success factor to improving their performance (Polidano, 1999). However, it can be inferred from the findings of this study that, enforcement of regulations in the public service is generally poor.

Moreover, it can be argued that, politicians have been accorded more managerial power than the managers. Cameron (2009:8) views this practice as more of 'let the politicians manage' and is against the 'let the managers manage' key requirement for performance improvement through performance contracting. But this is not without contradiction, as on the other hand, Director Generals (DGs) have the financial management authority (*Ibid*). Managers relying on authority delegation from either of the two may get caught up in the maze as the two hold on their powers of authority. Moreover, as the directorates continue to experience human resource shortages, they may have to be in good terms with their supervisors to influence the expenditure on their activities. Though delegation to managers is provided for, it is evident that those with the power use their own 'personal discretion' to delegate authority.

### 5.2.3 Political Interference

Political interference in the implementation of performance agreements featured consistently as a key challenge. Political interference in public administration varies in form and magnitude depending on powers vested in the political office concerned and the intended objectives. Respondents in this study argued that priorities of the department get to change along the way in the course of the year and political appointees have personal or political party's agenda to pursue. Also in reference was the transition period's of a new elected government adverse effect on the operations of the department and hence the directorates. It cannot be contested that politicians often use their positions of authority to influence what and how things should be done in government departments regardless of the rules, procedures and plans laid out to be followed. Public managers are constrained by political authority due to the hierarchical flow of authority in government (Bozeman and Straussman, 1990).

Evidence from many countries alludes to the fact that implementation success of reform efforts can be hindered by lack of political support (Laking and Norman, 2007; Polidano, 1999). South Africa is no exception as supported by the interview responses and by the minister for performance monitoring and evaluation indication that lack of political will and leadership are amongst the reasons why the public service reforms to improve on service delivery has not yielded results (The Presidency, 2009A). It can be argued that political support through non-interference can be earned by separating politics and administration. Though Jabbra and Dwivedi (1989) view political interference as impossible, Scott *et al*. (1997) presents New Zealand as a good example where political neutrality in regard to public administration is assured and is clearly spelt out in law.

This study established that once elections are completed and a 'new' government takes over, there are numerous changes especially in the leadership and top management of the department. The change over always results in the department's major activities being put on hold until the new government gives direction on how to proceed. World Bank (2008) argues that lack of political commitment and changes in political leadership are the most common political challenges to reforms. New leaders and top management may not wish

to make major decisions until they understand how things work and are clear on the implications. These changes affect the department adversely in that the required direction and guidance lacks and the implementation of projects delay or stall. Consequently, it follows that associated activities under implementation within certain managers' jurisdiction may come to a halt. Such incidences cost the government a lot of money and create uncertainty which discourage the managers from keen pursuit of achievement of targets in the future. It may take one to two years before the department can stabilize again and may result in a complete overhaul of the department's operations. The department may get to spend less time fully function in the span of 5 years the government is in power.

According to Ketelaar *et al,* (2007:11), failure to separate political and administrative tasks result to focus on "the selection of performance targets rather than achieving them". This study's findings reflect a similar scenario. The respondents indicated that political interference may result to new things being introduced or reprioritization of planned activities during the year. Political pronouncements during the year result to changes in the goal posts affecting the departments targeted outputs and subsequently those of its chief directorates and directorates. Instructions from the political leadership to implement *ad hoc* activities, whose resources are not provided for, conflict with planned activities and divert the implementation of the PA from the track. The deployment of unskilled and inexperienced persons to senior management positions exacerbates the issue of political interference (Cameron, 2009). This is supported by the respondents' indication that there is interference by political appointees with special interests in the activities of a chief directorate or directorate.

### 5.2.4 Inadequate Performance Reviews

Performance review is a critical attribute of a performance contracting system as it ascertains the extent and level of performance achieved against expected performance. In this study, there was consensus from most of the PA implementers interviewed that absence or quality of performance reviews was part of the biggest challenge. Upon

realization that there is likely to be no monitoring of the implementation, managers prepare PAs just to comply with the PMDS requirements.

Respondents indicated that no proper performance reviews are ever conducted in most of the chief directorates and directorates. The reviews are rarely done but managers prepare reports to comply with the HR directorate requirements. As confirmed by the study such reports cannot be objective based on the fact that there is no mechanism to establish and confirm the contents. The need of monitoring and feedback as a key attribute of a successful performance management (Fryer, Antony and Ogden, 2009) cannot be overemphasized. In their absence, poor performance cannot be identified or addressed. The managers and subsequently the department may indicate it has performed while there is nothing to show on the ground. Such irregularities have been exposed at times following service delivery protests by citizens.

There is indication that HoDs performance evaluations are not being effectively conducted. It can then be argued that failure to have these HoDs not being evaluated translates to being propagated all through the department hierarchy. As such, managers who try to do follow ups receive no support or cooperation from the staff. Subsequently, the administration of rewards and sanctions has no basis or justification as stipulated in the PA implementation guidelines. Subjective unmerited bonuses are likely to be paid out at the end of the financial year to staff. In New Zealand, mechanisms for performance reporting, monitoring and reviews are established and utilized (Scott *et al.*, 1997).

### 5.2.5 Inadequate Personal Training and Development

Effective performance management requires continuous review and building of the staff capacity to ensure that they have the skills relevant to their work and for career advancement. Continuous training and development of staff and managers is critical for improvement in organizational performance. Human resource literature emphasize on the important of continuous training and development of staff and managers for improvement in organizational performance. Managers' development is critical and as stated by Towers (1992:151), it involves "identification of those skills and knowledge

needed by managers in order for the organization to meet its strategic objectives and the management of those processes necessary to produce them".

The performance agreements have a section which requires one to specify personal training and development requirements for the PA financial year as agreed with the supervisor. However, as this study established, this never gets implemented and similar to other sections there is now tendency not to give it the attention it deserves when completing the PA. As a result the staff results to continuously attending unnecessary training but which benefit them financially. Performance may not improve as some tasks that require certain enhanced skills may not be completed.

The 2005 state of the nation report referred human resource as the public service 'key asset' and identified its transformation and empowerment as a challenge that needed to be addressed (PSC, 2005). Despite the various efforts by government to build the capacities of public servants, the shortage of skills still persist including those required to implement reforms from time to time. The PMDS implementation has been ineffective in addressing the management capacity gaps (The Presidency, 2009A). As Towers (1992) argue, consistent failure to train and develop staff construe an obstruction to effective HRM which is critical for organizational development and hence constrain its performance.

### 5.2.6 Systems and Processes Challenges

The public sector is basically known for its bureaucratic systems and processes some of which are a hindrance to performance. There is also the issue of lack of performance orientation of these systems and processes. In addition, the absence of established information systems contributes to poor management of information critical to performance monitoring and reviews. This also weakens coordination, communication and sharing of information between the various divisions within a directorate or even among directorates.

It is evident from interview responses that bureaucracy in the public sector is a challenge to implementation of PAs. This is mainly attributed to the existence of bureaucratic and complex systems and processes that do not support or focus on results and accountability. Systems identified as bureaucratic include budgetary, procurement and personnel. Bureaucracy of various forms may slow down implementation of activities meant to achieve the set targets and hence affect performance. Christensen and Laegreid (2007) assert the necessity of streamlining other management functions such as budgeting, human resource, decision-making and reporting with the performance framework. A similar point of view is the identification of alignment and integration of the PM system with other existing organization systems as vital for success in its implementation (Fryer *et al.*, 2009). A common problem identified by the respondents in this study, was on approvals from person(s) not within a manager's control, on certain aspects of a task before it can progress. They claim that officials in key offices may delay the approval(s) as they seek to assert their authority. Its can then be concluded that the completion of a task(s) is hinged on how fast the necessary approval or decision can be made. Existence of such systems and processes affirms Matheson and Kwon (2003:20) assertion that the public sector has "layers of modern-sounding management processes sitting uselessly and wastefully on top of systems operating according to traditional incentives".

Another systems and processes challenge inferred from the interview responses is lack of performance orientation. While performance contracting require management to focus on results, in practice the facilitating systems such as budgetary and on financial expenditure reporting still focus on inputs. This observation was confirmed by respondents who stated that the budget system is not linked to the implementation of PAs. The practice is such that each is done separately and when the directorates submit their requests for financial resources they never get adequate funds. However, this practice is in contrast with the provided guidelines that require PAs' financial resources requirements be aligned to the budget provisions.

The prevailing practice in reporting on financial expenditure is yet another aspect that contrasts the guidelines. While there are clear guidelines and regulations that require

expenditure reporting to be focused on the results, the practice indicates that this is not adhered to. Findings from a review of the public service past performance accountability indicate less focus on results and more of PFMA and PSA regulations compliance (The Presidency, 2009A). It can then be construed that the real challenge is lack of an enforcement mechanism being in place. On the other hand, it also a possibility that managers are not well versed with the guidelines and hence find it easier to use the traditional way of reporting based on input. The gaps in monitoring and reviews can also be a contributing factor.

Information Systems have the capacity to process information that can be used to facilitate effective management (Bozeman and Straussman, 1990). This study established poor information management within directorates as a challenge to implementation of PAs. Respondents indicated that there are no information systems to capture, store, process and disseminate information necessary in decision making and hence effective management. Subsequently, this coupled with lack of established reporting systems and collaboration within the department adversely affect performance management as performance monitoring and feedback is weak.

### 5.2.7 Inadequate Leadership

Leadership can be viewed as the evidence of commitment and the desire to achieve results and excel. However, it's worthy to note that in the contemporary organizations it is difficult to draw a line between leadership and management. As such this study discusses the two under one section. Supported by this study's findings is the wide and uncontested consensus in most literature that leadership is a critical factor in the success of organizations both private and public (De Waal and Cournet, 2009; Fryer *et al.*, 2009; Laking and Norman, 2007). Specifically, crucial and relevant to this study is the role of leadership in public sector management reforms purportedly adopted to improve public sector performance and accountability. Leadership in this context encompasses both political and administrative leadership.

This study's findings revealed inadequate leadership to be a challenge in implementation of performance contracting. It is evident that introduction of PAs has not had the expected effect of making the public servants especially those in senior positions to focus on results and be accountable. In view of the consistent demand for improvement in the public service performance, the emphasis by De Waal and Counet (2009) for top leadership and management to accord a high priority to the implementation of performance management efforts must be reiterated. As stated by respondents, the political and top management leadership required in implementation of PAs has been weak and in many cases nonexistent. There is basically no existence of commitment and leadership on performance management. Political leaders' utterances and actions do not match and top management is not keen on implementation of PAs. This findings are supportive of the Ministry for Performance Management Monitoring and Evaluation contention that the inability of the public sector to improve on service delivery can be attributed to "Lack of strong management and leadership to create a performance culture with measurable objectives, accompanied by sanctions and incentives" (The Presidency, 2009A:20).

Senior managers and other public servants are not likely to subscribe to focusing on results if their leaders do not show commitment and lead by example. This is in line with UN (2005) view that to change public servants values and attitudes as required by most reforms, the public sector leadership should provide examples for the staff to follow. As established from document reviews, HoDs, expected to provide top leadership in the department, compliance rates in filing of PAs is low. Failure by ministers, DGs or HoDs to facilitate managers through delegation of authority or be accountable, subsequently derides their moral authority to hold their managers accountable. These practices have profound implications in the implementation of PAs for members of SMS and further down the hierarchy. The effect is cascaded to the lowest level of public sector restraining performance management efforts.

### 5.2.8 Public Sector Organisational Culture

Culture in an organization encompasses all unwritten values and beliefs that staff subscribes to and which influences their attitudes and behaviour at work. It can be inferred from the data collected in this study that the culture in the public sector is so engrained and a big challenge to performance management. This is in agreement with Becca's (2006) observation of culture as a obstacle to performance management and Starling (1998) argument that culture has the capability to make the staff think and act against the prescribed norms that may be geared to bring about change. New Zealand had a turnaround in culture which greatly facilitated the success of implementing performance contracting. Specifically, the study's findings affirmed that the success of performance contracting requires a drastic change in culture.

Respondents cited lack of a performance culture in the department to have played a significant role in hindering the implementation of PAs. This finding augurs with De Waal and Counet's (2009) view that lack of a performance culture is a key challenge to PM in the public service. The resistance to focus on performance can be viewed as a result of the culture that has prevailed in the public sector from time immemorial. Public servants have always acted in accordance to rules and regulations and are also bound to the hierarchical structures defined in the bureaucracy. The momentum of reform is rarely sustained as its normal for people fall back to old practices within a short period of time. The country's reform history indicate that while there is success in new systems establishment, the main issue lies in "malicious compliance" through which people comply with the regulation "in a way that undermines the spirit" (The Presidency, 2009A:14). In addition, corrupt practices exist as most people have devised ways to circumvent the laid down procedures but still stick to the rules.

Coordination, communication and sharing of information between the various divisions within a directorate and among directorates were identified as weak. The *'silo'* mentality exhibited by the various units within the department is largely to blame for the lack of integration and coordination and affects the achievement of shared results such as the department's goals and objectives. Moreover, it also affects cross-departmental alignment

and may adversely affect the achievement of the overall government's goals and objectives. Accordingly, as Becca (2006:4) asserts "If departments are not sharing information and collaborating, and data cannot be accessed from various systems, those responsible for performance management will not have the information they need". It then holds that in the absence of performance information, managers cannot be held accountable. It's of essence that the availability and accessibility of monitoring information be extended to the various stakeholders especially the public as they would provide some control on public servants attitudes and behaviour.

Moreover, the issue of culture is not limited to public servants. Political leaders are well known for their way of thinking and acting, highly dictated upon by the prevailing type of governance that interfere with management of the public sector. There is also the perpetuation of archaic practices of reform efforts such as PM often being downplayed or abandoned upon change in government. Its against this background that the new MPMM&E vouches for the need for change in organizational culture and subsequently a change in how both political leaders and public servants think and work (The Presidency, 2009A).

It is clearly evident from this study that an organisation's culture can be an impediment to the implementation of reforms. As discussed in this sub-section, the culture in government departments poses a big challenge to the implementation of performance agreements. Moreover, the focus on PAs for performance improvement can be challenged to be ineffective. In view of this, it can be argued that the government should not rely solely on use of PAs to improve performance but should also endevour to inculcate trust, professionalism and loyalty (OECD, 1996; PSC, 2008C).

### 5.2.9 Weak Implementation Strategy

One can argue that SA public sector reforms meant to address performance issues have not had much success. Based on the challenges identified as facing implementation of PAs, it can be inferred that the introduction of management reforms has met resistance due to the absence of the necessary support from the implementers. As Matheson and

Kwon (2003) purport, change in the public sector is formidable as it attempts to affect the status quo and can take ages to be effective. The Presidency (2009A) indicates that there is 'malicious compliance' by public servants. Implementation of performance contracting has not been spared and currently experiences a myriad of challenges. Respondents in this study attribute the challenges facing implementation of PAs to the use of a top down approach and inadequate sensitization and training at the time of introduction and even thereafter. There were no concerted efforts to garner support and make public servants, systems and processes results oriented. Subsequently, performance management is accorded very low priority in the department due to a general lack of understanding and appreciation of its importance.

The fact that implementing public management reforms can be quite difficult, mainly because it requires a change of culture and systems cannot be contested. Inadequate preparation for change, poor diagnosis of the problem(s) to be addressed or partial reforms present challenges during implementation and may result in creating confusion or maintaining the status quo. Failure of several successive reform efforts is a clear indication of a poor reform implementation management strategy. Accordingly, it is evident from this study that the challenges facing the implementation of PAs are partly due to lack of a comprehensive implementation strategy.

A review of how organizational culture affects reform implementation clearly indicate that entrenched cultures can obstruct change through resistance and slow adaptation (Nutley and Osborne, 1994). On the other hand, other issues relating to resources, systems and processes, managers development and performance evaluation were identified as a challenge to implementation of performance agreements. Encompassing the implementation is the leadership element.

Based on this study's findings, it can be asserted that change or reform implementation requires a clear strategy that appreciates and addresses the foreseen challenges. Given the persistent failure in implementation of reforms, public sector organizations should adopt a holistic and systematic approach (Matheson and Kwon, 2003). A reform

implementation strategy should ensure that the implementation goes beyond the prevailing political dispensation and management. Leadership, a critical element for implementation of the strategy, should create and communicate a clear vision for the organization. Consultations and continuous involvement of staff would bring them on board and get their buy in. Subsequently, this would facilitate the implementation of performance contracting as they are likely to provide the necessary support by playing their respective roles. To facilitate successful reform (Laking and Norman, 2007) propose training leaders in change leadership, sensitizing all involved on the need for reform, garnering for political support and developing champions for the reform.

This section presented the study findings as interpreted from the data collected, supported by the literature and the researcher's views. The next section presents recommendations on how implementation of PAs in government department's such as Gauteng department of housing can be improved.

## 5.3 Recommendations on Improvement on PAs Implementation

The previous section presented the analysis and interpretation of the data collected. In this section, some recommendations on how the implementation of PAs can be improved are presented. Over and above the challenges facing public sector reforms, there are also proposed measures that can be put in place to ensure successful implementation. In summary, Analoui (2009) urges public sector organisations planning to undertake reforms to ensure that they have the appropriate structure, systems, culture, management and leadership. One can also contend that alignment between the various elements is also critical.

This study established that the PAs important role to play in public sector performance management is generally appreciated. Notwithstanding this appreciation, respondents were of the opinion that it is currently not doing so given that PAs are simply done for compliance sake mainly because their implementation is never monitored or reviewed. Following are recommendations on how the implementation of performance agreements can be improved.

The PSC (2008C) recommended that PA format templates be reviewed, kept simple and clear for improved and effective implementation and monitoring. Respondents in this study echoed the same sentiments by recommending that the PA template should be revised and made more user friendly by use of simplified terminologies and clear guidelines and should request only information that is to be used. They also recommended that there should be continuous engagement and consultation on its improvement to ensure that it adapts to changing situations.

As in New Zealand, performance reviews play a significant role in the implementation of PAs. Performance monitoring and reviews should be instituted. It is proposed that a committee for PA implementation assessment with clear roles and responsibilities be established. The DPSA and PSC role should be harmonized and effectively implemented to ensure that HRM is well capacitated to handle the implementation of performance agreements and any related issues.

A comprehensive PA implementation strategy should be developed and implemented in consultation with SMS members. This will ensure that all salient issues relating to PA implementation are addressed. The strategy should provide for formal training and sensitization on performance contracting, its importance and the managers' roles in its implementation. Strategies to enforce monitor and evaluate the implementation of performance agreements should be developed and implemented.

The importance of both political and top management leadership cannot be overemphasized as it's the 'glue' that will bind the various elements together. Effective leadership is necessary for the implementation of the various strategies and change of culture. It is also critical to have high level, both political and the departments' top management, commitment in order to mobilize the necessary facilitation for performance. Top management commitment to the implementation of PAs will be easily cascaded to the rest of SMS members. As stated by the MPMM&E, the top leadership must ensure

that their actions are congruent with their speeches and policy statements and should personally champion change (The Presidency, 2009A).

According to Becca (2006), alignment is critical if the overall envisaged benefits such as operational efficiency and effectiveness, transparency, compliance and risk mitigation are to be achieved. Effective implementation of PAs requires adequate support from other relevant systems such as budgetary, procurement and personnel. These systems should be aligned with the PM system in order to facilitate the implementation of PAs by availing adequate resource requirements. Mechanisms for coordination and integration among the various divisions, directorates or chief directorate should be developed and established to deal with the *silo* mentality. Information systems should be developed and adopted to capture, store and disseminate information. The systems will facilitate performance monitoring and sharing of information within the department.

## 5.4 Conclusion

This chapter presented an analysis and interpretation of data collected with the support of literature and the researcher's views. These findings were also analysed against the success factors of implementation of PAs in New Zealand. The analysis and interpretation results addressed the three research questions namely:- What are the current performance contracting practices in the Gauteng department of housing?; What are the challenges encountered in implementing performance contracting?; and What can be done to improve performance contracting?.

The challenges identified were discussed under eight categories which include:- Complex performance agreement format template; Inadequate resources and managerial authority; Political interference; Inadequate performance reviews; Inadequate personal training and development; Systems and processes challenges; Inadequate leadership; Public sector organisation culture; and a weak PA implementation strategy. In addition, a set of recommendations on how the implementation of PAs can be improved was presented.

Complex PA format template result into delay in completion of PAs, low quality of PAs' contents, and increased cases of non-compliance. Subsequently, this makes it difficult to measure or monitor performance. In addition, resources are not always adequate and managers hardly have the authority they need to implement their PAs successfully. Political interference, inadequate performance reviews; failure to effectively address training and development needs and inadequate political and administrative leadership highly feature as challenges. There is no clear vision communicated to managers and neither is the necessary commitment and guidance accorded. In addition, systems and processes challenges that range from bureaucracy, non-alignment to PM, to lack of integration also present challenges to implementation of PAs. The lack of performance orientation create disharmony between existing systems and accounting for performance through PAs.

Moreover, the prevailing public sector organisation culture does not facilitate the implementation of PAs. The endemic behaviour and attitudes entrenched in the public service have the power to downplay reforms as soon as they emerge. Finally, the study findings provide evidence of weaknesses in the PA implementation strategy as an all encompassing challenge. Issues ranging from training, leadership, monitoring, prioritization, coordination and integration among others mentioned in the challenges can be as well attributed to a weak implementation strategy.

Having made an appreciation of the above challenges, this chapter also made an analysis and an interpretation on the recommendations made by the respondents in view of the literature reviewed and the researcher's views. Of utmost importance is to ensure that the existing structure, systems, culture, management and leadership are all oriented to performance and accountability. Specific recommendations include: - Review of the PA format templates to make them simple and clear; institution of performance monitoring and reviews; development of a comprehensive PA implementation strategy; provision of effective leadership; Development of information systems and integration of performance management with other systems; and Restriction on political interference. Chapter six presents this study's recommendations in regard of the presented findings.

# CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

## 6.1 Introduction

Chapter five presented an analysis and interpretation of the data collected during the study. Chapter six presents conclusions and recommendations based on the research findings. In addition, areas requiring further research work are also proposed.

## 6.2 Conclusions

This research study sought to establish the challenges encountered in the implementation of Performance contracting in government departments. In addition, the study proposed, based on the findings, to recommend possible ways in which implementation of Performance contracting in government departments can be improved. Specifically, the study geared to provide answers to the research questions defined in chapter one and which include:- What are the current Performance contracting practices in the Gauteng department of housing?; What are the challenges encountered in implementing performance contracting?; and What can be done to improve performance contracting?. The Gauteng department of housing was used as a case study and specifically, the study focused on performance contracting for SMS members.

Implementation of performance contracting in the SA government departments for SMS members uses 'relational contracts' referred to as performance agreements. SMS is comprised of senior managers from level 13-16 and include directors, chief directors, deputy director generals and director generals. The respondents included six directors and one chief director from the Gauteng department of housing. Participants initially targeted from DPSA and PSC were not available for interviews but provided relevant documents which provided useful information to this study.

This study established that the managers highly appreciate the potential benefits of using PAs in performance management. PAs clarify their responsibilities and expected results and can be an effective mechanism for accountability and performance improvement. The implementation of PAs in the New Zealand public sector, featured as a success in the most literature, provide evidence of the potential benefits. However, as the study established the prevailing implementation challenges in SA government departments has hindered PAs from providing any significant contribution to performance management.

The study concludes that though performance contracting is envisaged to facilitate performance management, there are several key challenges hindering it from being effective. These challenges include:- Complex performance agreement format template; Inadequate resources and managerial authority; Political interference; Inadequate performance reviews; Inadequate personal training and development; Systems and processes challenges; Inadequate leadership; Public sector organisation culture; and a weak PA implementation strategy.

A crucial step in the implementation of performance agreements is preparation of the PA. The study established that the format template provided for preparation of PAs are complex as they have confusing and ambiguous terminologies and are too detailed. In addition they find it difficult to define performance measurements and to define and link KRAs, CMC and *Batho Pele* principles. This is aggravated by lack of adequate training and support for quality control on the preparation of PAs premised on the fact that the staff in HRM, responsible for coordination of performance contracting, do not have the requisite adequate capacity.

Inadequate resources and managerial authority accorded to SMS members in the SA public sector is a challenge to the implementation of PAs. This is against the principle of NPM that qualify managers' commitment to their responsibilities and to be held accountable of results. Senior managers claim there is misallocation, non-prioritization and deviation of budgetary resources and there are no funds set aside specifically for

implementation of PAs. There is shortage of staff due to scarcity of skills and persistent vacancies that takes too long to be filled. The situation is aggravated by lack of managerial authority.

Political interference in public management is a well known fact in most developing countries. It was evident in this study that political leaders and appointees introduce other priorities not aligned to prevailing plans that take up scarce resources and at times create disharmony among staff that hinder implementation of the PAs. Uncertainties during takeover by new governments result into a slow down or abandonment of projects adversely affecting implementation of PAs.

Inadequate performance reviews was identified as one of the biggest challenge to implementation of PAs. As indicated there is no commitment in implementing their PAs since there is no enforcement or monitoring mechanism in place. Performance reviews expected to culminate into performance reports that are submitted to HRM are never done. The reports submitted to fulfil HRM requirements are prepared by the supervisors and do not necessarily reflect the reality. On the flipside, managers are not equipped with adequate knowledge and skills required to undertake their responsibilities effectively. This is as a result of failure to address their training and development needs identified and specified in the PAs.

Systems and processes challenges including bureaucracy, lack of alignment to PM and lack of integration were identified as hindering PA implementation. The bureaucracy in making of decisions, delays in recruitment of staff and procurement, input focused financial reporting and lack of information systems are common in government departments. Inadequate political and administrative leadership also pose a challenge in the implementation of PAs. The study findings established that the political and administrative leadership is not committed and neither is it providing guidance. Contrary to the expectations, the political leaders and top management do not ‘walk the talk’. In addition, the prevailing public sector organisation culture does not facilitate the

implementation of PAs. The endemic behaviour and attitudes entrenched in the public service has waged resistance on building of a performance culture.

Finally, the study established that many of the challenges stemmed from weaknesses in the implementation strategy. The top-down approach in reforms has many times resulted in public servants retreating back to old practices. The strategy would have articulated how issues such as training, leadership, enforcement, monitoring and alignment were to be effectively addressed.

## 6.3 Recommendations

Based on the findings of this study, below are some key recommendations on how implementation of performance contracting in SA government departments can be improved. This also includes recommendations on areas that require further research. These recommendations come at an appropriate time when the new African National Congress (ANC) government has set up a planning commission and a ministry for performance management monitoring and evaluation in an effort to review and consolidate its efforts to improve public service delivery. It's in the same spirit that the government has renewed the call for strengthening performance contracting by putting ministers on performance contracts.

**Development of a Comprehensive Implementation Strategy**

A review of the critical success factors in implementation of performance contracting in New Zealand indicates that the comprehensiveness of the approach to management reforms played an important role. A diagnostic analysis done prior to the introduction of the reforms in the public sector revealed critical interconnected areas that needed to be addressed for the reforms to be successful. In view of this and the findings of this study, it would be indeed important to prepare a comprehensive implementation strategy on performance contracting in government departments. Such a strategy will ensure all the relevant issues are covered and the implementation momentum is sustained. The preparation of the strategy should use a participatory and consultative approach with all the relevant stakeholders. The strategy should be geared to ensure that existing structure,

systems, culture, management and leadership become oriented to performance and accountability. The strategy should stipulate how to address gaps identified including:- PA format template reviews; development and communication of a vision; resource availability and delegation of managerial authority; enforcement strategies; building of guiding coalitions; sensitization and training; continuous reviews and effective communication mechanisms and finally and very critical, monitoring and evaluation of the implementation of PAs;

**Leadership**

Leadership was identified as one big weakness in the implementation of performance contracting and requires separate attention given its important role. The implementation of the recommended strategy cannot succeed in the absence of good political and administrative leadership. The current prevailing political spirit to pursue the public service performance improvement, especially the special interest by the president, presents a great opportunity for garnering the leadership commitment and action to drive implementation of performance contracting at all levels. The president in this year's state of the nation address, delivered on February 11, 2010, reiterated the government's commitment to "build a performance oriented state by improving planning as well as performance monitoring and evaluation" (SOWETAN, 2010, February 12). The President also stated that Ministers would from then sign performance contracts (*Ibid*). Hopefully, the signing of performance contracts by the ministers will ignite the enforcement, monitoring and evaluation of implementation of PAs and reduction in political interference. The institution of performance reviews for ministers is also likely to be cascaded down the hierarchy.

**Areas for Further Research**

To begin with, this study should be expanded in terms of the number of participating departments and informants from higher level members of the senior management service. In addition, further research work should be undertaken to establish systems critical to PM and their extent of alignment to PM. The results of this study can be used to inform the implementation strategy.

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# APPENDICES

## Appendix 1: Interview Guide

### Introduction

The questions below were used to guide the researcher in collection of data from the selected participants who are members of Senior Management Service.

Interviewer: Lucy M. Gaithi

Institution: Graduate School of Public and Development Management, Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg.

Objective: Research Study for Partial Fulfillment of MM P&DM

Topic: Performance contracting in Gauteng Department of Housing

Purpose: To establish challenges in implementation of Performance Contracting

**Background Information**

Name of Interviewee:

Position:

Section/Division:

No. of Direct Reportees:

Period on PA:

Date interviewed:

**Interview Questions (For a members of SMS)**

1. How are performance measurements defined and weights allocated in a performance agreement?

2. What section(s) of the performance agreement is mainly difficult to prepare?

3. In what ways are you facilitated to pursue the targeted achievements of the agreements?

4. What do you find challenging in implementing your performance agreement?

5. What systems affect you in pursuit of achieving the targets specified in the agreement?

6. How is performance of your achievements reviewed or evaluated?

7. What is your opinion on the role of performance agreement in performance management?

8. In your opinion, what would you propose to be done to improve the use of performance agreements in performance management in the department or in the public sector in general?

**Interview Questions (Specific to a representative of the HRM Unit)**

1. What is the role of HRM in the implementation of performance contracting?

2. What are the challenges you encounter in playing your role?

3. What are the challenges faced by senior managers in the implementation of PAs?

4. What is your opinion on the role of performance agreement in performance management?

5. In your opinion, what would you propose to be done to improve the use of performance agreements in performance management in the department or in the public sector in general?

## Appendix 2: Performance Management and Development System cycle

