

# The Implementation of Performance Management in the Cape Town Municipality: 1996-2000

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## ABSTRACT

The aim of this article is to describe, interpret and critically analyse the political and managerial processes which the newly constituted Cape Town Municipality (CTM) followed in initiating and implementing its performance management approach from 1996-2000. The following research questions were posed:

- (i) How clearly were the political-administrative vision and values of the CTM formulated and developed?
- (ii) How was achievement of strategic performance objectives facilitated through management effectiveness and efficiency?
- (iii) How effectively was a normative framework of international best practice implemented by the CTM?
- (iv) What was the impact of political and union attitudes and actions on performance management principles and practice?
- (v) What issues of co-ordination and co-operation were evident in the process?

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## INTRODUCTION

The notion of Performance Management (PM) is a relatively new one in South Africa, especially in the public sector. It developed internationally in the past 30 years from its origin in the Management by Objectives (MBO) approach first enunciated by management writers such as Drucker (1954), Odiorne (1965) and Reddin (1970). In the past decade, MBO has evolved into a more holistic, participative managerial approach, now generally known as 'Performance Management'. Performance Management has its roots in the private sector. In recent years attempts have been made to transplant it to the public sector, albeit with mixed success (Hughes, 1998: 181-7).

The aim of this article is to describe, interpret and critically analyse the political and managerial processes which the newly constituted CTM followed in initiating and implementing its performance management approach from 1996-2000.

## **PERFORMANCE MANAGEMENT – DEFINITIONS**

Armstrong (1994: 23) defines performance management as a method of establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way that increases the probability that defined outputs will be achieved in both the short and longer terms.

The overall goal of performance management is to establish an organisational culture in which individuals and teams take responsibility for the continuous improvement of the organisation, and of their own skills and contributions to desired results.

Williams (1991: 7) states that:

‘The setting of objectives and measurements is the performance management activity which ensures that all employees know what results they need to achieve, to maximise their contribution to the overall business plan. In essence it enables employees to know what is required of them and on what basis their performance contribution will be assessed.’

Williams also emphasises (1991: 9) that performance indicators should:

- Be agreed jointly in advance between the manager and the individual as both realistic and challenging and, as such, they are ‘owned’
- Measure the actual level of achievement so that the basis on which performance is assessed can be clearly understood in advance.
- Support the overall business strategies and values of the organisation so that the performance objectives taken together are mutually supportive and consistent throughout the organisation.

The selection of which Key Performance Areas (KPAs) and Key Performance Indicators (KPIs) are to be used by the organisation is one of the most important strategic decisions that need to be made by the organisation. This decision, and the relative weightings of such indicators will largely determine the short- and long-term strategic focus of the organisation, its management culture, and the performance information systems required (Bacal, 1999: 18-19).

## **CONSTITUTIONAL AND POLICY CONTEXT**

Chapter 7 of the 1996 Constitution of the Republic of South Africa (RSA, 1996) sets out the objectives and developmental duties of local government.

Section 152 deals with the objectives of local government, as follows.

### **OBJECTIVES OF LOCAL GOVERNMENT**

152(1) The objectives of local government are:

- (a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;
- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and
- (e) to encourage the involvement of communities and community organisations in the matter of local government.

152(2) A municipality must strive, within its financial and administrative capacity, to achieve the objectives set out in subsection (1).

### **DEVELOPMENT DUTIES OF LOCAL GOVERNMENT**

153 A municipality must:

- (a) structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community; and
- (b) participate in national and provincial development programmes.

The White Paper on Local Government (Department of Provincial Affairs and Constitutional Development, 1998) emphasised the impact which developmental local governments can have on the lives of typical South African communities such as:

- provision of housing infrastructure and services
- creation of liveable integrated cities, towns and rural areas
- local economic development
- community empowerment and resource redistribution.

Amongst the 'tools' and 'approaches' for developmental local government, the White Paper identified significant changes required in the way local government

works in South Africa. Three approaches were identified to assist municipalities to become more developmental and effective (p. 26), namely:

- integrated development planning and budgeting
- performance management
- working together with local citizens and partners.

Flowing out of the White Paper was the Local Government: Municipal Systems Act (RSA: 2000). This Act requires municipalities to establish a Performance Management system that is in line with the objectives, indicators and targets in its Integrated Development Plan to enable it to administer its affairs in an economical, effective, efficient and accountable manner. It needs to be noted that this legislation was not in place when the CTM introduced its PM system. However, the city was influenced by national thinking which was moving towards setting up a PM system. The CTM's view was that it wanted to be the cutting edge of such PM reform.

## **THE NEW CITY OF CAPE TOWN 1996-2000**

### The move towards performance measurement

After the Cape Metropolitan Area (CMA) local government 'interim phase' elections in 1996, the African National Congress (ANC) emerged as the governing party in the CTM. The CTM was the best resourced of the seven councils (1 metropolitan council and 6 metropolitan local councils) within the CMA. The National Party (NP) had won control of the other 5 metropolitan local councils and of the Cape Metropolitan Council in the greater Cape Town region (see Cameron, 1999). The CTM was the only Metropolitan Local Council in the CMA to appoint its Chief Executive and all Executive Directors on performance-based contracts with the potential of performance bonuses, rather than on traditional permanent tenure appointments (Sewell, 2000: 113).

The 1996 municipal election marked the end of racially segregated local government in South Africa. In particular, it brought severely disadvantaged African areas under the control of formerly white local government structures. The CTM also faced the enormous challenge of the historical legacy of *apartheid*, characterised by unequal distribution of services. In some areas of the City infrastructure and basic services were non-existent. This included sanitation, water supply, electricity, street lighting and other infrastructure, as well as municipal amenities such as libraries, community halls and clinics. There was also a severe housing crisis, worsened by high levels of poverty and unemployment (City of Cape Town: 1999A: 3).

The CTM had defined its macro organisational design in terms of five executive directorates or departmental 'clusters': corporate finances, municipal services, planning and economic development, community development and institutional transformation. These five strategic executives would be led and co-ordinated by a Chief Executive, forming the Executive Management Team (EMT). The Chief Executive and line Executive Directors were appointed on a five year performance based contract, while the Institutional Transformation Executive Director was appointed with a three year performance related contract, on the assumption that the transformation and organisation development goals would be achieved within a three year period.

The new City Manager, and the Executive Directors (EDs) were appointed in early 1997 and by the middle of the year their contracts had been finalised, with fairly broad performance related objectives and a commitment to annual performance review and reward. These broad objectives were to strive to ensure that Cape Town becomes:

- a leading city of the world
- a prosperous city with a thriving economy
- an integrated city, with equal access to facilities and opportunities
- a harmonious, safe, orderly and secure city with an attractive natural and built environment
- a city in which all of its peoples are able to ensure an optimum quality of life (Sewell, 2000: 113-6).

The performance contracts also had more specific objectives. For example, the ED for Planning and Economic Developments Director's contract stated that he had to:

- plan and ensure the implementation of the City of Cape Town's economic development strategy;
- plan and ensure the implementation of spatial integration and the management of urbanisation strategies;
- plan and ensure the implementation of strategies for the integrated management of built environments;
- build and promote the effective use of coalitions for growth and development, through facilitating the establishment of community networks and public-private sector partnerships which facilitate the achievement of the city's strategies, programmes and budgets;
- on an ongoing basis to review, monitor and appraise progress and performance in achieving the fulfilment of agreed plans and budgets and taking appropriate corrective action;
- participate in the activities of the executive management team and such other teams as convened from time to time, to conceptualise, plan, integrate, co-

ordinate, implement and monitor corporate policies and strategies (Sewell, 2000: 116).

## **COMPARATIVE PERSPECTIVES**

The CTM commissioned a comprehensive international study of successes and failures in public sector and parastatal performance management programmes. A complete analysis of the international lessons learned survey by the CTM is beyond the scope of this paper. What was deduced was that the following components were necessary for an effective and sustainable public sector PM normative framework:

- meaningful consultation with community stakeholders in defining priority outcomes and in agreeing performance objectives or indicators
- clear definition of ‘customer’ related outputs and outcomes, which the institution can realistically measure and achieve, within its resources
- visible political and management commitment and pro-active leadership of the PM process
- clear linkages between the organisational performance objectives and individual performance indicators of the appropriate political, strategic and operational management levels
- a developmental, rather than a punitive approach
- credible achievement measurement criteria
- accurate, timely performance evaluation data and feedback
- prompt and commensurate consequences, whether positive or negative
- simplicity and flexibility in operation, yet with consistency in measurement standards and consequences.

## **INITIATION OF THE PERFORMANCE MANAGEMENT SYSTEM**

While there had been a thorough international review of comparative best practice of performance management systems, the implementation thereof in the CTM turned out to be rather problematic. As pointed out, the CTM had introduced a PM system before there was any national framework. While local experimentations are not necessarily a problem, the absence of a national framework did in fact mean that the introduction of the Cape Town PM system was a process of trial and experimentation which contributed to some crucial errors that were made, in the “interim” transformation period of local government, 1996-2000.

Throughout this period, the pressure and confusion of the ongoing transfer of staff, files, equipment and premises to and from the new CTM and the other newly constituted municipalities made the effective marshalling of resources to

begin implementing any specific vision or PM system a near impossibility (Interview with CTM Exco Chairperson, July 1997 and Sewell, 2000).

This lack of focus on PM was reflected in the media reports on the first performance review, carried out in 1998. The EDs and City Manager were evaluated by the CTM Executive Committee (Exco) on their personal performance and the effective operation of their departments. The City Manager is said to have exceeded expectations, receiving a 85 per cent rating from Exco. Other EDs ratings were 85 per cent, 65 per cent and 70 per cent although the ED for Planning and Economic Development was given a performance rating of only 55 per cent. The latter ED challenged this, saying that the process was flawed: his department did not have the necessary resources and did not have enough support in dealing with a 'difficult' public. After taking legal advice, Exco retracted, publishing a public apology in the local press, acknowledging that the process of performance evaluation was incomplete and a number of serious objections were being considered. Exco stated that while it was fully committed to evaluations of the performance of staff to ensure delivery, it had unanimously decided to declare this particular process null and void.

It appeared that Exco had adopted a subjective set of impressions of achievement, rather than using objective agreed performance criteria indicators. This was a significant setback for the embryonic PM approach and as a result, no performance bonuses were paid to City EMT members for 1997/98 (Sewell, 2000: 122-3).

The CTM then returned to the drawing board and began working on a comprehensive performance management system. Each of the 16 directorates were required for the first time to draw up operational business plans within the agreed budget, with performance related objectives and performance indicators. Exco also decided to put in place a review process which would entail monitoring and evaluating corporate performance on business plans by means of regular performance review, moving as soon as practical to an individual director level. This review process was necessary in order to track the performance results of individual directors and managers within the framework of their organisational business plans (Sewell, 2000: 124-7).

The PM programme was ready to be launched and the tender for external consultants to facilitate the process was awarded to IBM's consulting division; which then seconded a consultant to head the CTM's Transformation staff. As the former ED for Institutional Transformation had departed, a project team consisting of senior politicians and officials was set up to lead the performance management project.

Deadline dates were agreed, with a view to gaining Exco approval for the framework of a performance management programme by March 1999. However, the PM project plan soon began to show cracks. Firstly, the ED for Institutional Transformation had resigned and a former ANC councillor (in fact the former 'political sponsor' of the PM project) was appointed to the post. This had a number of adverse effects. Firstly, the new ED was seen by several officials as a political appointment to promote governing party policy and accordingly did not get management buy-in for the PM process. Secondly, the Human Resources Department (HRD) and Organisation Development and Transformation (OD&T) Department, formerly co-ordinated by the departed ED, began operating autonomously, and strategy and personality differences began to emerge, negatively influencing coherent PM implementation. Thirdly, the corporate relationship with IBM consultants began to sour, apparently because of their perceived distance from the practical needs of the Council in moving the project forward. Fourthly, the level of commitment and ownership required from the Executive Management Team was not always top of their priority list. This was possibly because of the disputed performance rating of the ED which was leaked to the press, and resulted in considerable embarrassment for Exco and non-payment of any bonuses to all the EMT members. Furthermore, 2 EDs who had previously been on the permanent staff of the former Cape Town City Council had refused to sign their new performance contracts until they received a written assurance that they would not be financially disadvantaged in terms of their length of service and the benefits to which they were entitled. This was only resolved in 2001. A key element of best practice, namely line management accountability and "ownership" of the PM process, was accordingly absent.

This was reflected in an audit of performance management attitudes within the City where only 11 out of 63 Directors and Branch Managers indicated that they would support the introduction of a formalised corporate performance monitoring system (Sewell, 2000: 127-30).

## **DEVELOPMENT OF PERFORMANCE MANAGEMENT THRUST**

The increasing thrust for a performance management approach developed from the seven strategic political objectives adopted by the Cape Town City Council in 1998, widely publicised as the "Commitment to Cape Town" (Sewell, 2000: 118-20):

- *a framework for the integration of the City*: "a common vision for a divided city"
- *equity and redistribution*: "a commitment to fairness for all"
- *poverty and social disintegration*: "helping areas most in need"



- *housing and homelessness*: “new solutions for public housing projects”
- *economic development and job creation*: “working for growth and opportunity”
- *promoting community safety*: “teaming up to fight crime”
- *special high impact projects*: “from planning to action”

This “Commitment to Cape Town” document was adopted by Council as a corporate business plan, emphasising that the seven strategic priorities must be integrated into a coherent plan, driven by three management strategies:

- *a financial strategy*: including new budgeting and reporting processes
- *a transformation strategy*: including human resource development, performance management and change management;
- *a communications strategy*: aimed at internal and external stakeholders.

In her budget speech for the “People’s Budget” of 1998/1999, the Exco Chairperson emphasised that the integrated development planning process for the City of Cape Town was developed within this framework of seven strategic priorities, and pointed out that because of the reduced subsidies from national and provincial government, capital expenditure had to be budgeted at an overall reduction of 10.9 per cent compared with the previous year, and also that Council’s personnel budget was under severe pressure. The overall tone of the budget speech underlined the determination of Exco to “do more with less”, challenging councillors and management to focus their resources, energies and skills on the services and projects that would deliver most effective and sustainable results, within the framework of the seven strategic objectives. Each of the 16 directorates was required to draw up operational business plans within their agreed budgets; with performance objectives and performance indicators for each objective. This was a significant move in the direction of creating a framework for the performance management approach within Council’s organisation, because “performance indicators” had seldom been part of the culture of any Council department in past years. A “strategic scorecard” for Council, Exco and EMT agendas, was adopted – based on the Balanced Scorecard approach<sup>1</sup>. Most significantly, in terms of the launching of a formal performance management programme within CTM, was the Exco decision to put in place a regular performance review process. This would monitor and evaluate corporate performance on the business plans by means of regular performance reviews at Executive Management Team level ... moving “as soon as possible” to an individual management level, in order to track the contributions of individual directors and managers within the framework of their business plans.

Now came the creation of a powerful and innovative aspect of the CTM business planning and performance improvement process: the concept of

identifying mission – critical Business Plan Highlights (BPH) in each of the business plans, which were politically and operationally vital and which could be resourced and motivated by a “carrot and stick method”. In implementing the 1999/2000 budgets, the focus on key result areas was underscored by reducing all operational budgets by 5 per cent, thus creating a pool of funding which could be used as an extra incentive to directors and branch managers who performed “on track” with their Business Plan Highlights quarterly, and would then be allocated additional funding **based on their demonstrated ability to perform**. Although the total value of the 17 business plan highlights was less than 20 per cent of Council’s operational budget, this was regarded as an acceptable proportion in keeping with the Pareto or 80/20 principle, familiar to many effective business managers who manage the 20 per cent key deliverables within their businesses, in order to achieve the 80 per cent most significant results. During the ensuing financial year, the system of focussing on and resourcing business plan highlight achievements proved successful and motivational at EMT and Director level: during a subsequent performance audit, several directors made comments such as “business plan highlighting is a master stroke – it has broken us away from the old incremental budgeting”; and “it’s a hell of an improvement; we are now much more focused and we ask many more questions about cost, service standards and deadlines”. The increased paper work and centralised controls inherent in the CTM system, however, caused some resentment from middle management: “we are *gatvol* (fed up); we spend too much time regurgitating information ... we are being paralysed by paper and process ... and it stops us from getting on with our work”.

### **1999-2000: NEW BUDGET BENCHMARKS AND ACCELERATED PERFORMANCE MANAGEMENT**

As Cape Town’s 1999/2000 Budget was prepared and presented, the seven strategic objectives were clearly defined again as the Council’s agenda for equitable service delivery and integrated development. Further valuable performance-related research was commissioned in order to provide a more solid basis for understanding community needs and defining performance indicators in the strategic areas, including (Sewell, 2000: 132-6):

- a 100 page comprehensive and definitive report on “poverty indicators” and the 7 strategic priorities of the City of Cape Town (Isandla Institute, 1999)
- an extensive Residents Satisfaction Study (Nielsen, 1999) which highlighted opinions from civic, community and business organisations throughout the City in terms of their classification of services as “essential”, “necessary”, and “nice to have”. The Satisfaction Study also enabled community stakeholders to rate Council communications, customer service standards and citizens’ willingness to pay for improved services.

Using this data, the Business Plan Highlights were redefined in several cases, and the CTM's Human Resource Management Department was able to begin a skills audit with a view to preparing a comprehensive document entitled "Business Plan Highlights – Training Strategies", incorporating a skills development plan process linked to Council's employment equity plan to redress former *apartheid* job discrimination. A major project was launched to focus on the core competencies required by Council management and key staff, as a possible basis for equitable selection, internal promotion and staff development programmes.

As the year 2000 progressed, however, increasing political pressure (doubtless in the light of the looming municipal elections) was evident; and the City Manager commissioned an independent performance audit team to verify the latest business plan highlights and capital project reports submitted in January 2000, so that the EMT and Exco could be assured that valid performance measurement information was in fact flowing through to them. The report of the independent performance audit, however, was not at all reassuring to EMT and Exco leadership; neither in terms of the verification of figures and key performance area objectives, nor in terms of the achievement of required performance indicators for the various business plan highlights and capital programmes. The main findings of the performance audit to EMT were as follows:

- business plan expenditure and projected results were "suspect", as approximately 95 per cent of the sample of branches audited indicated that 100 per cent of their budgets would be spent by year end, despite an average of only 15 per cent actual expenditure reflected for the six month period under review. "It was highly unlikely, therefore, that such a large backlog could be recovered in the second six months of the financial year".
- the Business Plan Highlight Scorecards were not always completed in a standardised manner and "the expenditure reflected and projections made could therefore not be used as an effective performance measuring tool for future decision making"
- with regard to the specific performance indicators on the various Business Plan Highlights, the review form given to directors and managers did not ask for any indicator information, and so "it was therefore not possible to verify their achievement or otherwise".

As a direct consequence of this performance audit report, the processes of monitoring, tracking and reviewing the organisational performance indicators had to be further refined and simplified, seeking to achieve the full benefits of the performance management thrust; and also to maintain an acceptable level of credibility, motivation and implementation by directors and managers.

The Exco Chairperson made a telling point in his remarks to a subsequent Exco/EMT *bosberaad* (strategic review workshop) that unlike politicians, who will “soon undergo the ultimate performance audit – an election”, senior management in the CTM had not yet had their performance appraised. Ironically, he did not reflect that this was in fact the employer’s responsibility in terms of the EMT contracts. Flowing from this *bosberaad*, a further refinement to the Business Plan Highlights was prepared for the coming year, and revised performance indicators and objectives were set for the preparation of the 2000/2001 Council Budget. Decisions were also made to prepare performance reviews for the City Manager and each Executive Director; and to prepare practical training sessions for all Branch Managers in the philosophy and practical application of performance management for implementation in their branches. This planned roll out during 2000 was destined not to happen, however – for a combination of reasons, as it later emerged in the study: increasing pre-election pressure to deliver left little time for reviewing results and training middle management in the essential interactive skills of performance improvement in their branches; and a growing reluctance to discuss actual achievements was evident, in the light of the fact that few specific performance objectives had actually been agreed between Exco and EMT members, against which they could equitably be assessed. Given that the two EDs formerly on permanent staff had still not signed their 1997 performance agreements, it was apparently decided not to pursue the performance reviews, and the process of assessing actual performance, reviewing skills development needs and resource deployment ultimately took second place to the public promotion of Council achievements, as the Unicity election programme began to take centre stage in the minds of politicians and professional managers alike. As one of the EDs put it: “Why should I expose myself to a performance review at this stage? With elections just around the corner, and the possibility of a new Council employer – that could be a career limiting event!”

## **EVALUATION OF CTM’s PERFORMANCE MANAGEMENT SYSTEM**

How effectively and efficiently did the CTM initiate and implement its performance management system? This analysis is based on the perusal of primary documents and a set of qualitative interviews held with senior CTM officials and managers.

### **1. How clearly were the political-administrative vision and values of the Cape Town Municipality formulated and developed?**

On the balance of the evidence it can be suggested that the CTM’s political vision, core values and strategic priorities were carefully formulated,

consistently communicated to the stakeholders and reviewed regularly with senior management and communities as the basis of Cape Town's public commitment to performance.

**2. How was the achievement of strategic performance objectives facilitated through management effectiveness and efficiency?**

Possibly because of their inexperience in the design and implementation of performance management processes, political leadership and executive management did not adequately build in fundamental PM processes. They allowed a very complex set of organisational performance indicators, framework and centralised reviews to be brought into being which led to long EMT and EXCO meetings, some of which time could have been used more productively in devolving accountability to, and developing operational PM skills at director and branch manager levels.

The CTM's political/administrative management was neither optimally effective nor efficient in achieving its planned strategic implementation of transformation and performance management objectives. Indications of why there was underachievement are discussed hereunder.

**3. How effectively was a normative framework of international best practice implemented by Cape Town?**

Within the framework of international best practice research, and the components identified by several Exco and EMT performance improvement workshops, the following conclusions can be reached on how effectively the CTM implemented its stated PM approach:

- (i) *Meaningful consultation with community stakeholders in defining priority outcomes and in agreeing performance objectives and indicators.*  
There was generally much consultation and ongoing annual public information campaigns, including pre-budget consultation meetings which were held on a large scale as part of the 'Commitment to Cape Town' theme of the PM programme. Civic organisations indicated that the flow of information generated was unprecedented and provided much meaningful feedback to Council's Exco and EMT for performance planning and review. The data does, however, suggest that municipal trade unions were seldom consulted for their inputs on performance priorities and indicators.

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- (ii) *Clear definition of 'customer-related' outputs and outcomes which the institution can realistically measure and achieve, within its resources.*  
This component was generally positive. For example, the 2000/2001 Business Plan Manual (City Council of Cape Town, 1999B) for the first time defined departmental outputs and medium-term outcomes for almost every Council function, not always readily measurable at the time, but indicating the future information database necessary for measurement.
- (iii) *Visible political and management commitment and pro-active leadership of the PM process.*  
Exco and EMT commitment to the PM process was evident from the conceptual origins of the PM programme in early 1997, when the new EMT was appointed on the basis of broad performance competencies and contractual criteria. The pro-active EMT management leadership lost momentum from late 1998, however, after the public retraction of ED performance reviews, which had still not been systematically undertaken by 2000. This lack of meaningful consequences of performance, and the reluctance of two EDs to sign their performance contracts until the resolution of their questions regarding their former service conditions, undoubtedly diminished 'ownership', motivation and commitment of senior management to the PM process and products.
- (iv) *Clear linkages between the organisational performance objectives and individual performance indicators at the appropriate political, strategic and operational management level.*  
One major shortcoming was that no direct linkage was established between Cape Town's institutional and individual performance agreements, below ED level. The ED individual "performance scorecards" were not consummated after the October 1998 objections and apology; and were not further implemented, pending resolution of legal queries on two ED performance contracts. The process of developing a "performance management culture" was not extended to the next levels of management, by re-focussing their job descriptions on outputs linked to the organisational business plans.
- (v) *A developmental rather than a punitive approach*  
The conceptual process of effective PM encourages continuous performance feedback, improvement and development. Observations, however, showed that senior CTM managers had a punitive culture i.e. 'to performance manage' was typically understood to connote 'taking disciplinary or punitive action', rather than coaching, developing or supporting performance improvement.

(vi) *Credible, achievable measurement criteria*

The issue of identifying and effectively using credible performance indicators or management criteria for Council's strategic priority outcomes and business plan objectives proved to be difficult. Firstly, the CTM strategic priorities related largely to long-term outcomes which were measured through specifically commissioned surveys and national census data, which was not necessarily available by local municipal areas. Secondly, the lack of previous experience in defining performance indicators and negotiating realistic targets for Council's wide range of services led to many hours of heated debates at political and managerial workshops, regarding the relevance, validity and achievability of alternative performance criteria.

A further concern was that the 17 Business Plan Highlights which together with the Capital Development Projects, formed the main PM thrust for Cape Town, represented only 20 per cent of total City expenditure and did not involve all branches in the PM process.

(vii) *Accurate, timeous performance evaluation data and feedback*

One of the most essential components of the PM conceptual model is the existence and use of accurate and timeous evaluation data, so that recognition, reinforcement or corrective action can contribute to performance management. This component was not often evident in Cape Town's pioneering PM programme. Probably, the most serious gap was the archaic financial reporting system, which was never less than two months in arrears, thus making prompt reaction to financial performance data out of the question.

(viii) *Prompt, commensurate consequences, whether positive or negative*

The lack of meaningful consequences to reinforce team or individual achievement and behaviour was recognised by most officials interviewed as a serious shortcoming in the Cape Town PM pilot process.

For example, at EMT level, the Exco failure to resolve disputes regarding the two EDs' performance contracts and to implement individual ED performance contracts, meant that there were no performance bonuses paid out in terms of their contracts to the City Manager and the EDs. This was described by these senior officials as a very demotivating situation, given that they had foregone the usual guaranteed thirteenth cheque 'bonus' in accepting the challenge of a fixed-period performance-based contract (Sewell, 2000: 188-204).

There was a serious lack of co-ordination, co-operation and trust between the HRD and the OD&T departments. This led to significant dysfunctionality and lack of effective integration between the desired thrust of PM, and the existing personnel management processes which needed to be linked in to PM, several of which (such as job descriptions, competence definitions, skills development, career management, recruitment and selection and employment equity) were located in the Human Resource function (Sewell, 2000: 188-206).

- (ix) *Simplicity and flexibility in operation, yet with consistency in measurement standards and consequences.*

Central to the CTM performance management programme was a series of corporately identified business improvement projects, aimed at simplifying and streamlining customer service and administrative efficiency. All senior management respondents interviewed (May/June 2000) who had been involved in identifying and implementing these projects, confirmed their value in terms of saving time, money and facilitating improved staff motivation and service delivery levels.

Almost all of these senior officials, however, commented on the perceived complexity of the organisational PM tracking and review processes, indicating a high level of frustration with the 'huge volume of paper produced by the planning and reporting' and the 'chopping and changing of objectives and systems'.

- (4) **What was the impact of political and union attitudes and actions on performance management principles and practice?**

Proactive political leadership from Exco was always a positive factor in the direction of the CTM organisational performance management. Exco worked closely with the Executive Management Team in promoting the Cape Town mission, vision and seven strategic priorities.

The political-administrative interactions of the CTM Standing Committees, however, were not similarly proactive or productive. The perception was expressed by several senior managers and union leaders that a 'punitive approach' was too frequently observed in the interactions between politicians and management. The phrase 'we must performance manage him' was heard at various meetings with the connotation of disciplining or taking strong corrective action against an unco-operative staff member.

Several senior managers also expressed concern at the blurring of the political-administrative roles through the appointment of a former politician as the project



leader in charge of performance management. Several directors and managers found this blurring to be problematic, because the person concerned was perceived to be participating actively in political caucuses, influencing the opinions of politicians about officials' performance, competence and commitment.

Union support for the performance management process (as reflected in interviews in May/June 2000, towards the end of the research period) was at best lukewarm; confined to broad support for organisational goal setting and productivity improvement, but firmly against translating organisational objectives into 'subjective' measurable individual accountability, which might affect union members' career scope.

## CONCLUSION

Based on the foregoing discussion, the following conclusions can be made regarding the processes adopted by the Cape Town Municipality to implement their PM system from 1996 until 2000.

- The performance management concepts, approaches and tools used by the CTM were politically and theoretically appropriate at organisational level, though not effectively operationalised to achieve real management ownership, accountability, motivation and commitment.
- The development of the City's vision, mission and strategic priorities as a platform for integrated development planning was done with considerable community consultation by political leadership and executive management. A high level of awareness of these strategic priorities was achieved, certainly at senior management level and possibly amongst the majority of the Council managerial staff. It refocused the energies and resource allocation of CTM management on defined outputs and outcomes, rather than on mere administrative effort.
- The planned cascading of performance indicators from organisational business plans to team and individual managers accountable for performance outputs did not happen. It is likely that little more will be done at individual PM level until the specifics of the process are agreed with the trade unions.
- CTM political Exco and EMT officials have initiated and participated in community and sectoral progress reviews with a range of stakeholder groups.
- It is difficult to assess accurately (without comprehensive staff attitude surveys) whether the CTM organisational culture has become more performance-aware or results-driven from branch manager level down. Although the focus on BPHs and capital projects has contributed to a higher

level of performance awareness and accountability for results, this is only evident in these branches where these PM processes were implemented.

- Without clear definition of relevant, measurable indicators and benchmarks to monitor and motivate performance, no municipal PM approach can achieve the desired sustainable results. A great deal of thorough research and experienced thought at organisation level went into the selection of KPIs for the BPHs. A significant problem was that the archaic municipal information systems did not facilitate timeous, accurate reporting on many of these performance indicators. This was mitigated by the fact that several senior managers instituted their own manual KPI information monitoring and reporting systems. This made meaningful follow-up, diagnosis and corrective action possible in those branches.
- Acceptable methods have yet to be worked out for the conversion of permanent career appointments to fixed-period performance-based contracts; as shown by the legal complexity of the non-resolution of two Cape Town EDs' unsigned contracts. Non-payment of ED performance bonuses and lack of agreed specific performance criteria and consequences by the Council as employer unfortunately became a disincentive; and led to diminished management support for the effective implementation of performance management, despite all the enthusiasm and drive of political leadership in the City Council.

## ENDNOTES

- 1 The *Balance Scorecard* is a performance measurement approach which enables organisations to define their strategic focus in terms of four key "perspectives", (or "strategic themes") which need to be "balanced" for sustainable performance, namely: financial, customer, internal business processes and staff learning and growth perspectives. The alignment of organisational with individual scorecard objectives, and identification of linkages between various functions or departments, are essential for the balanced allocation of resources and co-ordination of potentially conflicting strategies, in a complex organisation.
- 2 Initially designed for application to the for-profit (private) sector, where the emphasis on financial profitability objectives is paramount, the authors subsequently developed a modified version of the Balanced Scorecard tool for not-for-profit and public sector organisations, notably pioneered by the City of Charlotte, USA (Kaplan, 1999).

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