

PREFACE	iii
ACRONYMS	iv
 CHAPTER 1: BACKGROUND	 1
1.1 INTRODUCTION	2
1.2 WHAT IS ORGANISATIONAL PERFORMANCE ASSESSMENT (OPA)	3
1.3 WHAT IS ASSESSED THROUGH OPA	5
1.4 OPA IN THE PUBLIC SERVICE	6
 CHAPTER 2: AN OVERVIEW OF THE OPA FRAMEWORK	 9
2.1 LEGISLATIVE FRAMEWORK	10
2.2 AN OVERVIEW OF THE OPA INSTRUMENT	11
2.2.1 Strategic Planning and Annual Reporting	11
2.2.2 Human Resource Management	12
2.2.3 Financial Management	12
2.2.4 Service Delivery	12
2.3 PILOTING THE OPA FRAMEWORK	13
2.4 AN OVERVIEW OF THE LESSONS LEARNED FROM THE PILOT	13
2.4.1 Strategic Planning and Reporting	13
2.4.2 Human Resource Management	14
2.4.3 Financial Management	15
2.4.4 Service Delivery	15
 CHAPTER 3: TOWARDS A REVISED OPA FRAMEWORK	 16
3.1 PERFORMANCE AREAS FOR THE OPA FRAMEWORK	17
3.1.1 Strategy and Leadership	17
3.1.2 Human Resource Management (HRM)	17
3.1.3 Financial Management	20
3.1.4 Service Delivery	20
3.2 ASSESSMENT CRITERIA PER PERFORMANCE AREA	21
 CHAPTER 4: CONCLUSION	 23
4.1 INTRODUCTION	24
4.2 CONCLUSION	24

Founding Document on Organisational Performance Assessment in the Public Service

PUBLIC SERVICE COMMISSION
September 2008



Published in the Republic of South Africa by:

THE PUBLIC SERVICE COMMISSION
Commission House
Cnr. Hamilton & Ziervogel Streets
Arcadia, 0083

Private Bag X121
Pretoria, 0001

Tel. (012) 352-1000
Fax (012) 325-8382
Website. www.psc.gov.za

National Anti-Corruption Hotline Number for the Public Service:
0800 701 701 [Toll-Free]

Compiled by Branch: Monitoring and Evaluation

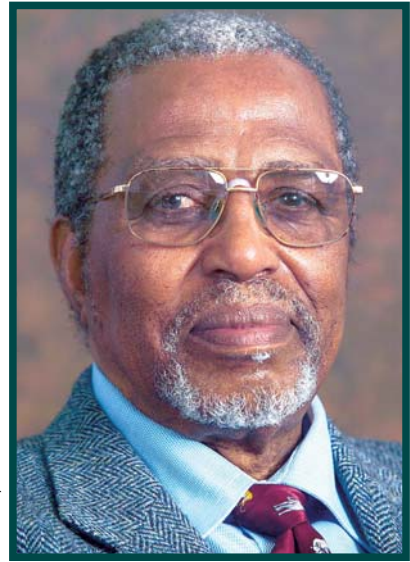
Distributed by Directorate: Communication and Information Services

Printed by: Okusha Designs
ISBN: 978-0-621-38272-3
RP: 263/2008



PREFACE

Government requires a Public Service that performs effectively in order to meet the objective of creating and sustaining a better life for all its citizens. Effective performance requires the use of appropriate mechanisms for monitoring the implementation of the programmes of the Public Service and for supporting informed decision-making. It is thus important to ensure that the performance of the Public Service as an institution and that of public servants as individuals is monitored and assessed systematically. In order to play its role in this regard, the Public Service Commission (PSC) has over the years monitored the implementation of performance management and development systems in the Public Service. In addition, the PSC has been and continues



to facilitate the evaluation of the performance of Heads of Department (HoDs). Through its involvement in the evaluations, the PSC has come to appreciate the importance of the relationship between the performance of HoDs as individuals and that of the departments they are responsible for. This relationship may not always be linear, but it is nonetheless important to assess and understand it. The PSC, therefore, in 2006 developed and piloted an instrument for collating and analysing information on the performance of departments.

The PSC has now found it important to take its work a step further in this area by developing this founding document on organisational performance assessment. The purpose of the document is to ground the PSC's work on organisational performance assessments and to underpin the rationale for carrying out these assessments. The document provides a brief overview of what organisational performance assessment is and how it relates to other key organisational processes. The document then outlines the organisational performance assessment instrument the PSC has developed and shares the lessons learned from the pilot. Finally, the document outlines a framework for organisational assessment which the PSC will be using going forward in an attempt to deepen its work in this area and contribute towards improved performance monitoring in the Public Service.

Although the document does not purport to exhaustively address all the areas of organisational performance assessment, it is hoped that as you read it the issues raised will find resonance with your experiences in this area. In addition, the PSC trusts that the document will inspire further critical dialogue and improvements in the assessment of performance in the Public Service.

PROFESSOR S SANGWENI
CHAIRPERSON: PUBLIC SERVICE COMMISSION

ACRONYMS

AG	Auditor-General
CMCs	Core Management Criteria
DPSA	Department of Public Service and Administration
EA	Executive Authority
HODs	Heads of Department
KRAs	Key Result Areas
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NT	National Treasury
OPA	Organisational Performance Assessment
PMDS	Performance Management and Development System
PSC	Public Service Commission
PSR	Public Service Regulations
SCOPA	Standing Committee on Public Accounts
SONA	State of the Nation Address
TR	Treasury Regulations

CHAPTER ONE

BACKGROUND

This section deals with the following:

- An introduction providing a rationale for the PSC's interest in organisational performance assessment
- What is organisational performance assessment
- What is assessed through organisational performance assessment
- The application of organisational performance assessment in the Public Service

1.1 INTRODUCTION

Monitoring and reporting on performance is one of the critical processes which organisations across the public and private sectors are generally encouraged to promote and institutionalise. Not only do such processes promote accountability for the achievement or otherwise of organisational objectives and targets, but in addition, if done properly, they also support learning, decision-making and performance improvement.

In the South African Public Service, measures that have been introduced to promote accountability for performance include performance management and development systems, the submission of quarterly reports to National Treasury and the tabling of annual reports in Parliament. As an institution that is constitutionally mandated to monitor performance in the Public Service, the Public Service Commission (PSC) has over the years conducted assessments of how government departments implement these accountability mechanisms. The assessments have sought to both generate critical oversight information for Parliament as well as provide advice to the Executive.

One of the areas that the PSC has been paying particular attention to in this regard is the evaluation of the performance of Heads of Department (HoDs). The PSC is responsible for facilitating these evaluations, a process which is guided by the Framework for the Evaluation of HoDs¹ as adopted by Cabinet and made mandatory for all national and provincial departments with effect from December 2002. Throughout this period, the focus of the evaluations has largely been on the performance of HoDs as individuals. More specifically, the PSC reached the conclusion that if HoDs are indeed accountable for the achievement of overall departmental performance targets, then their performance as individuals should not be looked at in isolation from the overall progress made by their departments. In the PSC's experience, the correlation between the performance of HoDs and that of their departments is not always evident. For example, over 80% of the HoDs whose performance was evaluated between 2002/3 and 2004/5 received a rating of 4 and above, which means that their performance was regarded as 'significantly above expectations'.² Yet, during the same period many service delivery gaps remained, and the Auditor-General

1 Republic of South Africa. Public Service Commission. Report on the Implementation of the Framework for the Evaluation of Heads of Department. November 2002.
2 Republic of South Africa. Public Service Commission. Report to the Presidency on the Implementation of the Framework for the Evaluation of Heads of Department in the Public Service. October 2006.

drew attention to a less than satisfactory state of financial management in some of the departments. Given considerations like this, it is important that closer attention is paid to the connection between individual and organisational performance.

In an attempt to contribute towards a better understanding of the relationship between individual and organisational performance, in 2006 the PSC developed a template to conduct an Organisational Performance Assessment (OPA). The template was a critical development in the PSC's efforts to assess the overall performance of departments and provided a framework for the collection and analysis of the required performance information. The template was piloted during the 2005/6 cycle of HoD evaluations, and the information gathered on each department was presented in a report form to advise the panels responsible for the assessment of the respective HoDs and to give feedback to EAs on the performance of their departments. In October 2007, following a process of critically reflecting on the lessons learned from the pilot, the PSC concluded that while its OPA template threw light on important organisational performance issues, the amount of information collected and the quality of the analysis could be improved. Accordingly, the PSC decided to put in place a founding document to further ground its understanding of OPA and to underpin the rationale for future work along this new path of strengthening the relationship between organisational and individual performance assessment. The document also seeks to record the PSC's experiences from its OPA pilot and to share the lessons learned from this process.

1.2 WHAT IS ORGANISATIONAL PERFORMANCE ASSESSMENT (OPA)

In order to understand OPA, it is necessary to first locate it within the context of the broader organisational processes of Organisational Performance Management (OPM) and Organisational Assessment (OA). Although these three processes are sometimes used interchangeably, it is important that their differences are also noted, especially because their scope and purpose differ: **OPA is a process of assessing how an organisation has performed against specific goals and targets.** It focuses on what an organisation "...has accomplished with respect to its mission and stated objectives."³ In the case of a government department, such an assessment would look at the key mandates, goals, priorities and performance plans and assess the progress that has been made towards their accomplishment. It is important, however, to note that 'performance' tends to be a contestable concept and that as a result,⁴ it is always important to first clarify the specific criteria to be used in the assessment of what constitutes good performance.

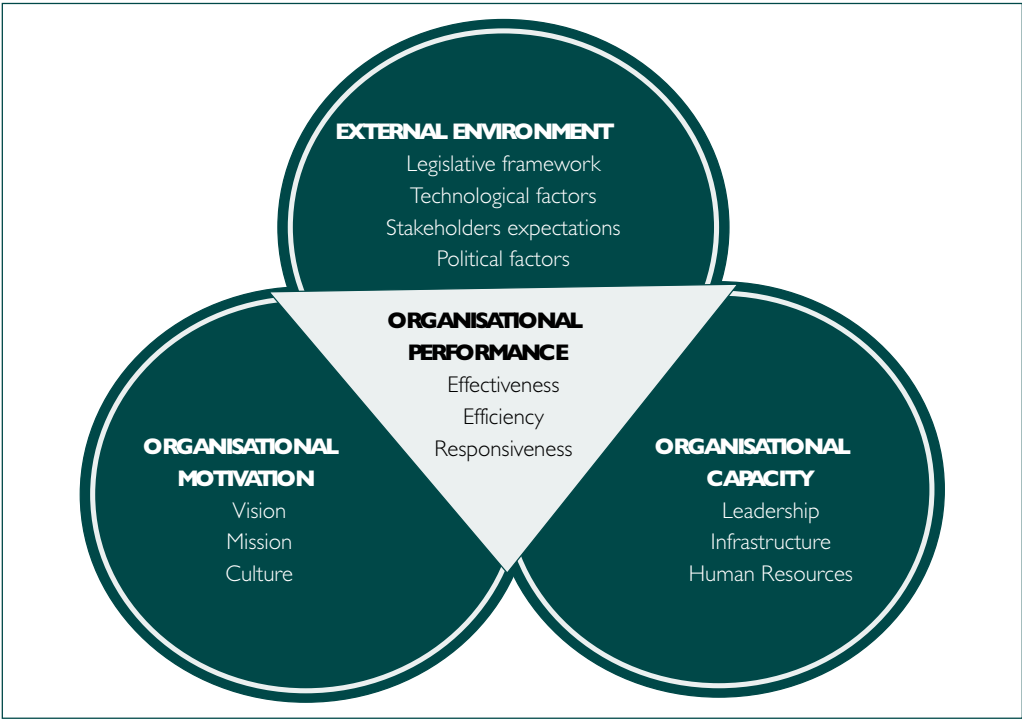
OA, on the other hand, is broadly a process of assessing the state or health of an organisation.

³ United Nations. *United Nations Development Programme Evaluation Findings in 1996*. New York. 1997.

⁴ Ford, JD and Schellenberg, DA. "Conceptual Issues of Linkage in the Assessment of Organisational Performance". *The Academy of Management Review* 7(1). January 1982, pp 49 – 58.

It is “a systematic approach to assess an organisation with a view to improving its performance”.⁵ Sometimes also referred to as institutional assessment or diagnosis, it looks at the external and internal environment of an organisation to assess, among others, strengths, weaknesses, capacity and performance. OA is an important process to support quality improvement as its results can help the organisation to reposition itself for effective planning and performance. When Organisational Development (OD)⁶ interventions are introduced in organisations, they are usually preceded by an OA process to inform the change initiatives that should be implemented. OD is a planned organisational process that seeks to improve the functioning and performance of an organisation, teams and individuals. In this way, OA is “used as a diagnostic, or a starting point, for organisations implementing an internal change or strategic planning process, or both”.⁷ While OPA focuses on how an organisation has performed, OA seeks to examine a range of issues that impact on the functioning of an organisation. These issues may be internal (for example, capacity and management/service delivery processes) or external (for example, political factors, and inter-institutional dynamics or stakeholder expectations). The scope of OA can be illustrated as follows:

Figure 1: The Scope of Organisational Assessment



Adapted from Lusthaus C, Adrien MH et al.⁸

5 MacPherson, N, Pabari, M, et al. Assessing organisational performance- Level 1. Pre-conference Professional Development Workshop. African Evaluation Association: Niger 2007.
6 Cummings, TG and Worley, CG, Organisation Development and Change. Southern-Western College Publishing. Australia. 2001.
7 Lusthans, C, Adrien M et al. Enhancing Organisational Performance: A Toolbox for Self Assessment. International Development Research Centre. 1999.
8 Ibid.

As shown above, while an assessment of organisational performance would focus largely on specific criteria such as effectiveness, efficiency and responsiveness to the needs of users (the triangle in the middle), OA will go beyond this and look at a range of factors that create an enabling environment for or inhibit performance.

Unlike OA which can be done once annually or every two to three years, OPM is an ongoing process which involves clarifying organisational goals (at the level of the organisation, teams and individuals), monitoring the implementation of and assessing progress towards the achievement of the goals, and effecting adjustments to ensure that the goals can be achieved effectively and efficiently. OPM draws from the rich information generated through OA and helps the organisation to have a responsive set of goals, to take advantage of its strengths and to address its capacity weaknesses.

The difference between OA and OPA lies in their scope and thus the nature of questions that they address. There are many facets of organisational activity which can be assessed, including among others, capacity, culture, threats, opportunities, and of course, performance. OPA is that part of organisational assessment that focuses on performance. OPA thus asks the question 'how have we performed as an organisation'? However, an organisation may want to carry out an OA to address the question 'given our performance, does our organisation have the appropriate capacity and enabling internal and external environment to function effectively'?

1.3 WHAT IS ASSESSED THROUGH OPA

Different models of OPA tend to use different assessment indicators depending on the purpose the assessment is supposed to serve. However, the key areas of organisational performance do not appear to be highly contested. These are shown in **Box 1** below:

Box 1: The key areas of organisational performance

Strategy and Leadership: *was effective leadership provided to, among others, communicate the vision of the organisation and align its activities to performance plans)?*

Human Resource Management: *were there sound human resource management practices, including recruitment and selection, performance management and people development)?*

Financial and other Resources Management: *were the assets and finances properly managed and utilised?*

Service Delivery: *were clients or stakeholders provided with the appropriate levels of service?*

The United Nations Development Programme describes the above performance areas as involving “processes (transformation of inputs into outputs), results (transformation of outputs into outcomes), relevance (responsiveness to the needs of beneficiaries and situations), and success (achievement).”⁹ The Balanced Scorecard approach assesses performance in terms of Financial Management, Customer Service Delivery, Internal Business Processes, and Learning and Growth. All these are broad areas of organisational performance,

⁹ United Nations. Development Programme Evaluation Findings in 1996. New York. 1997.

and the specific criteria and indicators used to assess these areas will vary from one context to another. An example of organisational performance assessment criteria and indicators is provided in **Table I** below.

Table I : Organisational performance assessment criteria and indicators

Criterion	Indicators
<ul style="list-style-type: none">• Effectiveness <i>The degree to which the organisation moved towards the achievement of its mission and realises its goals</i>	<ul style="list-style-type: none">• Number of clients served• Quality of services and products• Quality-of-life changes
<ul style="list-style-type: none">• Efficiency <i>Providing good value for money in both qualitative and quantitative terms</i>	<ul style="list-style-type: none">• Cost-benefit of each programme• Output per staff• Programme completion rates• Timeliness of service delivery
<ul style="list-style-type: none">• Relevance <i>The degree to which the organisation has managed to adapt to changing contexts and capacities in order to keep its mission, goals, programmes and activities agreeable to its stakeholders</i>	<ul style="list-style-type: none">• Client satisfaction• Changes in reputation among peer and organisations• Introduction of innovation in the work of the organisation
<ul style="list-style-type: none">• Financial Viability <i>The degree to which the organisation is financially sustainable</i>	<ul style="list-style-type: none">• Changes in net operating capital• Ratio of total assets to total liabilities• Ratio of diversification of funding sources

Adapted from Lusthaus, Adrien et al.¹⁰

The above example contains useful performance criteria and indicators for illustrative purposes, but ultimately the contextual realities of each organisation should be taken into consideration to ensure that appropriate assessment measures are used. For example, while the diversification of funding sources may be a useful indicator for donor-funded organisations, its application to government departments may have limited value since many of them receive their core funding through budgets appropriated by Parliament. Indicators that are relevant to government departments would, therefore, need to be considered.

1.4 OPA IN THE PUBLIC SERVICE

Evidence of the adoption of OPA in the Public Service internationally is uneven. It is particularly in certain developed countries that OPA practices appear to have taken root. For example, the Ontario Public Service in Canada has developed and adopted the Ontario Public Service Organisational Excellence Framework to advance their modernisation agenda, increase public satisfaction with services provided and to provide managers with a model for sustaining high performance.¹¹ Similar models adopted by other countries

¹⁰ Lusthaus, C, Adrien M et al. *Enhancing Organisational Performance: A Toolbox for Self Assessment*. International Development Research Centre. 1999.
¹¹ Republic of Ontario. Ministry of Government Services. *Ontario Public Service Organisational Excellence Framework: Methodologies and Tools*. 1997.

include the United Kingdom's European Foundation for Quality Management and Excellence Model, and the Ohio Award for Excellence Model. Many of these evolved out of the business excellence models used originally in Japan and thus use the same set of assessment areas which are split between **enablers** (how things are done in an organisation, for example, people management), and **results** (what the organisation is achieving in relation to its objectives).¹²

In South Africa, the South African Excellence Model (SAEM) is also based on the same framework, although its application has not been widely adopted in the Public Service. Perhaps a model that has come a little closer to organisational assessment has been the PriceWaterhouseCoopers Premier's Excellence Award Model now used in provinces such as Limpopo, Mpumalanga and the Western Cape.¹³ However, the Premier's Excellence Models are limited to the assessment of performance against the Batho Pele principles, thus leaving out other important areas of organisational performance such as people management.

Given the limited application of the above models, it can thus be argued that with the exception of the template the PSC developed and piloted, there is effectively no formal process to promote organisational performance assessment in the South African Public Service. This is despite the fact that the introduction of strategic planning and mandatory annual reporting by departments requires some form of organisational performance assessment to be done. For example, Annual Reports are supposed to encourage departments to, among others, assess and report on how well they have performed against their mandates, how effective they have been in achieving their service delivery targets, and how they have managed their human, physical and financial resources. The PSC has previously raised concerns about the quality of the Annual Reports departments produce, although recent State of the Public Service Reports have noted some improvements in such reporting. However, the quality of the information is still uneven, thus raising doubts about how seriously departments regard Annual Reports as mechanisms to account for organisational performance.

Recognising the need to consider introducing organisational performance assessment in the Public Service, in 2000/1 the PSC and the Department of Public Service and Administration (DPSA) collaborated in a project to review existing models in this area and to develop a framework for approval by Cabinet. Unfortunately, this initiative could not be sustained, although the audit of models had already been completed and a draft assessment framework developed.¹⁴ In terms of the draft assessment framework, departments

¹² South African Excellence Foundation. *South African Excellence Model. Level One Criteria for Public Service Performance Excellence and General Guidelines for Self Assessment*. 1997.

¹³ Republic of South Africa Western Cape Provincial Administration. *Western Cape Premier's Service Excellence Awards for Teams: A Guide for Applicants*. 2006.

¹⁴ Republic of South Africa. Department of Public Service and Administration. *The Batho Pele Service Excellence Model*. Not Published.

were going to be assessed in terms of a number of areas split between enablers and results, thus borrowing from the business excellence models described above.

To take the process forward, the PSC developed and piloted an organisational performance assessment instrument which was used to collate information on the performance of departments during the 2005/2006 financial year. The development and use of the instrument was effectively a pioneering step on the part of the PSC since it was the first time that such information on the performance of departments was collated and analysed. Among others, the information enhanced the quality of the performance feedback that was provided through the HoD evaluation process and further improved the facilitation and Secretariat role the PSC plays in the evaluation process. This was confirmed through a DPSA-commissioned study completed in 2007 which noted that, "the role of the [PSC] Secretariat has evolved from that of a collator of information and logistics arrangements, to one that adds value to the evaluation process. The thorough analysis of information by the Secretariat enables the evaluation panel to do its work effectively. The inclusion of analysis of organisational performance in the evaluation process adds further value to the process".¹⁵

Having learned important lessons from this pilot process, the PSC has found it necessary to document the experiences it has had in this regard and to locate these within an appropriate grounding conceptual framework on OPA.

¹⁵ Republic of South Africa, Department of Public Service and Administration. *An Analysis of Performance Management in the South African Public Service: Paper Prepared for the IBSA Working Group on Public Administration*. 21 August 2007.

CHAPTER TWO

AN OVERVIEW OF THE OPA FRAMEWORK

This section deals with the following:

- What is the legislative framework on which the PSC’s OPA instrument is based?
- What are the main elements of the OPA instrument and the rationale thereof?

2.1 LEGISLATIVE FRAMEWORK

While there are already many experiences in the application of OPA instruments, it is important that these are not imported uncritically into the Public Service given the different contextual dynamics that may need to be taken into account. Accordingly, the PSC found it important to draw direction and guidance from the legislative framework and the sections shown in **Table 2** below.

Table 2 : Legislative Framework

LEGISLATIVE FRAMEWORK	
The White Paper on Transforming Service Delivery, 1997	The Batho Pele White Paper; requires government to pledge its commitment to a citizen-centred approach to service delivery that is anchored by the eight Batho Pele Principles. This would mean that departments should put in place service standards which will inform the citizen on the type of service to expect. The service standards should address all the Batho Pele Principles. With effect from 01 April 2006, members of the Senior Management Service were required to incorporate the Batho Pele Principles in their workplans and Performance Agreements.
Public Service Act, 1994	In terms of Chapter III, it is the responsibility of the Heads of Department (HoDs), as Accounting Officers to ensure that employees within their Departments, including SMS members, effectively achieve the objectives of the Department. The HoDs should develop their PAs according to the strategic plan, which will then cascade down to the employees in the whole Department. This, therefore, means that there should be a correlation between the PAs of all employees and the strategic plan of the Department.
Public Service Regulations	In terms of Part III of the Public Service Regulations, in order to provide services with the best value for money an executing authority shall set measurable objectives for her or his department. An executing authority shall also prepare a strategic plan for her or his department and specify information systems that will enable him/her to monitor the progress made towards achieving those goals, targets and core objectives; In addition, an EA shall determine a system for performance management for employees in her/his department other than employees in the SMS.

LEGISLATIVE FRAMEWORK	
Treasury Regulations, 2001	Treasury Regulations stipulate that departments must comply with regards to the strategic planning and budgeting processes. In terms of Chapter 5 the HoD as an Accounting Officer must establish procedures for quarterly reporting to the EA to facilitate effective performance monitoring, evaluation and corrective action.
The Senior Management Service Handbook	Chapter 4 of the SMS Handbook describes the process and requirements of performance management 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 of Chapter 4 of the Public Service Regulations, 2001. The Handbook stipulates, among others, that individual performance assessments should be informed by and, in turn, inform the evaluation and review of organisational achievements

2.2 AN OVERVIEW OF THE OPA INSTRUMENT

The OPA instrument of the PSC comprises four focal areas, namely, Strategic Planning and Annual Reporting, Human Resource Management, Financial Management and Service Delivery. A summary of the rationale for including each of these focal areas and of the indicators used is provided below.

2.2.1 Strategic Planning and Annual Reporting

Strategic planning is the catalyst for service delivery in terms of government's objectives and priorities. If this process is not effective or is out of sync with legislative or regulatory requirements, it will have a spiraling effect on delivery. Linked to planning is the development of annual reports. Annual Reporting is a core mechanism of accountability and forms the main mechanism of parliamentary oversight. Compliance with Treasury and Public Service Regulations is necessary to ensure that quality information is submitted to the legislatures.

Table 3: Indicators and standards used for Strategic Planning and Reporting

Performance Indicators	Performance standards	Source
Strategic plan in place and complies with the applicable Public Service and Treasury Regulations	100% compliance	Strategic plan, Public Service and Treasury Regulations
Annual work plan developed and implemented	Alignment with strategic plan	Work plan, Strategic Plan
Performance agreement of HoD signed	Compliance with the applicable provisions of the Performance Management and Development System for Senior Managers	Performance agreement of HoD, SMS Handbook

2.2.2 Human Resource Management

The Public Service relies on its human resources to deliver services. Departments, therefore, need to have effective human resource management practices that can ensure that appropriate employees are deployed, supported and held accountable for delivery. The Public Service has put in place regulatory requirements pertaining to effective Human Resource Management and a well-performing department must be able to adhere to these requirements.

Table 4: Indicators and standards used for Human Resource Management

Performance Indicators	Performance standards	Source
Employment equity	Targets set by Cabinet	Annual Report
Training provided in terms of Plan	1% of personnel budget	Annual Report
Vacancy rate	Less than 10%	Annual Report
Control of personnel expenditure	No over-expenditure	Annual Report
Implementation of Public Service Regulations in respect of HIV/AIDS	All the 8 requirements provided for in the Regulations met	Annual Report. Public Service Regulations.

2.2.3 Financial Management

Annually departments are provided with relatively large sums of public resources which they are expected to use to deliver on the priorities of government. These resources need to be used in an accountable and effective manner to optimise the public value that they can create. Departments, therefore, need to demonstrate as part of performance reporting that they are indeed meeting the requirements for the effective use of resources.

Table 5: Indicators and standards used for Financial Management

Performance Indicators	Performance standards	Source
Unqualified audit Report	Unqualified opinion by the AG	AG report
No matters of Emphasis	No matters of emphasis by the AG	AG report
Over and under-Expenditure	Over or under-expenditure within 2% range	Annual Report
Functioning Audit Committee	Audit Committee in place and functioning	Annual Report

2.2.4 Service delivery

Ultimately, the value of departmental performance must find expression in the quality of services that are provided. An assessment of organisational performance is, therefore, not complete until the nature and extent of service delivery has been looked at.

Table 6: Indicators and standards used for Service Delivery

Performance Indicators	Performance standards	Source
Achievement of Key Result Areas in the Departmental Workplan	Achievement of 80% of outputs attached to each of the Key Result Areas in the work plan	Annual report, Strategic plan, Verification Statement
Citizen / stakeholder satisfaction	Majority satisfaction of the sample selected	Snap Survey to be conducted by the PSC

2.3 PILOTING THE OPA FRAMEWORK

The OPA framework was piloted from January to August in 2007 with a sample of departments whose HoDs were due for evaluation for the 2005/6 performance cycle. The focus was on the 2005/6 performance cycle because the formal evaluation of HoDs only happens once departments have published their Annual Reports, which is normally in August of each year. Therefore, at the time of the pilot, the most recent Annual Reports available and the performance cycle that was in process was for 2005/6.

Initially, a total of twenty-two (22) departments were identified to be included in the pilot (4 national and 18 provincial).¹⁶ However, seven (7) of the provincial departments were later excluded as it was established that their HoDs had already been assessed by the time the pilot was initiated. For each of the remaining departments, a draft OPA report was prepared based on the four focal areas discussed above (Strategic Planning and Reporting, Human Resource Management, Financial Management and Service Delivery). However, in the event only five (5) of the departments (two national and three provincial) ended up going through the evaluation process. The main reason was that the EAs of the remaining departments did not initiate the evaluation of their HoDs during this period as required in terms of the Framework for the Evaluation of HoDs.¹⁷ Without the EAs initiating the evaluation process, the PSC could not proceed with the pilot in these departments even though draft OPA reports had already been generated for them.

2.4 AN OVERVIEW OF THE LESSONS LEARNED FROM THE PILOT

The lessons below are based on an assessment of how the piloted OPA was able to provide critical performance information on departments. The lessons are thus organised according to the performance areas that were included in the OPA instrument.

2.4.1 Strategic Planning and Reporting

The information generated under this area was useful but not adequate. The information was useful in the sense that Evaluation Panel members would have access to a brief report which

¹⁶ Note: The names of the 22 departments are reflected in Annexure A.

¹⁷ Republic of South Africa. The Public Service Commission. Report to the Presidency on the Implementation of the Framework for the Evaluation of Heads of Department in the Public Service. October 2006.

provides 'fast-facts' about the Department. Such facts included whether the department developed a strategic plan, whether the HoD entered into and submitted a Performance Agreement, whether the HoDs PA met certain requirements, and so on. These are important compliance issues that require the attention of HoDs and EAs to promote good administration and accountability.

However, they represent only one part of organisational performance. The other part of performance is whether such strategic plans are indeed sound, whether the department has been able to articulate and pursue a clear vision and mission that is in keeping with legislative mandates and key policy priorities of government. Such performance issues could not be tackled by the assessment processes used during the pilot. Part of the reason behind this was the quality of information received from departments. The information was not always of such a nature that it could facilitate a deeper analysis of the alignment of the strategic plan with the macro-objectives of government.

Another aspect of analysis that needed attention was the internal logic of the strategic plans. In this regard, it is necessary to examine whether there is a link between the mission and vision of a department, on the one hand, and the programmes of implementation on the other. A gap in the internal logic of the plan has important implications for the extent to which a department will deliver effectively on its legislative mandates.

2.4.2 Human Resource Management

During the pilot process important performance information was collated in this area. However, the information has largely been of a compliance rather than strategic human resource management nature. While it is helpful to establish that a department has, for example, met the employment equity targets and managed to keep its personnel expenditure under control, such information does not always give a sense of the effectiveness with which human resources are managed. On its own, compliance with human resource management policy prescripts is not an adequate indicator of performance. Instead, other additional information that is not necessarily compliance-related needs to be collated and analysed.

For example, it is important to establish whether a department has sound human resource management practices. It would be important to establish whether a department has implemented performance management effectively, including the management of poor performance, whether it has sound strategies and procedures with regards to human resource planning, recruitment and selection, people development as well as timeous and proper procedures for handling grievances. In essence an overall assessment of the HR processes should move beyond assessing for compliance with prescripts, into assessing the impact emanating from a department either having or not having proper HR controls in place. Unfortunately, such information is not always readily available from secondary sources and may thus need to be obtained through additional instruments.

2.4.3 Financial Management

In this area, the OPA pilot focused on the following indicators:

- The department receives unqualified audit report from the Auditor-General
- No matters of emphasis raised by the Auditor-General
- The department keeps over and under-expenditure within acceptable levels in terms of benchmarks set by National Treasury
- Functioning audit committee

Given that the above indicators are normally covered adequately in reports issued by the Auditor-General, obtaining secondary data to use during the pilot phase was not a major challenge.

2.4.4 Service Delivery

This is the one area where the pilot process faced the most serious challenges. The PSC encountered a number of instances where the service delivery related information contained in Annual Reports was inadequate to allow any meaningful assessment. For example, departments do not always report on all the outputs contained in their strategic and annual performance plans. Also, they do not always present progress in ways that would help the reader understand the nature and extent of the achievement and what was not achieved. A proper assessment in this area requires an indication of actual versus planned performance, and where appropriate, an indication of impact as well. An important lesson on this matter has been that performance regarding service delivery cannot be adequately assessed through the Annual Reports of departments only. Other additional sources and/or instruments would be necessary to obtain a better sense of such performance. This can be supplemented by conducting on the ground observations at the coal face of service delivery and by conducting customer satisfaction surveys at selected service delivery points.



CHAPTER THREE

TOWARDS A REVISED OPA FRAMEWORK

This section deals with the following:

- Which performance areas should be considered going forward?
- How is the PSC improving on the assessment criteria to enhance the performance information that is generated?

3.1 PERFORMANCE AREAS FOR THE OPA FRAMEWORK

Based on the conceptual clarification provided in this document and the lessons learned from the pilot, the PSC will continue to revise and improve on its OPA framework. The focus of the OPA framework will initially remain to be on four performance areas, namely the Strategy and Leadership, Human Resources Management, Financial Management, and Service Delivery. The performance areas and their updated sub indicators are discussed below.

3.1.1 Strategy and Leadership

The process of strategic planning allows a department to reflect on its vision, mission and value framework and to establish if these are in line with its mandate and the overall priorities of government. However, unless there is proper leadership to ensure that the vision of the department is clearly communicated and embedded into actual practice, the benefits of strategic planning are then not optimised. It is important, therefore, to ensure that not only does a department have a strategic plan in place, but that such a plan:

- meets the applicable regulatory requirements
- is aligned to government's priorities
- is mainstreamed into the work of the rest of the department and finds expression in, for example, the department's overall workplan and the PAs of staff.

Through effective strategic planning, a department should thus be able to articulate and pursue a clear vision and mission that is in keeping with legislative mandates and key policy priorities of government. If this process is not effective or is out of sync with legislative or regulatory requirements, it will have a spiraling effect on delivery. The alignment of the planning documents with the stated intentions of Government as reflected in the decisions of the *Lekgotla*, the President's State of the Nation Address (SONA), the various budget speeches and the Cluster programmes will be crucial.

3.1.2 Human Resource Management (HRM)¹⁸

Human resources are the main mechanism through which services are delivered by Departments. It stands to reason that the effectiveness with which such human resources

¹⁸ The PSC will be developing a self-assessment toolkit on HRM for use by departments. It is envisaged that the toolkit will in future provide a basis for sharpening the OPA Framework in the performance area of HRM.

are selected, developed, disciplined and managed in general impacts directly on departmental performance. In addition there are transformation priorities of government attached to human resource management that must be pursued by departments. As a performance area, HRM seeks to establish the extent to which the department has been able to implement the HR value chain effectively, that creates a sound working environment and encourages optimum performance for all employees.

The key areas for assessment include the following:

3.1.2.1 Employment Equity

The transformation agenda of the South African Public Service requires that the composition of the workforce mirrors the South African population in all its diversity.¹⁹ It is thus important for departments to meet specific numerical targets towards building a dynamic workforce.

The departments are required to have Employment Equity (EE) strategies and plans in place. These plans should include, among others, measures to promote representivity of staff in terms of race, gender, and disability. Cabinet also issued specific indicators and targets with regards to gender; departments had to reach a 30% target for women within senior management positions by 2005 and 50% by 2009. Further, departments are required to meet a 2% disability target by 2010. Departments should demonstrate progress towards the achievement of such representivity within the different levels of the organisation. Thus, the OPA tool must be able to measure progress towards achieving these targets and this will translate into a representative workforce.

3.1.2.2 Skills Development

Government identified skills development as one of its priorities. In this regard the Skills Development Act was introduced to improve the quality of skills and to encourage a culture of lifelong learning. Departments are expected to develop and implement workplace skills plans in line with the requirements of this act. The plans should be based on a thorough skills analysis to ensure that they address the real skills needs of the organisation. The OPA tool will measure whether departments have the requisite skills they need to deliver on their mandate to meet their service delivery imperatives.

3.1.2.3 Vacancy rate

In terms of the Public Service Regulations, each Executing Authority shall, in consultation with the Minister for Public Service and Administration, define the posts necessary to perform his/her department's relevant functions while remaining within the existing budget and medium-term expenditure framework. The posts created in this manner will constitute

¹⁹ Republic of South Africa. Public Service Commission. State of the Public Service Report. 2008.

the department's approved organisational establishment. A department's organisational establishment is an important pillar of its capacity to deliver services. Therefore, if departments fail to or unnecessarily delay the filling of vacant posts, this impacts on their capacity to deliver effectively on their mandate. Departments thus need to fill vacant posts timeously and ensure that service delivery and the necessary capacity to make it possible is available. In this regard the OPA will be measuring, whether the departments have the requisite number of posts to meet their functional needs and whether the processes for expediting the filling of posts meet the three months standard that has been set.

3.1.2.4 Control of personnel expenditure

Accounting Officers are responsible for transparent financial accountability to the citizens and their performance should be measured on the level of service delivery of their respective departments. This applies particularly to community services such as primary health care, education, infrastructure and income-generating activities that affect large numbers of people.

According to Section 6.3.1 of the Treasury Regulations, departments should not increase their personnel costs without prior approval from National Treasury. A proper management of personnel expenditure ensures that departments do not end up with a high proportion of their budgets being diverted to salaries and related costs while spending on such key matters as the provision of services is reduced. The OPA tool will measure whether the departments funds are properly channeled towards programmes and initiatives, that will ensure that basic community services reach a large number of people, within the areas where services were previously not provided.

3.1.2.5 Employee Wellness and Job Satisfaction

Employee wellness and job satisfaction is an important part of strategies to promote a productive workforce. A commitment to employee wellness and job satisfaction projects an organisation as a caring employer that values its employees. Such a commitment requires of organisations to ensure that they, among others, put in place effective measures to create a work-life balance for employees, to implement and monitor workplace HIV/AIDS programmes and to generally promote an *esprit de corps* within the organisation (spirit of corporate oneness). Lack of attention to employee and wellness job satisfaction may have a number of consequences, including above average incidents of leave of absence as employees struggle to cope with an unfavourable work environment, high turn over rates and employees who do not have pride in and are not passionate about their work. The OPA tool will measure the turnover rate and levels of absenteeism. These indicators have a direct impact on the organisation's ability to perform and deliver on their objectives. High levels of turnover or absenteeism can greatly compromise the service level standards and overall performance of an organisation if not properly managed.

3.1.2.6 *Trends with regard to the management of grievances*

Harmony in the workplace is necessary to support an environment of employee productivity and effectiveness. In the event that an employee becomes aggrieved due to a certain action or omission in the workplace and thus lodges a grievance, it is important that effective steps are taken to resolve the grievance timeously. The OPA tool, will monitor trends within this area, because these can be an indicator of the levels of satisfaction and dissatisfaction with the employer. These can impact on the levels of morale and well being of employees that contribute to staff turnover and or absenteeism.

3.1.2.7 *Managing Conflicts of Interest*

Public servants are entrusted with the responsibility to manage public funds. In fulfilling these responsibilities, it is important for them to ensure that they do not allow private interests to be in conflict with their decision-making. One of the mechanisms that the Public Service has put in place in this regard is the Financial Disclosures Framework in terms of which senior managers are required to disclose the interests they may have in terms of, among others, shareholding in companies and directorships. The PSC consistently monitors departments' compliance rates with the disclosures requirements, and each department is expected to achieve a 100% compliance rate. Disclosure is one of the indicators used to measure honesty and integrity, with the use of this indicator the OPA will be monitoring compliance with the code of conduct for public servants.

3.1.3 Financial management

The Public Service is the vehicle through which the tax payer's money is used. Financial accountability therefore forms a corner stone upon which the actions of public office bearers and institutions are measured. The Auditor-General's report provides insight into the effectiveness and regularity with which departments have managed their budgets.

Effective use of resources also requires that departments prevent acts of financial misconduct among employees and take steps to deal with such acts where they occur. In this regard, departments are expected to investigate cases of financial misconduct and accordingly report to the PSC. The extent to which departments follow up on these cases, including recovering the funds involved in such acts, is a very important area of organisational performance in the Public Service.

3.1.4 Service delivery

The main focus on the organisational assessment will be to determine whether services have been delivered in line with the performance objectives and targets that were set in the strategic and operational plans of departments. In addition, it would be important to

establish the views of the users of these services so that these can serve as feedback regarding the quality and responsiveness of the department's service delivery. The OPA is a tool that will assist departments to move from being output orientated to also focus on outcome and impact of their projects and programmes.

3.2 ASSESSMENT CRITERIA PER PERFORMANCE AREA

Each of the performance areas discussed above covers many important elements that can serve as indicators for assessment. Each OPA framework should, therefore, delineate the specific indicators that will be used in the assessment of organisational performance. The choice of indicators should be guided by, among others:

Relevance – the indicator must be relevant to the performance issues that are important to the organisation

Reliability – the indicator must be a reliable descriptor of what is going to be assessed

Availability of data – can data on the indicator be collected? In other words, do sources of this data exist, and if not, can they be created?

Various data collection mechanisms and sources will need to be used to facilitate organisational assessment within the framework of the performance areas and criteria proposed in this. Some of the data will be obtained through the Annual Reports of departments, records held by the PSC (for example on Financial Disclosures) and snap surveys conducted with samples of employees and stakeholders/service users/beneficiaries.

Table 3 below captures the indicators, standards and sources of data for the proposed OPA Framework

Table 3: Proposed indicators, standards and data sources

Area of Performance	Performance Indicators	Performance standards	Source
I. Strategy and Leadership	Strategic plan in place	Aligned with Lekgotla decisions, SONA, Ministerial budget speech and Cluster Programme	Strategic plan, SONA, Cabinet Lekgotla decisions, Ministers Budget Vote
	Compliance to PSR III.B and paragraphs 5.1 and 5.2 of Part 3 of the Treasury Regulations	100% compliance	PSR, Treasury Regulations plus strategic plan
	Annual work plan developed and implemented	Alignment with strategic plan	Work plan

Area of Performance	Performance indicators	Performance standards	Source
1. Strategy and Leadership	Performance agreement signed	Alignment with work plan	Performance agreement of HoD
	Publishing of Annual Report	Compliance with PSR III, Section 40.1(d) of the PFMA and Treasury Regulation 7.18.3	Annual Report
2. Human Resource Management	Employment equity	Targets set by Cabinet	Annual Report
	Training provided in terms of Plan	1% of personnel budget	Annual Report
	Vacancy rate	Less than 10%	Annual Report
	Control of personnel expenditure	No over-expenditure	Auditor-General's report
	Implementation of PSR requirements in respect of HIV/AIDS		Annual Report
	Financial Disclosures	100% of Disclosure Forms submitted timeously	PSC Records
	Grievance Resolution	All grievances resolved on time	Annual Report. PSC Records
	Employee Motivation, Health and Wellness	General overall employee satisfaction with the organisational climate Positive responses to all the 8 questions Departments are expected to address in their Annual Reports regarding the implementation of HIV/AIDS programmes in the workplace	Snap survey to be conducted by the PSC
3. Financial Management	Unqualified audit Report	Unqualified opinion by the AG	AG report
	No matters of Emphasis	No matters of Emphasis by the AG	AG report
	Over and under-Expenditure	2% over or under-expenditure	Annual report
	Functioning Audit committee	Report of audit committee in Annual Report	Annual report
	Financial Misconduct	Cases of Financial Misconduct are finalised timeously and the funds involved are recovered	PSC Report on Financial Misconduct
4. Service Delivery	List of KRAs and achieved output indicators	Achievement of 80% of outputs attached to each of the Key Result Areas in the work plan	Annual report, Strategic plan, Verification Statement
	Citizen / stakeholder satisfaction	Majority satisfaction of the sample selected	Snap Survey to be conducted by the PSC

CHAPTER FOUR

CONCLUSION

4.1 INTRODUCTION

Experiences reviewed on OPA suggest that it is largely carried out by organisations themselves as a form of self assessment. In future, the South African Public Service may follow this route as well, especially considering that the DPSA has already released a consultation document on the Strategic Framework for the Senior Management Service which, among others, also proposes the core elements of an organisational performance management system.²⁰ In the document, the DPSA defines organisational performance in terms of four pillars, namely, Organisational Management Systems, Programme/Project performance, Financial Performance and Employee Performance.²¹ The DPSA has called for comments on the consultation document, and has expressed an intention to introduce organisational performance management in the Public Service.

However, as an independent Constitutional body, the PSC should still be able to advise on the performance of departments through processes that do not rely completely on self-reporting by departments. Accordingly, the PSC will continue with its work on OPA. What has been presented in this document continues to be work in progress and the framework used will be revised as more lessons are gained during the process of implementation.

4.2 CONCLUSION

Performance management is one of the 'back-office operations' of the South African Government which came into being as a result of the Public Service Management framework (1999) to support service delivery mandates. The PSC believes that it is important to build a linkage between individual and organisational performance assessment. This will enable the Public Service to obtain much comprehensive feedback on its performance and thus have a better basis for accountability and learning. The PSC will, therefore, use this document to continue to deepen its understanding and implementation of OPA and to promote an appreciation of the necessary link between individual and organisational performance assessment at the level of HoDs.

20 Republic of South Africa. Department of Public Service and Administration. *The Leadership Development Management Strategic Framework for the Senior Management Service*. 2007.

21 Ibid.

Annexure A

Table 1: Names of Departments and HoDs selected to participate in the pilot exercise.

Department

1. Department of Communications (National)
2. Department of Health (National)
3. National Treasury
4. Department of Transport (National)
5. Eastern Cape Department of Agriculture
6. Eastern Cape Department of Sports, Recreation, Arts and Culture
7. Free State Provincial Treasury
8. Free State Department of Sport, Arts, Culture, Science and Technology
9. Gauteng Department of Education
10. Gauteng Department of Public Transport
11. KwaZulu-Natal Department of Works
12. KwaZulu-Natal Department of Transport
13. Limpopo Department of Agriculture
14. Limpopo Provincial Treasury
15. Mpumalanga Department of Agriculture and Land Administration
16. Mpumalanga Department of Local Government and Housing
17. Northern Cape Department of Social Development
18. Northern Cape Department of Education
19. North West Office of the Premier
20. North West Department of Public Works
21. Western Cape Department of Economic Development and Tourism
22. Western Cape Department of Environmental Affairs and Development Planning

Notes

Notes

Notes