

Report on the Analysis of Performance Agreements as an Effective Performance Management Tool



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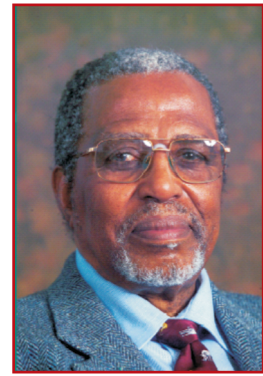
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FOREWORD

Human resources are an important vehicle through which the Public Service delivers on its objectives. It is, therefore, important to ensure that enabling mechanisms are put in place through which officials can be systematically supported and held accountable in the fulfillment of their responsibilities, one of these mechanisms is the Performance Management and Development System (PMDS). The System is a vital management tool which, among others, helps to translate broader departmental strategic priorities into clear performance milestones for each official, and creates a basis for on-going monitoring of performance, the provision of feedback and the implementation of measures to improve performance.



However, at least at the level of the Senior Management Service (SMS), the System requires that as a fundamental starting point, Performance Agreements (PAs) must be concluded between officials and their supervisors. The PAs help to clarify performance expectations and create a common point of reference for an SMS member and their supervisor in the entire performance management process. In fulfilling its constitutional mandate the Public Service Commission (PSC) has, over the years, been evaluating the implementation of the PMDS in the Public Service. In the course of this work, the PSC established that the implementation of the System is not as effective as it should be. One of the challenges that departments continue to experience in this area is ensuring that PAs are concluded timeously, and that they are used optimally and on a day to day basis to guide the management of performance throughout a financial year. Given the central role PAs are meant to play in the implementation of the PMDS, the PSC found it necessary to conduct an analysis of their use as a management tool.

This study has established that although PAs are not optimally used as a management tool, they remain a potentially important pillar for effective performance management and development. However, there needs to be commitment towards their implementation. In addition they need to be simplified to ensure that they remain user-friendly and are not open to different interpretations.

I trust that the report will facilitate learning and decision-making in the effective use of PAs, and that the recommendations made will add value to the efforts of all stakeholders in the Public Service as they seek to heighten performance and accountability.

A handwritten signature in black ink, appearing to read 'Sangweni'.

PROF SS SANGWENI
CHAIRPERSON: PUBLIC SERVICE COMMISSION



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GLOSSARY

DG	Assistant Director General
APS	Australian Public Service
ANAO	Australian National Audit Office
APSC	Australian Public Service Commission
CD	Chief Director
CFO	Chief Financial Officer
CLC	Corporate Leadership Council
CE	Chief Executive
CMC	Core Management Criteria
DDG	Deputy Director General
DPSA	Department of Public Service and Administration
DWAF	Department of Water Affairs and Forestry
DG	Director General
EA	Executive Authority
ECPA	Eastern Cape Provincial Administration
EXCO	Executive Committee
HR	Human Resources
HoDs	Heads of Department
KRAs	Key Results Areas
MAC	Management Advisory Committee
MEC	Member of the Executive Committee
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NPM	New Public Management
NZPS	New Zealand Public Service
NZPNPM	New Zealand Public Service 's New Public Management
PGDS	Provincial Growth and Development Strategy
PMDS	Performance Management and Development System
PIP	Performance Improvement Plan
PDPs	Personal Development Plans
PSC	Public Service Commission
PSCBC	Public Service Co-ordinating Bargaining Council
PSG	Professional Skills for Government
PSR	Public Service Regulations
SCS	Senior Civil Service
SEM	Senior Executive Manager
SES	Senior Executive Service
SMS	Senior Management Service
SOEs	State-owned Enterprises
SSC	State Services Commission
UK	United Kingdom



EXECUTIVE SUMMARY

1. INTRODUCTION

The Performance Management and Development System (PMDS) was introduced in the Public Service in 2002 with the aim of improving the performance of all the members of the Senior Management Service (SMS). It was envisaged that this initiative would entrench a culture of accountability leading to improved service delivery.

The development and signing of Performance Agreements (PAs) does not in itself lead to effective performance. Managers need to consciously integrate PAs into their day to day management practices and processes, and use them to promote a culture of accounting for performance. Failure to do this raises the risk that once PAs have been entered into, they will simply be put away in dormant files and perhaps only be pulled out when annual performance assessments are conducted. A further risk is that in an attempt to ensure that all the key priorities of government receive the attention they deserve from senior managers, PAs may be overloaded with a multitude of requirements, thus making them cumbersome and ineffective.

It is, therefore, against this background that the Public Service Commission (PSC) saw the need to embark on a study to conduct an analysis of the extent to which PAs are being used as an effective management tool to bring about performance improvement.

2. THE OBJECTIVES OF THE STUDY

The overall objective of the study was to establish the extent to which PAs are being effectively used as a management tool to bring about performance improvement. The PSC, through the study aimed to:

- a) Assess the experience of selected countries with the use of PAs;
- b) Establish, based on international experience, the critical success factors in the use of PAs;
- c) Guided by the key success factors identified in (b) above, assess how PAs are used in the South African Public Service and whether such use contributes to effective performance; and
- d) Provide recommendations on how PAs can be optimally used to improve performance.

3. METHODOLOGY

To achieve the objectives of the study, the following approach was undertaken:

- A review of literature on PAs as an effective performance management tool was conducted. The purpose of the review was to assess the experiences that different countries have had in this regard and to identify critical success factors in the use of PAs.
- Two types of questionnaires were developed and distributed to HoDs and members of the departments' top management. The questionnaires were designed and distributed to obtain and analyse the views of HoDs and members of top management on how PAs assist them to manage and improve performance.
- Copies of PAs, strategic plans and annual reports were requested from the departments. These were analysed to establish whether they met the prescribed requirements and could thus serve as an effective management tool.



4. LIMITATIONS OF THE STUDY

The following limitations were encountered in the process of carrying out this study:

- Most of the literature on the use of PAs tends to be descriptive rather than evaluative. The study, therefore, only found limited literature which not only provides an account of how PAs are used but also critiques their effectiveness as a management tool.
- Some departments submitted incomplete documentation or did not submit documentation at all. A better submission rate would have provided a wider scope of data on which to base the analysis.
- Whilst other departments completed the questionnaires, the quality of the responses received was not always satisfactory.

5. FINDINGS

5.1 LESSONS FROM OTHER COUNTRIES

The study identified selected developed and developing countries to assess their experiences with the use of PAs. These countries are the United Kingdom, Australia, New Zealand, United States of America, Vanuatu and the Republic of Kenya. The study found that PAs are widely used as part of performance management systems. However, there have been mixed experiences about their effectiveness. Even where it is believed certain benefits have been derived from the use of PAs, there are indications that challenges still abound. The literature shows that key to the effectiveness of PAs is the manner in which they are applied in practice. If they are used as a stand-alone mechanism that is not supported by other organisational processes of promoting accountability, they are unlikely to be effective. These organisational processes include effective planning, sound communication, periodic performance reviews, and training and development, among others. In addition, their use should be complemented by the promotion of critical values such as trust, professionalism and loyalty. Without these values, the credibility of PAs may get questioned. The values become even more important because PAs should not try to (and cannot) exhaustively cover all the areas of an official's responsibilities. A sound value system ensures that commitment and accountability is still promoted in those relevant areas that are not included in the PAs.

5.2 THE COMPLETION RATE OF PAs AMONG SENIOR MANAGERS

While the different country experiences reviewed in 5.1 above do point to potential benefits in the use of PAs, the PSC found it necessary to also establish whether the South African Public Service was succeeding in its efforts to have PAs entered into in the first place. This is an important consideration because if the benefits associated with the use of PAs are to be realised, there has to be a critical mass of managers who indeed enter into PAs with their respective supervisors.

In this study, of the 739 and 837 members of the SMS employed by the targeted national and provincial departments during the 2005/06 and 2006/07 financial years, the PSC was provided with 296 and 437 signed PAs, respectively. This is a very low response rate, and it is worrying as this may effectively mean that 60% and 48% of the SMS members were without PAs for the financial years under review.

5.3 PROCEDURAL AND SUBSTANTIVE ISSUES REGARDING THE USE OF PAs

In addition to PAs being entered into, the PSC sought to assess their content to establish if these met the basic requirements provided for in the regulations. The PSC found it necessary to assess these levels of compliance because if PAs are to serve as an effective management tool, it can be assumed that they should be drafted and concluded in the manner that is in keeping with the applicable policy prescripts.

In the study, the following areas of concern were found to be common among the PAs submitted to the PSC for analysis. It was found that PAs do not:

- always distinguish between Key Result Areas and Core Management Criteria

- identify Key Result Areas
- reflect the applicable Batho Pele Principles against Key Result Areas
- reflect the applicable Batho Pele Principles against Core Management Criteria
- include dates of reviews for performance assessments
- identify a mediator
- always get signed at the beginning of the financial year
- include Workplans

5.4 THE EFFECTIVE USE OF PAs IN THE SOUTH AFRICAN PUBLIC SERVICE

It was found necessary in this study to establish how the use of PAs among senior managers in the South African Public Service compares against the key success factors identified through the review of different country experiences. Accordingly, the PSC conducted an analysis of the practical experiences of senior managers in the use of PAs and benchmarked these experiences against the country experiences discussed in 5.1 above. The experiences of the managers were established through a questionnaire which was sent to the sampled departments for completion. A total of fifty-seven (57) questionnaires were distributed to both national and provincial departments. Out of a total of 57 questionnaires that were distributed, only 32 (56%) questionnaires were completed and returned.

During the analysis of the questionnaires completed, the following critical issues were identified by the PSC:

5.4.1 What role PAs play in the management process

In the study, managers were asked to indicate whether they believe PAs are important management tools and what role PAs should play in supporting departmental management processes. The following trends emerged from the responses provided.

- PAs are important tools for clarifying and setting individual and organisational objectives and monitoring and performance;
- PAs can promote a link between the departmental strategic objectives and individual performance objectives; and
- PAs can support effective staff development.

5.4.2 Are PAs currently used effectively as management tools

In the study, managers were asked to indicate whether in practice PAs are being used effectively as management tools to fulfill the roles mentioned above, and the predominant view was that they are not. Respondents indicated that the potential value of PAs is generally not being realised in the Public Service because of poor implementation in departments.

5.4.3 Improving the effectiveness of the current PA system

The questionnaires also sought to solicit the respondents' views about how the use of PAs can be improved to ensure that they can best serve as effective management tools. The following are some of the suggestions advanced by the respondents:

- There should be dedicated monitoring and evaluation of the compliance and use of the whole PMDS and in particular the PAs;
- Officials need to be trained on the implementation of the PAs and the whole PMDS system;
- The enforcement of compliance should be more strict and sanctions should be applied against officials who do not comply;
- PAs should not be used as a punitive tool; and
- There should be more commitment to the PMDS process, especially from management.



6. RECOMMENDATIONS

- The Department of Public Service and Administration should ensure that they review the format and requirements of PAs to ensure that these are simplified where necessary.
- The Department of Public Service and Administration should examine provisions of the PA system on which there does not seem to be a common understanding and then provide the required clarification and guidance in this regard.
- HoDs should ensure that PAs are concluded within the first month of the financial year as required by prescripts.
- HoDs must ensure that once concluded, PAs are utilised throughout the performance cycle to support effective management.
- Human Resource components must put in place and implement sound mechanisms through which they can systematically quality assure the PAs of staff before these are finalised.
- By the end of the first month of the financial year, Executing Authorities should demand reports that confirm that all PAs have been concluded as required by prescripts.
- Executing Authorities should demand monitoring reports from management which confirm that once they have been concluded, PAs are used to support on-going management efforts.

7. CONCLUSION

This study has established that managers generally believe that PAs are a potentially useful mechanism to support effective management. However, this mechanism is currently not used effectively, and most of the reasons in this regard lie with departments themselves. More specifically, it is up to departments themselves to ensure that PAs are concluded as required by the Public Service prescripts. In addition, departments themselves need to take the initiative to ensure that once concluded PAs are used throughout the year as part of effective management. However, there are also areas relating to the format of the PAs that would need some attention at a policy level. These include, among others, the need to simplify the format of PAs to ensure that the requirements are not subject to multiple interpretations.



Chapter One

Introduction

1.1 BACKGROUND

The Performance Management and Development System (PMDS) for senior managers was introduced in the Public Service in 2002 with the aim of improving the performance of all the members of the Senior Management Service (SMS). It was envisaged that this initiative would entrench a culture of accountability leading to improved service delivery.

A key requirement for ensuring the effective functioning of the PMDS is that members of the SMS must conclude sound Performance Agreements (PAs) which serve as the basis for performance evaluation. Chapter four (4) of the PMDS requires all members of the SMS to enter into performance agreements¹. The PAs should be based on a department's strategic plan and should include milestones agreed upon with the supervisor. In this way, it was envisaged that the PAs would help clarify performance expectations as well as create a common point of reference for an official and their supervisor in the entire performance management process. Used in this way, PAs are expected to contribute towards improved accountability and performance in departments.

However, the Public Service Commission (PSC) believes that the development and signing of PAs does not in itself lead to effective performance management and improved performance. Managers need to consciously integrate PAs into their day to day management practices and processes, and use them to promote a culture of accounting for performance. Failure to do this raises the risk that once PAs have been entered into they may simply be put away in files and perhaps only be pulled out when annual performance assessments are conducted. A further risk is that in an attempt to ensure that all the key priorities of government receive the attention they deserve from senior managers, PAs may be overloaded with a multitude of requirements, thus making them cumbersome and ineffective.

Given the above potential risks, it is, therefore, necessary to not only monitor the extent to which there is compliance with the completion of PAs, but to also conduct an analysis of whether PAs are indeed an effective management tool for improving performance. Such analysis becomes even more important considering that PAs are often also regarded as a New Public Management (NPM) tool which, by implication, imposes a private sector practice on the Public Service². In this vein, one of the arguments is that PAs are effectively a mechanism for monitoring the behaviour and work of officials through a system of rewards and punishment and are informed by principal-agent and public-choice theories³. These theories have their origin in institutional economics and argue that officials as agents acting on behalf of legislators and the Executive (the principals) need to be watched closely because they can do things that are contrary to the wishes of the principals. Public choice in particular argues that the "rhetoric about 'public service' implies that government officials will somehow be oriented toward acting in the broad public interest when in fact their behaviour is better explained empirically by narrower self-interested motives"⁴. In terms of these arguments, it is believed that PAs cannot be tools for effective management and performance improvement. Instead they primarily help to keep a watch over officials because they cannot be trusted.

Given the above concerns and potential implementation risks, the PSC found it necessary to embark on a study to analyse the use of PAs as an effective management tool to bring about performance improvement in the Public Service. Such a study would establish whether there is value in using PAs and if so, how such value can be optimised.

1.2 MANDATE OF PUBLIC SERVICE COMMISSION

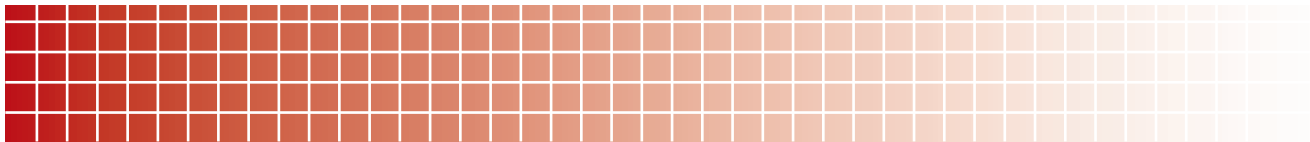
In terms of Section 196 (4) (b) of the Constitution, read in conjunction with sections (nine) 9 and (ten) 10 of the Public Service Commission Act, 1997, the PSC is mandated to investigate, monitor and evaluate the organisation, administration and personnel practices in the Public Service.

¹ Republic of South Africa. Department of Public Service and Administration. Senior Management Service Handbook. 2001.

² O'Donnell, M. and Turner, M. Exporting New Public Management: Performance Agreements in a Pacific Microstate. *International Journal of Public Sector Management*. 80118 (7) 2005 pp 615-628.

³ Fukuyama, F. 2004. *State Building: Governance and World Order in the Twenty-First Century*. Profile Books Ltd. London.

⁴ Ibid.



In addition to the above, in terms of Section 196 (4) (f) (iv) of the Constitution, 1996, the PSC may of own accord or on receipt of a complaint, advise national and provincial organs of state regarding personnel practices in the Public Service including those relating to the recruitment, appointment, transfer, discharge and other aspects of the careers of employees in the Public Service. The use of PAs is one of the key personnel practices of the Public Service and the monitoring and evaluation thereof thus falls within the ambit of the PSC's mandate. In terms of this mandate, the PSC sees it as its strategic obligation to also provide advice on good administrative practice. This study which looks at the value of PAs as an effective management tool is an important basis for generating advice on good administrative practice.

1.3 THE OBJECTIVES OF THE STUDY

The overall objective of the study was to establish the extent to which PAs are being used as an effective management tool to bring about performance improvement. The PSC, through the study aimed to:

- Assess the experience of selected countries with the use of PAs;
- Establish, based on international experience, the critical success factors in the use of PAs;
- Guided by the key success factors identified in (b) above, assess how PAs are used in the South African Public Service and whether such use contributes to effective performance; and
- Provide recommendations on how PAs can be optimally used to improve performance.

1.4 SCOPE OF THE STUDY

The study identified selected developed and developing countries to assess their experiences with the use of PAs. These countries are the United Kingdom, Australia, New Zealand, United States of America, Vanuatu and the Republic of Kenya.

The study focused on two categories of departments and covered two financial years, 2005/06 and 2006/07. The first category was of those departments with concurrent functions. For the purposes of this study, concurrent functions refers to functions that are shared coexist, both at the national and provincial levels. The departments looked at were the Department of Agriculture, Social Development and Treasury at national level, and also at provincial level in the Free State, Mpumalanga, KwaZulu-Natal, North West and Gauteng. The second category was national departments which have regional offices. For this category, the focus was on the Department of Water Affairs and Forestry inclusive of its regional offices in the Free State, Gauteng, KwaZulu-Natal, Mpumalanga and North West provinces.

These two categories of departments were included in the study because they may face different performance contracting dynamics. A national department with concurrent functions will have its own strategic plan which is separate from those of its provincial counterparts. The PAs of the administrative leadership are based on these different strategic plans. However, notwithstanding their separate planning and accountability structures, these departments are expected to coordinate their implementation in such a manner that they work towards the same outcome. Therefore, if the PAs of the senior managers involved are to serve as an effective management tool, there must be a certain level of alignment in terms of their content so the coordination of programmes can be achieved.

With a national department that has regional offices, the PAs of HoDs and senior managers are based on one strategic plan which is expected to be implemented across the various echelons of the department, including its regional offices. For this type of Department it becomes important to examine how the PAs in turn support the department's processes of coordinating its activities in such a manner that all its components can work towards the same goals.



1.5 METHODOLOGY

The methodology used was divided as follows:

One: Review of the Experiences of Different Countries

A review of literature on PAs as an effective performance management tool was conducted. The purpose of the review was to assess the experiences that different countries have had with PAs and to identify critical success factors in the use of PAs. The study identified selected developed and developing countries to assess their experiences in this regard. These countries are the United Kingdom, Australia, New Zealand, United States of America, Vanuatu and the Republic of Kenya.

Two: Data Gathering

Questionnaires were developed and distributed to HoDs and senior managers in the sampled departments of the South African Public Service. The questionnaires were designed and distributed to obtain and analyse the views of HoDs and members of the top management on how PAs assist them to manage and measure performance. Copies of PAs, strategic plans and annual reports were requested from the departments.

Three: Analysis of Data

The PAs submitted were analysed to assess if they met the basic requirements provided for in the applicable policy prescripts regulating performance management and development. This was followed by an analysis of the responses received from the questionnaires to establish whether in their practical experience managers found PAs to be an effective management. This analysis was guided by the key success factors on the effective use of PAs which were derived from the review of different country experiences.

1.6 LIMITATIONS OF THE STUDY

The following limitations were encountered in the process of carrying out this study:

- Most of the literature on the use of PAs tends to be descriptive rather than evaluative. The study, therefore, only found limited literature which not only provides an account of how PAs are used but also critiques their effectiveness as a management tool.
- Some departments submitted incomplete documentation or did not submit documentation at all. A better submission rate would have provided a wider scope of data on which to base the analysis.
- Whilst some departments completed the questionnaires, the quality of the responses received was not always satisfactory.

1.7 STRUCTURE OF THE REPORT

This report is structured as follows:

- Chapter 2:** is on the experiences of different countries on the use of PAs;
- Chapter 3:** provides an analysis of the completion rate and content of PAs;
- Chapter 4:** is a qualitative analysis of the effectiveness of PAs as a management tool in the South African Public Service;
- Chapter 5:** recommendations and a conclusion.



Chapter Two

An Overview of the
Experiences of Different Countries
on the Use of PAs

2.1 INTRODUCTION

As part of this study, a documentary review was conducted to establish the experiences that different countries have had with the use of performance agreements as an effective management tool. The literature review covered New Zealand (NZ), Australia, the United Kingdom (UK), the United States of America (USA), the Republic of Kenya, the pacific state of Vanuatu and South Africa, thus providing a mix of experiences from developed and developing contexts. It should, however, also be noted that the availability of evaluative literature on the use of PAs as a management tool was also a key consideration in identifying which countries to include in the literature review.

This Chapter first analyses how each of the countries has applied PAs and the experiences gained in the process. This is followed by an overview of previous PSC findings on the use of PAs in the South African Public Service. Drawing from the experiences of the various countries, the Chapter then concludes with an overview of what can be regarded as critical success factors in the use of PAs.

2.2 FINDINGS OF THE REVIEW

This section outlines the experiences of different countries with the use of PAs. It should be pointed out that in certain contexts, PAs and 'performance contracting' are used to describe the arms-length agreements that government departments enter into with parastatals and private service providers⁵. The overview of country experiences provided below excludes such use of PAs and, in line with the purpose of this study, focuses specifically on PAs entered into internally between officials and their supervisors in Public Service departments.

2.3 THE USE OF PAs IN THE UK CIVIL SERVICE

The UK civil service uses a system whereby each department produces a Public Service Agreement (PSA) which in turn serves as the basis for the PAs of senior managers⁶. A PSA specifies the objectives of the department and outlines specific targets that need to be achieved in this regard. The link (or 'line of sight') between the PAs and the PSAs (and other planning documents) is regarded as important to ensure that the performance targets of each manager are part of a broader organisational programme of service delivery and performance improvement⁷. The key elements of the performance agreement include:

- *Business delivery objectives* – which reflect business outcomes for the specific post and priorities for the year ahead. Objectives are required to be SMART (Specific, Measurable, Agreed, Realistic and Time-related) and performance measurements against these targets are also specified.
- *Capability/capacity objectives* - these refer to activities that may be required to enhance the capability and capacity of the department and/or the individual's business area.
- *Personal development objectives* - these refer to the core skills, leadership qualities, experience and expertise required of the individual in their current role.

Has the use of PAs been effective in the UK public service? There does not seem to be adequate research that has sought to establish such effectiveness, although it is believed that PAs facilitate better management⁸. A challenge has remained how performance statements distinguish between outputs and outcomes⁹. There has been an expectation that the performance of managers will have to be measured in terms of both outputs and outcomes, with Treasury often being involved in beefing up the performance targets of line departments if these were seen to be poorly formulated¹⁰. However, the focus on outcomes has remained a challenge.

⁵ See, for example, Proeller I, 'Outcome-orientation in performance contracts: empirical evidence from Swiss local government', in *International Review of Administrative Sciences*, Vol 73 (1) March 2007, pp 95 – 111.

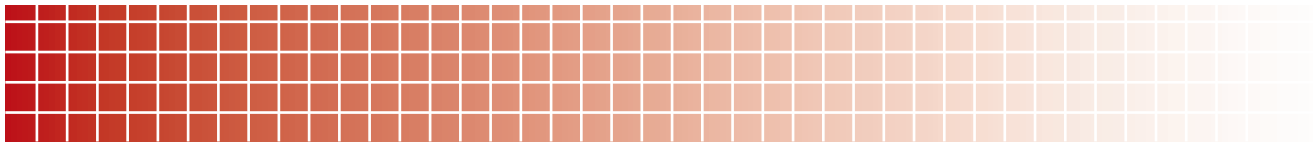
⁶ Ketelaar, A. Manning N. and Turkisch, E. Performance-Based arrangements for senior civil servants: OECD and other country experiences. OECD. 2007.

⁷ Behrens, R. How to manage Individual Performance: United Kingdom Country Report. Governing for Performance in The Public Sector – OECD Germany High Level Symposium, Berlin March 2002.

⁸ Ketelaar, A. Manning N. and Turkisch, E. Performance-Based arrangements for senior civil servants: OECD and other country experiences. OECD. 2007.

⁹ Irwin, T. 1996. An Analysis of New Zealand's New System of Public Sector Management. Public Management Occasional Papers No 9. Performance management in Government. Contemporary Illustrations. Organisational for Economic Co-operation and Development.

¹⁰ Ibid.



A critical lesson from the UK experience is to ensure that performance measures such as PAs are not stand-alone initiatives. In the UK, PAs rest within a broader system involving mid-year development reviews, end of year performance reviews, a 360 degree appraisal system, a competency framework for senior managers, and training and development opportunities provided through the National School of Government (formerly called the Civil Service College), among others¹¹. PAs, therefore, cannot work on their own, and their effectiveness in turn depends on how the other complementary measures are being implemented.

2.4 THE USE OF PAs IN THE AUSTRALIAN PUBLIC SERVICE

In the Australian Public Service (APS) the usage of performance agreements as part-and-parcel of the performance management system is compulsory for Senior Executive Service (SES). In the APS, emphasis is placed on the design of performance agreements, which should:

- Reflect an understanding of performance expectations and what is to be achieved over the specified time period;
- Identify roles and responsibilities, at the generic and role-specific levels;
- Include strategies for training and capability and career development; and
- Reinforce opportunities for whole of government work and cross departmental collaboration.

The APS also focuses on linking rigorously developed performance agreements as tools for planning, review and assessment, to ongoing and informal and formal feedback centered on performance improvement. Performance Agreements are thus required to:

- Include outcomes and deliverables that are clear and specific;
- Identify lines of accountability;
- Spell out desired behaviors (including those embedded within the APS Values and Code of Conduct); and
- Ensure that criteria for performance assessment are clear, agreed and consistently applied.

In addition to the above emphasis, the APS recognises that the “people side” of performance management is of utmost importance¹². A system's effectiveness will be limited if its implementation is emphasised at the expense of the ongoing people management aspects. These include using performance outcomes throughout the year to assist in the identification of developmental needs, to recognise where performance excellence is achieved, and, to identify where underperformance is occurring and improvement is required”.

Additional APS literature and reports emphasise that performance management systems can only be effective if other organisational factors are in place¹³. These would specifically include the integration of organisational, business and individual planning and performance as part of the integrated approaches to performance contracting and management. In addition, the APS emphasises the importance of the ‘currency’ of the PAs. In other words, PAs should not be cast in stone once they have been included. Instead, they should be reviewed periodically in response to changing circumstances in priorities¹⁴.

Notwithstanding the above otherwise sound general principles, the Australian Public Service Commission has noted some important implementation challenges in the Public Service¹⁵. Firstly, the Commission found that alignment with goals and organisational priorities was uneven. Secondly, there was a need to improve the credibility of the performance management system as a whole. In this regard, important aspects to address would include perceptions about unfair distribution of performance rewards, ensuring clarity on what constitutes good performance, and promoting a better appreciation of how the system can help staff improve their performance.

¹¹ Behrens, R. How to manage Individual Performance: United Kingdom Country Report. *Governing for Performance in The Public Sector – OECD Germany High Level Symposium, Berlin, March 2002*.

¹² Australian Government. Australian Public Service Commission. 2006. *Sharpening the Focus. Managing Performance in the APS*.

¹³ *Performance Management in the APS – A Strategic Framework*, Management Advisory Committee, 2001 and *Policy Parameters for Agreement Making in the APS*, 2002.

¹⁴ Australian Government. Australian Public Service Commission. 2006. *Sharpening the Focus. Managing Performance in the APS*.

¹⁵ *Ibid*.

2.5 THE USE OF PAs IN THE NEW ZEALAND PUBLIC SERVICE

The New Zealand Public Service (NZPS) is generally known for its drastic reforms enacted through legislation in the 1980s. During the 1980s, the NZPS implemented arguably one of the most thoroughgoing public service reforms in the world. One of the critical aspects of the reforms was the separation of the roles of ministers and departmental chief executives (CEs), with ministers being responsible for “outcomes” and CEs being responsible for delivering “outputs”. The system of PAs used for CEs is, therefore, focused on the specific outputs that each CE would have negotiated with their minister.

How does the system work in practice? Firstly, when a department tables a budget in Parliament it also publishes a forecast report which specifies the outputs that it will deliver¹⁶. The outputs are then elaborated in what is called a purchase agreement, which is an agreement between the CE and the minister outlining the specific outputs that the minister will ‘purchase’ from the department. Flowing from these purchase agreements (a CE may sign purchase agreements with more than one minister if his/her department will be offering outputs to more ministers), CEs then enter into a PA with the State Services Commissioner. The CE in turn also signs PAs with his/her staff.

There have been mixed reviews about the effectiveness of the New Zealand’s model of PAs and performance management. While the separation of outputs from outcomes is seen as providing the necessary clarity in PAs regarding the responsibilities of CEs, it has also been criticised as a “rhetorical fiction...” which assumes “...that Ministers do not involve themselves in the operational activities of their departments, and that senior public servants have no influence over the shaping of policy”¹⁷. The main risk with such decoupling of outputs from outcomes, it is argued, is that it promotes ‘management by checklist’ whereby managers are encouraged to focus narrowly on what appears in their PAs and purchase agreements¹⁸. What this ultimately leads to is an erosion of important public values such as trust, loyalty and professionalism. These values are an important means of promoting accountability and cannot be replaced by PAs¹⁹. However, other authors have disagreed with this criticism. For example, Bale and Dale (1998) have argued that having clear outputs for managers can in turn increase the attention that is given to outcomes²⁰.

In addition to concerns around the outputs/outcomes divide, concerns have also been raised about whether the performance contracts themselves have led to better performance. For example, Schick (1998) points out that most of the senior managers attribute the improvements in the performance of government to the discretion given to managers and not to the performance contracts themselves²¹. This observation effectively cautions against an uncritical recognition of the value of the PAs without examining other organisational factors which may be responsible for the improvements that are being experienced.

A particularly important cautionary note is that an elaborate performance contracting regime such as New Zealand’s tends to involve significant transaction costs²². A lot of effort and resources are spent developing, negotiating and monitoring the contracts. In fact, in New Zealand ministers are said to sometimes employ ‘purchase advisers’ to help them in the development and negotiation of agreements with CEs, a development which adds to the costs of using PAs²³.

2.6 THE USE OF PAs IN THE UNITED STATES

In the US, as in the other countries reviewed above, departments develop strategic plans which in turn serve as the basis for PAs with individual senior managers²⁴. While departments can use their own templates for PAs, certain broad guidelines have been put in place by the Office of Personnel Management (OPM).

¹⁶ Schick, A. 1998. *Why Most Developing Countries should not Try New Zealand's Reforms*. The World Bank Research Observer.

¹⁷ Shaw, R. 1999. *Rehabilitating the Public Service: Alternatives to the Wellington Model*, in Chatterjee, S, Conway, P et al. *The New Politics: A Third Way for New Zealand*. Dunmore Press Limited, New Zealand.

¹⁸ Ibid.

¹⁹ Boyle, R. (undated). *Governance and Accountability in the Irish Civil Service*. Committee for Public Management Research, Discussion Paper 6.

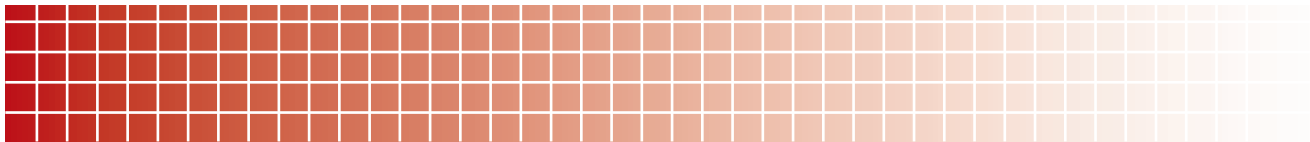
²⁰ Bale, M. and Dale, T. 1998. “Public Sector Reform in New Zealand and its Relevance to Developing Countries”, in *The World Bank Observer*, Vol 13 (1), pp 103 – 121.

²¹ Schick, A. 1998. *Why Most Developing Countries should not Try New Zealand's Reforms*. The World Bank Research Observer.

²² Schick, A. 1998. *Why Most Developing Countries should not Try New Zealand's Reforms*. The World Bank Research Observer.

²³ Bale, M. and Dale, T. 1998. “Public Sector Reform in New Zealand and its Relevance to Developing Countries”, in *The World Bank Observer*, Vol 13 (1), pp 103 – 121.

²⁴ Ketelaar, A. Manning, N. and Turkish, E. *Performance-Based arrangements for senior civil servants: OECD and other country experiences*. OECD. 2007.



For example, the guidelines provide that "...50% of the objectives [in a PA] are to be measurable, while the remaining 50% can be more qualitative"²⁵.

Reviews of the practical application of PAs in the US has identified both strengths and weaknesses. In terms of strengths, it is said that the use of PAs achieved a number of benefits²⁶. Firstly, they help to align daily operations with programmatic goals. The specific deliverables of managers contained in the PAs can be traced back to the strategic goals of the agencies they work for. Secondly, the PAs facilitate collaboration across organisational boundaries. This comes about because of the results-oriented approach that the PAs promote, thus encouraging officials to work together for the achievement of broader goals. Thirdly, the use of PAs facilitates communication about performance. In this regard, the PAs provide a useful mechanism through which to examine progress towards achieving specific targets. Fourthly, the PAs serve as an instrument for individual accountability. For example, using the PAs as a guide, informed decisions can be made about the granting of bonuses. Finally, the PAs facilitate continuity during leadership transitions. They achieve this by promoting a consistent focus on programme goals, a focus that is necessary even when there are leadership changes in the organisation.

In addition to the above benefits, certain challenges have also been identified. Key among these is the inadequate prioritisation of objectives and performance measures, leading to some PAs containing as many as seven objectives and thirty performance measures²⁷.

A further important challenge is in connection with the formulation of measures and targets. Some of these tend to be too broad, thus raising the risk that they may be difficult to assess during the performance review processes²⁸.

Finally, the US system is seen to be complicated by the involvement of the President as a signatory to the PAs of the administrative heads of institutions²⁹. While this elevates the importance of the PAs and the seriousness with which they must be taken, at a practical level it raises questions about which parties should be involved in the review of the performance of the managers and what role, if any, the President should play in this regard. More specifically, in case of a dispute the President may not be able to mediate because he is a party to the agreement.

2.7 THE USE OF PAs IN VANUATU³⁰

PAs were introduced into the Vanuatu public service in 2002 for Directors-General (DGs) and Directors, the top two ranks of public servants³¹. The rationale for the PAs was to "improve the output or quality of work and/or the quality of the working relationship between parties to the agreements"³². The agreements are to be reviewed at six-monthly intervals to determine whether the objectives were being achieved.

At the level of practical application, certain challenges have been experienced in the use of PAs. One of these has been the slow pace at which PAs get completed. For example, by the end of 2003, only four PAs had been signed, leaving nine (69%) DGs and thirty-five (97%) Directors without PAs³³. Following a training programme on the role and completion of the PAs, the Public Service saw the completion rate of PAs increasing, although by March 2004, there were still only 5 (38%) DGs and 11 (31%) Directors with PAs.

The slow progress with the completion of PAs has partly been attributed to poor people management skills. In a report on the professional development needs of DGs and Directors in 2002, it was found that Directors believed that DGs were unwilling to delegate responsibility and also provided minimal

²⁵ Ibid.

²⁶ United States General Accounting Office. 2000. "Managing for Results: Emerging Benefits from Selected Agencies' Use of Performance Agreements". Report to the Honorable Dan Burton, Chairman, Committee on Government Reform, House of Representatives.

²⁷ Trivedi, P (undated). Performance Agreements in the US Government: Lessons for Developing Countries.

²⁸ Ibid.

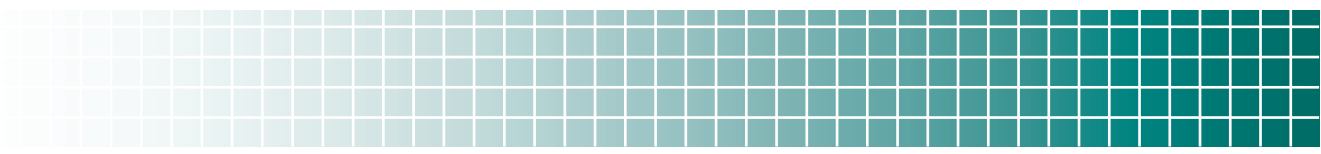
²⁹ Ibid.

³⁰ The Republic of Vanuatu is made up of 83 islands which are located in the South Pacific Ocean.

³¹ O'Donnell, M. and Turner, M, Exporting new public management: performance agreements in a Pacific microstate. *International Journal of Public Sector Management*. 80118 (7) 2005 pp 615-628.

³² Ibid.

³³ O'Donnell, M. and Turner, M, Exporting New Public Management: Performance Agreements in a Pacific Microstate. *International Journal of Public Sector Management*. 80118 (7) 2005 pp 615-628.



feedback on the performance of their subordinates. In addition, the report indicated that there was a lack of commitment to team-work among DGs.

However, the challenges impacting on the use of PAs were not limited to uncooperative DGs. It was generally also found that there was resistance to the use of PAs in the Public Service. Public servants seemed to be suspicious of and hostile towards the PAs. Some did not view the PAs as a management tool for improving performance but rather as a punitive instrument that could be used against them.

In addition to the above attitudinal obstacles to the use of PAs, there were also technical aspects of the system that impacted on its effectiveness. One of these was that the template which has been utilised to construct the PAs tended to sometimes generate long and complex lists of performance targets. This results in the PAs being unwieldy and difficult to use as management tools.

2.8 THE USE OF PAs IN KENYA

As part of implementing the Public Sector Reform Programme (PSRP) in Kenya, government introduced the Strategy for Performance Improvement in the Public Service in 2001³⁴. The purpose of the strategy was to improve productivity and service delivery. All ministries were required to develop strategic plans and strive towards the achievement of their missions and objectives. Individual officials would then develop their own work plans based on the strategic plan of their department. In turn, the work plan forms the basis for the official's performance contract.

The Republic of Kenya started piloting the use of these performance contracts in 2004, starting with sixteen (16) chief executives of parastatals and later rolling the programme out to other Permanent Secretaries³⁵. Although the real impact of the use of performance contracting has yet to be fully discernable, certain observations have been made around what is regarded as evidence that they are helping to improve performance and the management of the public service. For example, it is argued that as a result of the system, there has been significant improvement in service delivery and operations by such ministries as Immigrations and Registration of Persons, Agriculture, Provincial Administration and Internal Security, Health, Finance and Water³⁶.

While the above claims are commendable, it is important to note that the implementation process has not been without challenges. A study conducted with 280 managers found that only 25 of them had signed their performance contracts³⁷. This suggests that in Kenya, as in some of the countries reviewed above, there tends to be delays in the conclusion of PAs. In order to improve the use and value of PAs, certain critical considerations need to be made. These include the need for a good definition of outputs and performance measures. To be able to define clear outputs and performance measures does not happen overnight, and a well-developed training programme for officials is important in this regard. In addition, the use of performance contracting needs to be supported by other good management practices. These practices include a participatory management approach to decision making to promote communication and collective ownership of the performance contracting process.

2.9 TOWARDS THE EFFECTIVE USE OF PAs: CONSOLIDATING THE LESSONS FROM EXPERIENCE

The review above points to certain important success factors that need consideration if PAs are to become effective management tools. An overview of these factors is provided below.

2.9.1 PAs must be aligned to the broader goals of the organisation

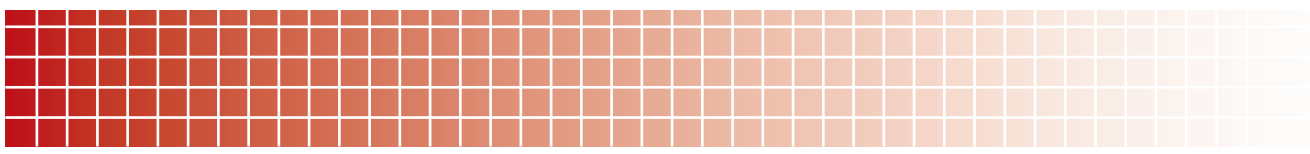
The overview of the experiences of different countries has revealed that for the PA system to succeed, it is critically important that the system is aligned to the broader strategic goals of organisations. This linkage

³⁴ Kobia, M. and Mohammed, N., Towards an effective delivery on public service in Africa: The Kenyan experience with Performance Contracting.

³⁵ Muthaura, F., Performance Contracts in Kenya: Restoring and Building Trust in Government through Innovations to Promote Quality of Public Service. Power Point presentation. 25 June 2007.

³⁶ Kobia, M. and Mohammed, N., Towards an effective delivery on public service in Africa: The Kenyan experience with Performance Contracting.

³⁷ Ibid.



will ensure that Key Result Areas in the PAs are geared towards the achievement of the departmental goals. The alignment will also ensure that there is continuous monitoring and evaluation of individual targets against the overall strategic objective of the organisation. The key elements underpinning such alignment would, among others, include synergy between:

- individual goals and departmental priorities; and
- the required core skills, leadership qualities, experience and expertise on the one hand and departmental objectives on the other.

2.9.2 PAs must be clear and simple and not try to measure everything

Organisations should always endeavour to keep PAs as clear and simple as possible. Such an approach will remove ambiguities in the meaning and in the implementation of KRAs. Indicators and standards against which progress will be measured should also be clear. There should be a conscious effort to avoid trying to capture every responsibility and performance measure in the PA as this would make the tool unwieldy and ineffective.

2.9.3 PAs should be used as tools for facilitating communication

Communication is key to effective performance management and development. Given that PAs are used as instruments for facilitating feedback between supervisors and employees on the achievement of targets, it is imperative that they act as catalysts for ensuring effective communication of results. Therefore, PAs should be managed in a consultative, supportive and non-discriminatory manner; without which they will be viewed with suspicion. For example, what eventually gets captured in the PA should be discussed between the supervisors and the employee concerned, and the same should be done with the outcome of each performance review so that the employee understands how and why the outcome was arrived at.

2.9.4 Managers must have the capacity to utilise PAs effectively


Managers must have an appreciation of the purpose of developing PAs, the requirements which the PAs should meet and the proper way of using them as a management tool. After all, PAs are just a management tool and the manner in which they are used by managers will, to a large extent, determine their usefulness. Therefore, managers must have the knowledge, skills and right attitude to ensure the effective utilisation of PAs. Without such capacity, the risk exist that PAs may not be completed timeously, or be completed simply for compliance purposes without careful attention being paid to the contents thereof, or be put away and not used once they have been entered into. Indeed, without the necessary appreciation of the purpose of PAs, managers may be tempted to use them as instruments of punishing their subordinates.

2.9.5 Appropriate leadership is required to champion the use of PAs

In all the experiences reviewed in this study, HoDs were the first to be required to enter into PAs. The assumption here is that once this has been achieved, HoDs will, as the highest echelon of administrative leadership in turn champion the conclusion and use of PAs at lower levels.

2.9.6 PAs must be supported by other complementary mechanisms of accountability

The successful implementation of PAs also depends on the effective utilisation of other complementary mechanisms of accountability. Almost without exception, researchers and HR practitioners do not place emphasis on performance contracting or performance agreements as a stand alone mechanism or tool. If they are used as a stand-alone mechanism that is not supported by other organisational process of promoting accountability, they are unlikely to be effective. For example, if an organisation does not have a sound planning process, there will not be sound organisational goals and priorities which can be translated into meaningful KRAs and performance objectives for staff. Equally, it is important to have in place an organisation-wide system which ensures that once PAs have been entered into, they are followed by regular performance reviews and the provision of appropriate personal training and development interventions.



In addition, the use of PAs should be supported by an inculcation of critical organisational values such as trust, professionalism and loyalty. Such values are important to ensure that managers do not adopt a tunnel vision whereby only what has been specified in the PA counts.



Chapter Three

An Analysis of the Completion
Rate and Content of PAs in the
South African Public Service

3.1 INTRODUCTION

The experiences reviewed in Chapter 2 of this report point to potential benefits in the use of PAs as an effective management tool. However, it is equally important to establish whether in the South African situation managers do indeed conclude PAs with their supervisors as required, and whether the content of these PAs is such that it meets the specific standards. This Chapter firstly outlines the legislative framework within which performance agreements are used in the South African Public Service. The chapter then provides an analysis of the completion rate and content of PAs in the South African Public Service. Such an assessment is necessary for at least two reasons. Firstly, whatever benefits are associated with the use of PAs as a useful management tool, no such benefits can be realised unless managers do indeed sign PAs with their supervisors as required. There may be an enabling policy in place regarding the signing of PAs, but at the end of the day managers need to give effect to this policy if it is to work. Secondly, if the content of the PAs that have been signed does not meet specified standards, it can be assumed that their usefulness would be compromised.

Understanding the practice in terms of the completion rate and content of PAs was, therefore, necessary in this study so that informed recommendations can be made to improve implementation.

3.2 THE LEGISLATIVE FRAMEWORK FOR PERFORMANCE AGREEMENTS

Performance management in the South African Public Service is guided by the Public Service Act³⁸, the Public Service Regulations³⁹, resolutions of the Public Service Co-ordinating Bargaining Council⁴⁰ (PSCBC), Treasury Regulations⁴¹, and the White Paper on Transforming Public Service Delivery⁴². **Table I** below summarises the key provisions that guide performance management.

Table I: Legislative Requirements Governing Performance Management System of SMS Members in the Public Service

SOURCE	PROVISION
Public Service Act, 1994	<p>(a) Chapter II, Section 3(7): Assigns powers and duties to an EA concerning the internal organisation of a department including its organisational structure and establishment as well as the career incidents of employees of that department, such as performance management and dismissal.</p> <p>(b) Chapter III, Section 7(3)(b): Provides for the following responsibilities of HoDs:</p> <ul style="list-style-type: none">• Efficient management and administration• Effective utilisation and training of staff• Maintenance of discipline• Promotion of sound labour relations• Proper use and care of state property <p>(c) Chapter IV, Section 12: Assigns the President and relevant Premiers the powers concerning the appointment and other career incidents of HoDs.</p>

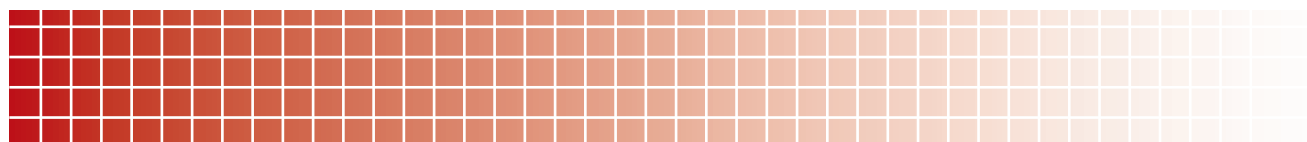
³⁸ Republic of South Africa. Department of Public Service and Administration, Public Service Act, 1994, as amended.

³⁹ Republic of South Africa, Department of Public Service and Administration, Public Service Regulations, 2001, issued in terms of section 41 of the Public Service Act, 1994, as amended.

⁴⁰ Public Service Coordinating Bargaining Council's Resolutions 13 of 1998 and 9 of 2000.

⁴¹ Republic of South Africa. National Treasury, Treasury Regulations, 2001, issued in terms of the Public Finance Management Act, 1999.

⁴² Republic of South Africa. Department of Public Service and Administration, White Paper on Transforming Public Service Delivery, 1997.



SOURCE	PROVISION
Public Service Regulations, 2001	<p>(a) Paragraph B.2.1 of Part VII, Chapter I: Indicates that the prescribed employment contract of a HoD shall be as set out in Annexure 2 of the PSR.</p> <p>(b) Paragraph 7 of the employment contract (Annexure 2): Contains the measures that govern the Performance Agreements (PA) of a HoD.</p> <p>(c) Paragraph B.1 of Part VIII, Chapter I: Indicates that an EA shall determine a system for performance management for employees in her/his department other than employees in the SMS. This implies that the MPSA should determine such a system for members of the SMS.</p> <p>(d) Chapter 4 provides for the establishment of the SMS. Paragraph A, Part III states that the performance of all members of the SMS will be managed through a PA, which should be linked to the department's strategic plan. Paragraph B states that all new members of the SMS shall enter into a PA, which will define key responsibilities and priorities, encourage improved communication and enable the supervisor to assess the work of the member of the SMS.</p>
PSCBC Resolution No 13 of 1998	<p>(a) The resolution states that the purpose of the negotiated collective agreement is to set a framework for senior managers to agree to individual PAs.</p> <p>(b) The agreement thus extended the signing of PAs from HoDs to all senior managers (levels I3-I6) and prescribed the following five items that must be included in a PA:</p> <ul style="list-style-type: none"> • Key duties and responsibilities • Output targets for the PA period • Dates for performance review • Dispute resolution mechanism • Date on which salary increments will come into effect and mechanisms for the management/awarding of salary increases.
PSCBC Resolution No 9 of 2000	<p>(a) This resolution extends Resolution 13 of 1998. It provides for the remuneration packages of senior managers/professionals to be translated to a more transparent total cost-to-employer and inclusive flexible remuneration package system.</p>



SOURCE	PROVISION
Treasury Regulations, 2001	<p>(a) Departments must comply with the Treasury Regulations regarding strategic planning and budgeting. Part 3, Chapter 5 of the Treasury Regulations deals with strategic planning. The Guidelines provided by National Treasury give detailed and extensive outlines of what is required to effectively link departmental strategy to budgets. Departments need to budget for projected salary increases and financial rewards that may be allocated to members of the SMS based on the framework determinations made by the MPSA.</p> <p>(d) This chapter contains both <u>advisory</u> and <u>mandatory</u> elements. The advisory part is captured in paragraphs 6 – 7. The mandatory elements are set out in paragraphs 8 – 19. Please note that the latter part has been designed so as to allow departments flexibility during the implementation process, while ensuring that there will be consistency across departments when assessing SMS members and deciding on monetary rewards.</p>
Batho Pele White Paper, 1997	<p>(a) <i>Batho Pele</i> is a deliberate strategy to instill a culture of accountability and caring by public servants. Through this strategy public servants must become service orientated, strive for service excellence and commit to continuous service delivery improvement.</p> <p>(b) The White Paper sent a strong message of government's commitment to a citizen-centered approach to service delivery, anchored by eight <i>Batho Pele</i> principles:</p> <ul style="list-style-type: none"> • consultation • service standards • access • courtesy • information • openness and transparency • redress • value for money
Senior Management Service Handbook	<p>(a) Chapter 4 of the SMS Handbook describes the process and requirements of performance managements and development for members of the SMS. It is issued as a directive by the Minister for Public Service and Administration in terms of Part III, B3 of Chapter 4 of the Public Service Regulations, 2001.</p>

The regulatory framework above illustrates that PAs are a mandatory requirement for all senior managers in the South African Public Service. Each manager is required to enter into a PA shortly after the start of the financial year. Have PAs been used effectively as a management tool? Like other countries, the South African experience shows mixed results in the use of PAs, and the analysis that follows below seeks to draw attention to areas where there have been progress and those where challenges still abound.

3.3 COMPLIANCE WITH THE REQUIREMENTS OF PAs

When PAs were introduced in the South African Public Service in 1998, this move was part of a broader shift from focusing on the administration of rules to managing for results and establishing accountability for performance⁴³. In order to institutionalise the practice of using PAs as a management tool, there has understandably been a focus on getting departments to comply with the basic prescripts regulating performance management. Almost ten years later, progress with achieving the required compliance is still slow, as is evidenced by the findings outlined below.

3.3.1 The completion rate of PAs among senior managers

The PSC requested to be provided with signed copies of the PAs of all the SMS members in the sampled departments for the 2005/06 and 2006/07 financial years. Out of the 739 PAs the PSC expected for the 2005/06 financial year, only 296 (or 40%) of them were received. For the 2006/07 financial year, only 437 or 52% were received (out of the total of 837 that were expected).

Table 2 below shows the total number of the members of the SMS per sampled national and provincial department relative to the number of PAs submitted for the 2005/06 financial year.

Table 2: PAs received as a percentage of the total members of the SMS for the 2005/06 financial year

Name of Department	Number of SMS	PAs Received	Outstanding PAs	Response Rate
National Departments				
Agriculture	44	35	9	80%
National Treasury	167	16	151	10%
Social Development	52	17	35	33%
Water Affairs and Forestry	104	84	20	81%
Free State Province				
Agriculture	17	14	3	82%
Provincial Treasury	16	8	8	50%
Social Development	15	13	2	87%
Gauteng Province				
Agriculture, Conservation and Environment	31	18	13	58%
Finance	49	6	43	12%
Social Development	23	1	22	4%
KwaZulu-Natal Province				
Agriculture and Environmental Affairs	34	16	18	47%
Provincial Treasury	32	5	27	16%
Social Services and Population	26	7	19	27%

⁴³ Republic of South Africa. Department of Public Service and Administration. Baseline Implementation Guide. Undated.

Mpumalanga Province				
Agriculture, Conservation and Environment and Land Affairs	23	2	21	9%
Finance	17	12	5	70%
Health and Social Services	31	27	4	87%
North West Province				
Agriculture, Conservation and Environment	22	1	21	5%
Finance	23	13	10	57%
Social Development	13	1	12	8%

* Source: Vulindlela statistics

As the above table shows, at the national level, the submission rate ranged from 10% (National Treasury) to 81% (Water Affairs and Forestry). At the provincial level, the submission rate ranged from 5% (North West Department of Agriculture, Conservation and Environment) to 87% (Free State Department of Social Development). Overall, the response rate from the provincial departments is very low. The low response rate may suggest that there are SMS members who did not have signed PAs at all. The implications of such a practice for the usefulness of PAs as a management tool can be profound. However, before such implications are explored, it is necessary to first also look at the completion rate for the 2006/07 financial year order to determine the trends that may exist in this regard. **Table 3** below shows the figures for the 2006/07 financial year.

Table 3: PAs received as a percentage of the total members of the SMS for the 2006/07 financial year

Name of Department	Number of SMS	PAs Received	Outstanding PAs	Response Rate
National Departments				
Agriculture	63	55	8	87%
National Treasury	193	17	176	9%
Social Development	60	17	43	28%
Water Affairs and Forestry	117	98	19	84%
Free State Province				
Agriculture	18	15	3	83%
Provincial Treasury	16	11	5	68%
Social Development	18	10	8	56%
Gauteng Province				
Agriculture, Conservation and Environment	44	36	8	82%
Finance	34	18	16	53%
Social Development	22	20	2	91%

KwaZulu-Natal Province				
Agriculture and Environmental Affairs	35	8	27	23%
Provincial Treasury	44	16	28	36%
Social Services and Population	28	9	19	32%
Mpumalanga Province				
Agriculture, Conservation and Environment and Land Affairs	28	14	14	50%
Finance	16	8	8	50%
Health and Social Services	38	37	1	97%
North West Province				
Agriculture, Conservation and Environment	26	15	11	58%
Finance	24	22	2	92%
Social Development	13	11	2	85%

* Source: Vulindlela statistics

From the table above, it can be seen that at the national level, the submission rate ranged from 9% (National Treasury) to 87% (Agriculture). At the provincial level, the submission rate ranged from 23% (KwaZulu-Natal Department of Agriculture and Environmental Affairs) to 97% (Mpumalanga Department of Health and Social Services).

Evidence suggests that low compliance rates are common across the South African Public Service. For example, in an update the Minister for Public Service and Administration provided to Parliament in 2008, it was indicated that out of a total of 7 720 senior managers in the entire Public Service, only 4 740 (or 61%) had concluded PAs⁴⁴. This is a low compliance rate. Other PSC studies have come across similar unsatisfactory trends. For example, in a study conducted with senior managers in the Eastern Cape, only 213 (out of 437) signed PAs could be provided to the PSC, thus representing a 49% compliance rate. Similar PSC studies conducted subsequently with senior managers in the North West and Northern Cape found compliance rates of 63% and a dismal 26%, respectively⁴⁵. In the Northern Cape, what was even more worrying was the compliance rate for the provincial departments of Health and Transport, Roads and Public Works, both of which stood at 0%.

The generally low compliance rates have been a recurring challenge such that the signing of PAs ended up being announced as a priority by the State President in his State of the Nation Address⁴⁶. In responding to this development, the PSC pointed out in its 2008 State of the Public Service Report that it is an indictment on the Executive and Heads of Department that the conclusion of PAs would be ignored to a point where the State President finds it necessary to mention them as a key priority in the State of the Nation Address⁴⁷.

On the other hand, however, it should be also acknowledged that there have been cases where much better levels of compliance have been achieved. For example, the North West province has consistently achieved a 100% compliance rate in terms of the conclusion of PAs for HoDs⁴⁸.

⁴⁴ Republic of South Africa. Ministry of Public Service and Administration. Budget Vote Speech. 2008/9.

⁴⁵ Republic of South Africa. Public Service Commission. Draft Report on the Implementation of the Performance Management and Development System for Senior Managers in the Northern Cape. October 2008.

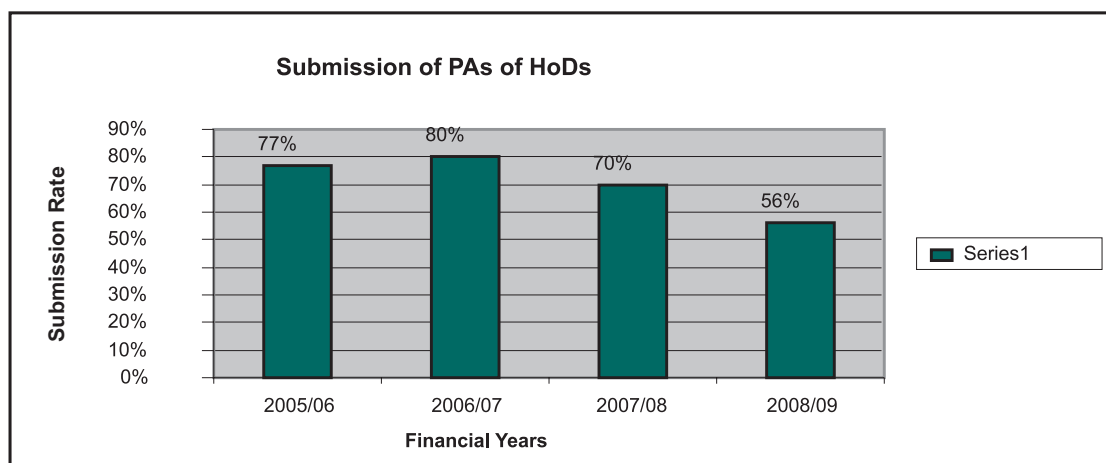
⁴⁶ Mbeki, T. President of the Republic of South Africa. State of the Nation Address. Joint Sitting of Parliament. Cape Town. 8 February 2008.

⁴⁷ Republic of South Africa. Public Service Commission. State of the Public Service Report. March 2008.

⁴⁸ Republic of South Africa. Public Service Commission. Report on the Implementation of the Performance Management and Development System for Senior Managers in the North West Province. January 2008.

The non-submission of PAs has far-reaching implications. Non-submission raises many pertinent questions such as whether SMS members do in the first place adhere to the PMDS requirements, how the SMS members are held accountable for their performance if they have not signed their PAs, and whether their performance gets appraised at all. In this regard, it is important to emphasise that as the highest echelon of the administrative leadership in the Public Service, HoDs would need to lead by example and enter into PAs with their Executive Authorities as required. Unfortunately, in the PSC's experience, compliance rates at the level of HoDs have not always been satisfactory.

Figure 1 below shows the rate of submission of PAs for HoDs for the 2005/06 to 2008/09 financial years.



The figure above shows a 77%, 80% and 70% submission rate for all national and provincial HoDs for the 2005/06, 2006/07 and 2008/09 financial years, respectively. The rate then goes down to 56% for the 2008/09 financial year. It is evident, therefore, that the completion of PAs still remains a challenge even at the level of HoDs. In fact, such is the nature of the challenge that the State President even had to elevate the signing of PAs to one of the key priorities in the State of the Nation Address⁴⁹. While this at least shows that there is political will to address the issue, it must be said that managers themselves need to take up the gauntlet and sign PAs with their supervisors. If there are no signed PAs in the first place, there would be no point talking about their effectiveness as a management tool.

3.3.2 Compliance with procedural and substantive requirements of the PMDS

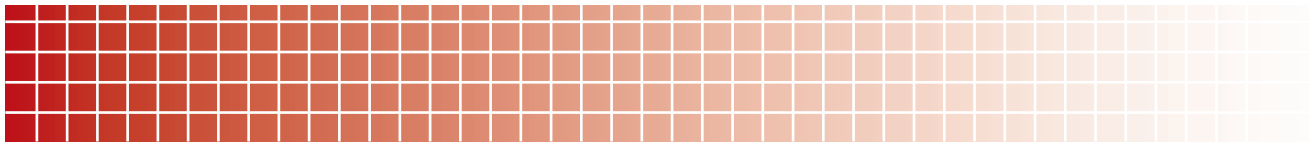
There are procedural requirements that managers are expected to adhere to regarding PAs, and these are effectively the basic steps without which the rest of the performance contracting cycle becomes compromised. In this study, the five main procedural requirements assessed are:

- PAs must be signed on time
- PAs must include workplans
- PAs must specify dates for Performance Reviews
- PAs must specify someone to mediate in case of a dispute

3.3.2.1 PAs must be signed on time

When PAs are concluded late, it means that senior managers spend part of the financial year working without any set of deliverables and responsibilities that they have been formally committed to. Most importantly, if a PA is signed late in the financial year, this defeats the whole purpose of using it as a management tool. In this regard, by the time the PA is signed, the manager and supervisor would already have missed the opportunity to use it to manage performance, facilitate feedback and guide personal development.

⁴⁹ Mbeki, T. President of the Republic of South Africa. State of the Nation Address. Joint Sitting of Parliament. 8 February 2008.



In terms of paragraph 8.1 of the amended PMDS all members of the SMS (managers and professionals) must enter into PAs within the first month of the financial cycle, that is, by not later than 30 April of each year. In the 19 departments senior managers generally signed their PAs after the 30 April deadline. Non-compliance in this regard ranged from 41% (KwaZulu-Natal Department of Agriculture and Environmental Affairs) to 92% (National Department of Social Development).

Once again, the late conclusion of PAs is proving to be a common malpractice in departments. In 3 of the departments surveyed by the PSC in the North West in 2007, all PAs of managers were found to have been concluded after 30 April⁵⁰. The Northern Cape trends were even worse where in 5 of the provincial departments, no PA was concluded on time⁵¹.

3.3.2.2 PAs do not include workplans

Workplans are important because they elaborate on the KRAs and outline the deliverables that are expected from the employee under each KRA. The more precisely the KRAs are described, together with the criteria by which they will be measured, the more effective the performance management process will be. In the absence of workplans, the value of PAs becomes limited.

In terms of the SMS PMDS, the content of PAs should clearly and directly devolve from and be related to the department's strategic plan. In this regard, PAs are required to include a workplan for the specific financial year covered by the Agreement. Although non-compliance was not found to be prevalent in this area, there were worrying trends that were discerned in certain departments. In National Treasury, for example, of the 17 PAs that were submitted, 10 were without workplans. At the provincial level, the KwaZulu-Natal Department of Social Services and Population Development showed the highest level of non-compliance in this regard, with 9 out of the 11 PAs submitted being without workplans.

3.3.2.3 PAs did not include dates of reviews for performance assessments

Performance reviews are important feedback sessions that should take place at regular intervals during the course of the financial year. They provide an opportunity for SMS members to receive feedback on how they are performing. They also provide a time-frame for structured reflection by the SMS member using the process of self-assessment. As a minimum two formal performance reviews should take place annually, preferably in the middle of the cycle, and one at the end of the cycle.

Generally, all departments were found to have complied with this requirement. Only the Department of Agriculture in Gauteng was found to have high levels of non-compliance (89%). This non-compliance could imply that senior managers and their supervisors lack of appreciation of the importance of the communication and feedback that the performance reviews provide for. These reviews are the very basis on which the use of PAs as a management tool rest. A further concern is that PAs of some senior managers only identified dates for annual performance appraisals. This effectively means that these PAs make no reference to performance reviews taking place during the course of the financial year. The annual performance appraisal normally results in cash rewards in case there is excellent performance, but that does not mean that it should become the only performance assessment of the year. When such a practice happens, it actually distorts the purpose of the PMDS and projects the system as being merely a mechanism for justifying merit awards. It is important to appreciate that the "most productive use of performance measurement is dialogue"⁵².

It should be pointed out that the inclusion of performance review dated in PAs generally appears to be a requirement departments do not struggle with. For example, with a study conducted in the Northern Cape, the PSC found that all the PAs that were submitted indeed reflected review dates.

⁵⁰ Republic of South Africa. Public Service Commission. Report on the Implementation of the Performance Management and Development System for Senior Managers in the North West Province. January 2008.

⁵¹ Republic of South Africa. Public Service Commission. Draft Report on the Implementation of the Performance Management and Development System for Senior Managers in the Northern Cape. October 2008.

⁵² Ketelaar, A, Manning N. and Turkisch, E. Performance-based arrangements for senior civil servants: OECD and other country experiences 2007.



3.3.2.4 PAs do not identify a mediator to help resolve performance related disputes

An environment in which disputes drag for long does not promote sound working relationships and may impact negatively on effective service delivery as well. A PA which, identifies a mediator serves as a useful tool as it ensures that when a dispute arises, the parties concerned can focus on the resolution of the dispute instead of debating who the mediator should be.

The PMDS requires that senior managers and their supervisors identify and agree on a person who would mediate in case of a dispute. On average 8% of the PAs of senior managers from all departments did not identify a mediator to resolve disputes in the event that these arise. Despite the fact that there was generally a low level of non-compliance, this remains an important area that needs attention so that departments can ensure that disputes between managers and their supervisors are resolved amicably and timeously in case they arise.

The low rate of non-compliance with the requirement to include the name of mediator is encouraging, especially considering available evidence which seems to suggest that departments are continuing to improve in this area. For example, in a PSC study conducted in the Northern Cape, all PAs that were submitted had included the name of a mediator⁵³. These findings contrast sharply with those from an earlier study in the North West province where non-compliance in this area was found in as many as 92% of the PAs submitted⁵⁴.

3.3.3 Compliance with substantive requirements of the PMDS

There are also substantive requirements that managers are expected to adhere to regarding PAs. Based on an analysis of the content PAs received, this section looks at the extent to which the PAs meet these substantive requirements as provided for in the Performance Management and Development System (PMDS) for senior managers. It can be assumed that the reason these requirements have been made mandatory for PAs was because these were deemed to be an important ingredient towards making the PAs a useful management tool. Thus, if these ingredients are either missing or prove to be superfluous, then the effectiveness of PAs would be compromised. Given these considerations, it is, therefore, necessary to look at these ingredients closely and assess the rate of their inclusion in PAs and their usefulness.

In the departments that were included in the study, non-compliance with the content-requirements of PAs tends to occur on the following 6 issues; namely, non-identification of KRAs, overlap between KRAs and CMCs, non-inclusion of the *Batho Pele* principles in the KRAs and CMCs and inability to identify Personal Development Plans (PDPs).

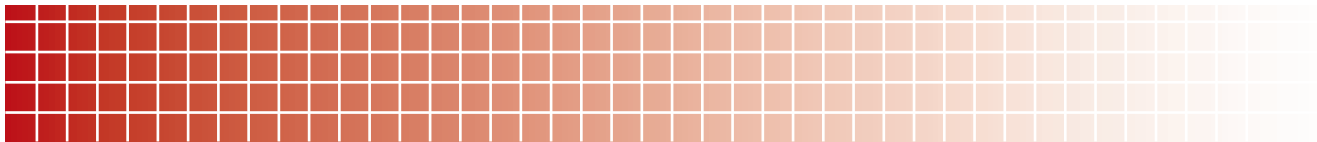
3.3.3.1 PAs do not identify Key Result Areas to guide performance management

KRAs are the basic pillars of a PA which clarify the areas of responsibility of an individual manager. If such clarity is not there, it can be expected that the extent to which the PA can support effective management practices will be limited. KRAs are essentially signifiers of the value each SMS member is adding towards the implementation of the overall strategic and annual plans of departments.

In terms of the SMS PMDS, PAs of senior managers should include KRAs. These KRAs should be derived directly from the approved business or strategic plans. Although there was not a high level of non-compliance on this aspect, it is still important to draw attention to the fact that certain PAs did not specify KRAs. In this regard, it was found that the highest percentage of non-compliance was in the Department of Water Affairs and Forestry where 5% of the PAs received did not reflect KRAs. This is significant considering that the total number of PAs received from the Department was 84 for the 2005/06 and 98 for the 2006/07 financial years, respectively.

⁵³ Republic of South Africa. Public Service Commission. Draft Report on the Implementation of the Performance Management and Development System for Senior Managers in the Northern Cape. October 2008.

⁵⁴ Republic of South Africa. Public Service Commission. Report on the Implementation of the Performance Management and Development System for Senior Managers in the North West Province. January 2008.



Other studies conducted by the PSC have also found that the formulation of KRAs is not always taken seriously when PAs are concluded. For example, a study conducted with senior managers in the Eastern Cape⁵⁵, it was found that in some instances, KRAs would be duplicated across the PAs of several managers, thus suggesting that the managers concerned were responsible for the same things. In other instances, strategic objectives of the department would be reflected as KRAs, thus making it difficult to determine which aspects of the broader strategic objectives the individual manager are responsible for.

The fact that departments have allowed certain PAs to be concluded without KRAs is unacceptable, and the signing of the PA without KRAs should be discouraged at all levels.

3.3.3.2 Overlaps between Key Result Areas and Core Management Criteria compromise the value that PAs can add

Overlaps between KRAs and CMCs have important implications for the usefulness of PAs as a management tool. When a duplication of KRAs and CMCs occurs, this runs the risk of inflating the relative degree of importance accorded to the activities concerned. For example, if a manager indicates that they spend 30% of their time dealing with Financial Management as a KRA and then reflect Financial Management as a CMC taking another 30% of their time, this effectively means that this particular responsibility actually takes 60% of the manager's time. Where does this leave the other areas of responsibility? In addition, this duplication effectively means that during the performance appraisal of the managers concerned, certain performance areas will be assessed and scored more than once.

In terms of the SMS PMDS for senior managers, Key Result Areas should exclude generic management and leadership responsibilities. Such responsibilities should instead be covered as part of the Core Management Criteria. This study found that the CMCs of Strategic Capability and Leadership, People Management, Financial Management and Change Management tend to be duplicated as KRAs as well. This duplication was found to be most common in the Free State Departments of Social Development (2005/06 financial year) and Agriculture (2006/07 financial year), and the Gauteng Departments of Agriculture, Conservation and Environment (both 2005/06 and 2006/07 financial years) and Social Development (2006/07 Financial year). This lack of distinction between KRAs and CMCs was also found to be common in other PSC studies⁵⁶. This suggests that either managers do not appreciate the significance of the difference between the two, or they simply do not give enough attention to these matters.

3.3.3.3 The potential effectiveness of PAs is diluted by inconsistent KRAs

KRAs that are not only clearly formulated but also remain consistent throughout the PA create a sound basis for managing performance. In terms of the SMS PMDS, there has to be consistency between the KRAs contained in the PA and those reflected in the workplan. The workplan is regarded as an integral part of the PA and should, therefore, be based on information that deviates from or is not aligned to what the PA contains. Although not a prevalent practice, the study found that in certain departments there were PAs whose KRAs are completely different from those reflected in the workplans. This practice was found, for example, in the national Department of Social Development and the Free State and KwaZulu-Natal Provincial Treasuries. Unfortunately, this practice was also found in other PSC studies covering the 2005/06 and 2006/07 financial years⁵⁷. This practice raises concerns about the quality assurance processes that these departments use for PAs and creates a basis for contestations when performance assessments are done. Such contestations would be as a result of possible disagreement on whether the employee concerned should be assessed on the basis of the KRAs in the PA or those in the workplan.

Most importantly, KRAs that differ from the workplan suggest that the PA is itself unrelated to what constitutes the core business of the department and the specific responsibilities of the individual manager. Indeed, it can be argued that in such cases, the PA becomes a superfluous appendage which is not an integral part of the value chain of managing performance.

⁵⁵ Republic of South Africa. Public Service Commission. Report on Senior Management Service Compliance with Performance Agreements in the Eastern Cape Provincial Administration, May 2007.

⁵⁶ See, for example, Republic of South Africa. Public Service Commission. Report on the Implementation of the Performance Management and Development System for Senior Managers in the North West Province, January 2008.

⁵⁷ Ibid.



3.3.3.4 PAs do not explicitly commit managers to put people first

The Public Service has a policy to put people first, and, it can be assumed that PAs that explicitly mainstream their policy can serve as a useful vehicle for the achievement of its objectives.

In terms of the SMS PMDS senior managers are required to identify KRAs and CMCs, and incorporate the applicable *Batho Pele* Principles (BPP) in their PAs. On average, 67% of the PAs of senior managers in the 19 departments did not reflect the applicable *Batho Pele* principles against KRAs as required. This non-compliance ranged from 7% in the Mpumalanga Department of Agriculture, Conservation and Land Affairs to 100% in the Free State Departments of Agriculture, Social Development and Provincial Treasury.

In terms of CMCs, at national level, non-compliance in this area ranged from 7% (Free State Department of Agriculture) to 100% (KwaZulu-Natal Departments of Agriculture and Environmental Affairs, and Social Development and Population). These are unacceptably high levels of non-compliance and should be a cause for concern considering the important role played by the *Batho Pele* principles in the promotion of a culture of accountability and responsiveness in public service delivery. Other PSC studies covering the 2006/07 financial years also showed that there is uneven compliance in this area, ranging from 100% non-compliance on the one extreme to full compliance on the other⁵⁸.

When the PMDS was revised to make the inclusion of BPP as part of the KRAs mandatory, this was an attempt to institutionalise *Batho Pele* into the mainstream of management processes in departments. In this way, PAs were going to be an important lever through which managers would be held responsible for “putting people first” as required by the BPP. If departments ignore this requirement, the extent to which PAs can support the implementation of the BPP will be compromised.

3.3.3.5 PAs are not used as a mechanism to support personal development plans

PAs can be used as an effective tool for clarifying personal development needs as well as action plans to address them. In terms of the PMDS, senior managers need to identify their developmental requirements as well as necessary steps and timeframes for addressing these requirements. In addition, they are expected to undergo 5 days compulsory deployment to a service delivery point during a performance cycle as part of the senior management service delivery challenge. The study found that the level of non-compliance with this requirement ranged from 0% (Mpumalanga Departments of Finance and Agriculture) to 100% (KwaZulu-Natal Provincial Treasury). Taken together with trends from other PSC studies covering the 2006/07 and 2007/08 financial years, the above findings suggest that although non-compliance is not rife, the Public Service nonetheless, has yet to improve the manner in which it leverages PAs to support effective personal development⁵⁹.

At a time when various reports have drawn attention to certain gaps in the capacity of the Public Service, it is worrying that the use of an important mechanism such as Personal Development Plans is ignored at the level of senior managers. In the absence of these plans, it becomes doubtful if any of the training and development interventions SMS members undertake are informed by the real needs identified during the contracting process. In another study the PSC has found that the performance management process in departments makes a limited contribution to the way training needs are identified and addressed⁶⁰. This makes it even more important for managers and their supervisors to ensure more rigor in the way personal development plans are put in place and utilised.

⁵⁸ Republic of South Africa. Public Service Commission. Report on the Implementation of the Performance Management and Development System for Senior Managers in the North West Province. January 2008.

⁵⁹ Ibid.

⁶⁰ Republic of South Africa. Public Service Commission. Report on the Evaluation of the Training Needs of Senior Managers in the Public Sector. January 2008.



Chapter Four

The Effectiveness of PAs as a Management Tool in the South African Public Service

4.1 INTRODUCTION

Considering the country experiences reviewed in Chapter 2, it is evident that certain key success factors should be considered if PAs are to serve as an effective management tool. It was, therefore, found necessary in this study to establish how the use of PAs among senior managers in the South African Public Service compares against these key success factors. This Chapter accordingly provides an analysis of the practical experiences of senior managers in the use of PAs and benchmarks these experiences against the success factors discussed in Chapter 2. The experiences of the managers were established through a questionnaire which was sent to the sampled departments for completion. Out of the 57 questionnaires that were distributed, 32 were completed and returned, thus representing a response rate of 56%.

4.2 ANALYSIS OF RESPONSES PROVIDED BY SENIOR MANAGERS

The analysis is organised into three main categories of questions which managers were required to respond to in the questionnaire. These are:

- What role should PAs play in the management process. This category of questions sought to establish what managers see to be value of PAs. These are important because PAs can only be an effective tool to the extent that managers believe it is valuable and utilise it.
- Are PAs currently used effectively as management tools? This category of questions sought to establish whether, based on their practical experience, managers saw PAs to be playing a useful role in the management value chain. The purpose of this category of questions was thus to get to the actual experiences of using PAs. The analysis of the responses under this category also includes comparison with the key success factors identified in Chapter 2.
- What should be done to optimise the use of PAs as management tools?

4.2.1 What role should PAs play in the management process

In the study, managers were asked to indicate whether they believe PAs are important management tools and what role PAs should play in supporting departmental management processes. The following trends emerged from the responses provided:

4.2.1.1 PAs are important tools for clarifying and setting individual and organisational objectives and monitoring performance

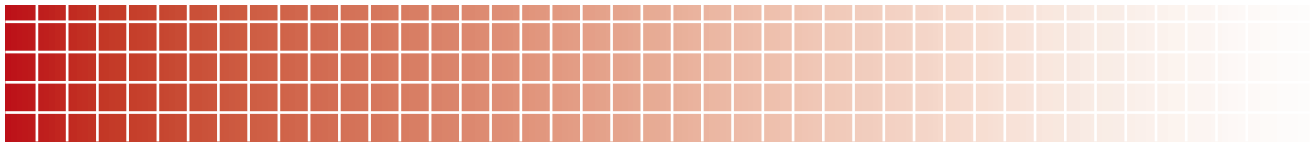
The majority of the respondents expressed the view that PAs are an important tool for clarifying individual and organisational objectives, expectations, deliverables, targets and outputs. Eleven (11) out of the nineteen (19) respondents (or 58%) shared this view. This view corroborates other findings of the PSC in which 99% of senior managers indicated that they generally regarded PAs as important in the process of clarifying performance expectations and ensuring that performance is managed in a structured manner⁶¹.

The positive view among SMS members expressed above regarding the value of PAs is encouraging. However, despite this view, actual practice suggests otherwise and points to rather low levels of compliance with the requirements of PAs. It does not help the course of public administration if managers simply hold positive views about the value of PAs but do not walk the talk and utilise them effectively. The generally low compliance rates reported in Chapter 3 of this report are an indictment on the managers themselves, suggesting a lack of commitment on their part to make PAs effective management instruments.

4.2.1.2 PAs can promote a link between the departmental strategic objectives and individual performance objectives

The second most dominant view from the respondents regarding the role of PAs is that PAs should serve as a link between the departmental strategic objectives and individual objectives. The departmental

⁶¹ Republic of South Africa, Public Service Commission, Report on the Implementation of the Performance Management and Development System for Senior Managers in the North West Province, January 2008.



objectives as outlined in the departmental strategic plans should be translated into the HoD's KRAs and then into those of the SMS members and then ultimately into the PAs of the rest of the departmental staff. In this way, the high-level objectives of the department can be given real, meaningful and practical expression and can be measured, monitored and accounted for during the performance reviews.

Considering the findings in Chapter 3 which show that the formulation of KRAs in PAs is still not receiving adequate attention, it would once again be important for managers to translate their views into action. The country experiences reviewed in Chapter 2 of this Report suggest that there needs to be specific measures to ensure that there is a link between organisational and individual objectives. In this regard, the approach of ensuring a clear 'line of sight' between these different objectives as practiced in the UK is a useful example. Similarly, the US experience is worth examining closely given report which suggest that the specific deliverable of managers contained in PAs can be traced back to the strategic goals of the agencies they work for.

4.2.1.3 PAs can support effective staff development

Respondents indicated that PAs can provide an informed basis for the development of staff. Considering that PAs allow for the clarification of performance expectations and identification of development needs and a basis for on-going employee-supervisor feedback, it should be possible to use them to direct staff development efforts. The development interventions that get identified will emanate from the practical experiences and challenges that the employee faces in the course of giving effect to the performance expectations expressed formally in the PA.

However, once again there is a discrepancy between what managers believe should happen on the one hand and actual practice on the other. The findings in Chapter 3 indicated that Personal Development Plans are not always included in PAs as required. Without these plans, it is questionable how PAs can support staff development because they will effectively be ignoring the identification of development needs.

4.2.2 Are PAs currently used effectively as management tools?

In the study, managers were asked to indicate whether in practice PAs are being used effectively as management tools to fulfill the kinds of role mentioned above, and the predominant view was that they are not. Respondents indicated that the potential value of PAs is generally not being realised in the Public Service because of poor implementation in departments. The following trends emerged from the responses regarding why they believe there is poor implementation:

4.2.2.1 The quality of the content of PAs is poor

The quality of PAs is generally poor, resulting in them not being an effective management tool. In particular, it was felt that KRAs are often not formulated properly and that this weakens the usefulness of the PAs. If KRAs are supposed to be key descriptors of what areas of performance the senior manager is expected to deliver on and yet they are poorly formulated, it can be expected that the value of the rest of the PA will be compromised. The PSC believes that the issue of poorly formulated KRAs should be understood against the broader challenge of measuring performance in the Public Service. As a result of the largely service orientated nature of the outputs of departments, careful thought should go into the specification and elaboration of performance areas.

The experiences of Vanuatu show that the specification of performance areas is a common challenge. In their case, concerns were raised about the fact that their PA template encouraged the generation of long and complex lists of performance targets.

Based on the key success factors discussed in Chapter 2, it can be argued that part of the challenge in enhancing the content of PAs lies in aligning them to the broader goals of the organisation. Of importance here is for managers to address the "line of sight" referred to in the UK experience through which the broader goals of government and a specific department can be meaningfully translated into the KRAs of individual managers.

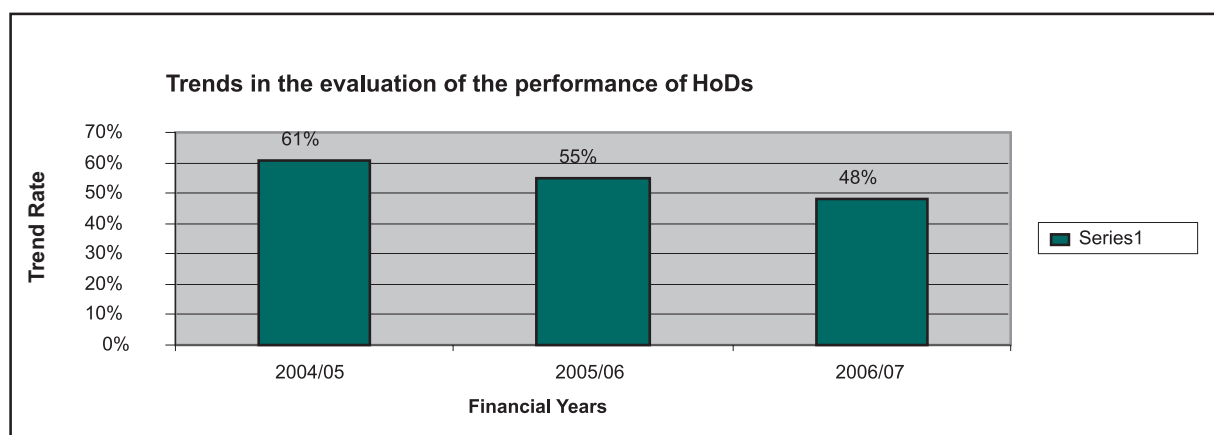
4.2.2.2 PAs are concluded for compliance purposes only

Respondents indicated that PAs tend to be entered into only because they are a requirement and that once they have been concluded, there is no commitment both on the part of supervisors and subordinates to use them as management tools. Effective performance contracting requires a conscious process of mainstreaming the implementation of the PAs into institutional practice. Concluding PAs for compliance purposes only suggests that they do not impact on institutional practice and are, therefore, a mere add-on.

How does this observation compare against the key success factors discussed in Chapter 2? One of these success factors suggests that concluding PAs is but one of the required steps and processes, and that on top of this there needs to be other complimentary mechanisms of accountability. For example, there needs to be a process of periodic performance reviews and the provision of feedback on performance. Where such reviews are not conducted, PAs cannot be expected to play an effective role in the management process.

Unfortunately, the process of using PAs to conduct performance reviews and provide feedback is also not adequately addressed at the level of HoDs. Once again, such ineffective use of PA's at the highest level of the administrative leadership probably sends a wrong message to the lower levels in departments and encourages non-compliance.

Figure 2 below shows trends in the evaluation of the Performance of HoDs.



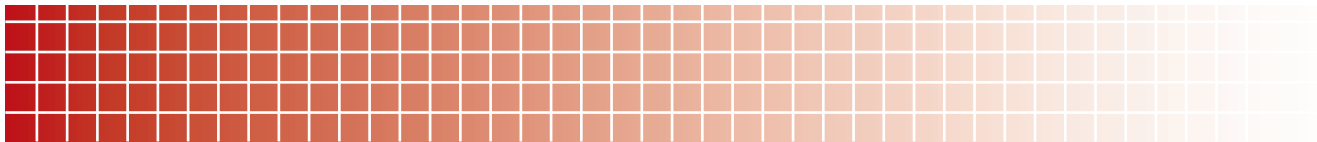
As the figure above shows, 47% and 14% of HoDs were evaluated for the 2005/06 and 2006/07 financial years, respectively. At this level, the problem does not only lie with HoDs but with EAs as well. In terms of the Framework for the Evaluation of the Performance of HoDs⁶², it is EAs who must initiate the evaluation process. EAs should, therefore, also shoulder the blame for contributing to the ineffective use of PAs in the Public Service.

4.2.2.3 PAs are used as punitive rather than developmental mechanisms

Respondents also expressed the concern that there tends to be a lack of appreciation of the purpose of PAs in the management process and that this is evident in the tendency to use PAs for punitive rather than developmental purposes. In other words PAs are used by supervisors to crack the whip on what they see as poor performance. While it is important to address poor performance and to use the PA system to support this process, this should be done in a manner that seeks to first and foremost improve performance rather than punish. Unless such an approach is used, PAs will not achieve their purpose as management tools. Instead, they will deteriorate into instruments for disciplining employees.

The above observation echoes the concerns identified in the Vanuatu case study referred to in Chapter I of this Report, where managers were said to be suspicious of and hostile to PAs. More specifically

⁶² Republic of South Africa. Public Service Commission. Guidelines for the Evaluation of Heads of Department for the Financial Year 2006/07.



managers perceived PAs as instruments that could be used as a basis for dismissing or demoting them. This underscores the importance of effective communication as a key success factor. As pointed out in Chapter 2, PAs need to be managed in a consultative and supportive manner and through this, they can then facilitate honest communication on performance.

4.2.2.4 The current format of PAs needs simplification

A small number of respondents (5) indicated that there is poor implementation as a result of the current format of PAs requiring some simplification. Although this view was expressed by a relatively small number of respondents, based on the PSC's experience with the monitoring of the implementation of the PMDS for the SMS and with the filing of the PAs of HoDs, there is reason to believe that many SMS members do not find the current PA format simple enough to comply with all the requirements. Evidence in this regard includes the way KRAs are often confused with and duplicated as CMC, and the way requirements such as the inclusion of applicable *Batho Pele* principles are consistently left out of PAs. Through its role of quality assuring and filing the PAs of all HoDs, the PSC has observed that the majority of PAs are sent back to EAs because they have failed to meet the requirements stipulated in the PMDS. Indeed, in some cases a PA would be sent back more than once for the same reasons. This suggests that managers are finding the PA format not simple enough.

The PSC has further established that managers find other requirements of the PA system to be open to different interpretations and thus requiring further clarification. For example, all HoDs are required to include 'regional integration' as a mandatory requirement. However, HoDs (especially those at provincial level) have expressed concerns about what this means in practice and how they should elaborate on it as part of their workplans⁶³.

As a key success factor, PAs need to be clear and simple, and not try to measure everything. Including requirements that may be open to different interpretations and throwing everything that needs to be measured into a PA comprises its potential effectiveness as a management tool. Of critical importance is to recognise that a PA cannot be a substitute for good management.

4.2.3 What should be done to optimise the use of PAs as management tools?

The questionnaires also sought to solicit the respondents' views about how the use of PAs can be improved to ensure that they can best serve as effective management tools. The following are some of the suggestions advanced by the respondents:

4.2.3.1 There should be dedicated monitoring and evaluation of the compliance

Managers felt that compliance with the requirements of PAs should be monitored closely so that gaps can be identified on time and addressed. In the PSC's experience, while the monitoring part is indeed important, what seems to be the main concern is the lack of action once gaps have been identified. Following the announcement by the State President that the signing of PAs would be a national priority, there continues to be lack of compliance. This is despite the fact that regular monitoring of the compliance levels is done and reported to the Executive as part of government's Programme of Action.

4.2.3.2 Officials need to be trained on the implementation of the PAs and the whole PMDS system

Managers underscored the importance of training in the use of PAs and the PMDS. From the findings in this report, it is evident that certain aspects of the PMDS are not adequately understood and the appropriate training interventions would be necessary. However, the PSC believes that managers should also be responsible enough to take the initiative to acquire the necessary skills. By not taking such initiative, an impression is created that the responsibility to improve the effectiveness with which PAs are used lies somewhere else and not with managers.

⁶³ Republic of South Africa. Public Service Commission. A Report on the Strategic Issues Emanating From the Evaluation of Heads of Department. 2008.



4.2.3.3 The enforcement of compliance should be more strict

Managers felt that compliance should be enforced and that sanctions should be applied against defaulting officials. Managers can indeed institutionalise disciplinary proceedings against officials who do not conclude PAs as required. It should, however, be kept in mind that there are both procedural and substantive matters in the use of PAs, as shown in Chapter 3. Taking disciplinary steps may largely address the procedural aspects and ensure that all officials conclude PAs on time. However, as shown in Chapter 3, the effectiveness of PAs in the management process does not only lie in their timely completion. There has to be the managerial will to actually design meaningful PAs and utilise them.

4.2.3.4 PAs should not be used as a punitive tool

Managers indicated that that PAs should be used as an instrument to manage performance and not to punish officials. The experiences of Vanuatu reviewed in this Report show that indeed, a PA should in the first place be seen in a tool for improving effectiveness. It should, therefore, not be used to set traps for officials and to catch them unawares. Having said that, however, it cannot be denied that PAs are also a mechanism for managing poor performance. Where such poor performance occurs, the effective utilisation of a PA should help identify this and inform subsequent measures to be taken. In the PSC's experience, managers tend to acknowledge that the management of poor performance is a challenge, they seem unwilling to execute their responsibilities to deal with the challenge head on in terms of the applicable regulatory provisions⁶⁴.

⁶⁴ Republic of South Africa. Public Service Commission. Report on the Management of Poor Performance in the Public Service. August 2007.



Chapter Five

Recommendations and Conclusion



5.1 INTRODUCTION

Whilst PAs can be a useful management tool, there are both procedural and substantive challenges inhibiting their effective use in the Public Service. It is, therefore, imperative that steps are undertaken to address these inhibiting factors and, in the process, also draw from relevant international experiences to effect improvements. This chapter makes key recommendations for addressing the areas of weaknesses that were identified during the study.

5.2 LEVERAGING PAs AS A MANAGEMENT TOOL: SOME KEY CONSIDERATIONS

Notwithstanding the criticism of PAs as NPM tools whose relevance and value to public administration is questionable, this study has established that if used correctly PAs can indeed support effective management. What would the correct use of PAs entail? Experiences reviewed in this study point to the following key consideration that the Public Service should make:

5.2.1 Responsiveness to changes

PAs should not be used as rigid instruments which assume that the environment in which managers operate is static. The environment is dynamic with new contextual realities continuing to emerge during the course of the performance cycle. For example, new priorities, constraints and opportunities may emerge, and PAs should not be used as if the world came to a standstill soon after they were entered into.

5.2.2 Emphasis should be on effective use of the PA not just compliance

Evidence abounds which suggests that PAs are concluded largely for purposes of simply satisfying policy requirements. It is critical that PAs are seen (and used) as means to an end and not just for purposes of going through the motions. What this means in practice is that there has to be a conscious and proactive process of drawing on the PAs to support the management of performance. In this way, the emphasis will shift away from an obsession with mere compliance to effective management.

5.2.3 PAs are not necessarily a panacea to underperforming organisations

Turning the public service into a high performing organisation takes more than just entering into and using PAs. As emphasised in this Report, PAs cannot be a substitute for sound management. Important organisational processes such as having a clear strategic direction, ensuring meaningful planning and resourcing and implementing effective management processes are necessary.

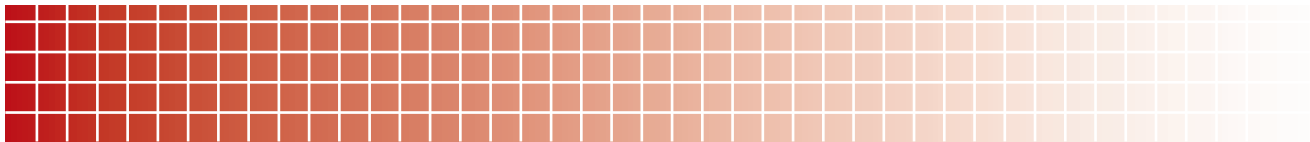
5.2.4 Manager's commitment is key to the effective utilisation of PAs

A key obstacle in efforts to use PAs effectively is the attitude and commitment of managers. If managers believe that not much value can be derived from using PAs or if they believe there is value but still do not do what is required of them to manage performance, then PAs will remain ineffective. Thus, a critical challenge for the public service is to get managers to manage performance.

5.3 RECOMMENDATIONS

5.3.1 The current format and requirements of PAs should be reviewed

The Department of Public Service and Administration should review the current format and requirements of PAs with a view to simplify them where necessary. The guiding principle in this regard would be to ensure that PAs are not unwieldy, thus leading to their ineffective use. For example, there are indications that some of the mandatory requirements (such as the KRAs of Regional Integration and Integrated



Governance) are not clearly understood and are, therefore, not being leveraged for effective management of performance. The inclusion of *Batho Pele* principles in PAs is another example. It is not clear how, once they have been included, these principles should be followed up as part of managing performance in those KRAs and CMCs to which they have been aligned. The necessary streamlining and clarification of the format and requirements of PAs should improve their potential usefulness.

Such streamlining should also be guided by the principle that not every aspect of effective management can be achieved through inclusion in a Performance Agreement. Otherwise, the Performance Agreement becomes an unwieldy and ineffective tool.

5.3.2 HoDs should ensure that PAs are concluded timeously

All HoDs should take it upon themselves to ensure that PAs are concluded within the first month of the financial year as required by prescripts. Where there is reluctance to comply on the part of officials, the necessary disciplinary measures must be taken to address the situation. In addition, EAs should ensure that their HoDs also conclude PAs timeously.

5.3.3 HoDs must ensure that once concluded, PAs are utilised

All HoDs must ensure that PAs are fully utilised throughout the performance cycle to support effective management. In this regard, each department should have a clear programme of when formal performance reviews and feedback are due and ensure that this programme is implemented and monitored. In the case of the PAs of HoDs this responsibility lies with the EAs.

5.3.4 Human Resource components must quality assure PAs before they are finalised

Human Resource components should play a strategic support role by putting in place and implementing mechanisms through which they can systematically quality assure the PAs of staff before these are finalised. These mechanisms should ensure that, with the support of the HoD, by the time PAs are finalised, they are aligned to the strategic objectives of the department and meet other critical requirements that will make them a useful management tool.

5.3.5 Accountability for the effective use of PAs should be enhanced

By the end of the first month of the financial year, Executing Authorities should demand reports that confirm that all PAs have been concluded as required by prescripts. Executing Authorities should also demand monitoring reports from management which confirm that once they have been concluded, PAs are used to support on-going management efforts.

5.3 CONCLUSION

This study has established that managers generally believe that PAs are potentially useful mechanism to support effective management. However, these mechanisms are currently not used effectively, and most of the reasons in this regard lie with departments themselves. More specifically, it is up to departments themselves to ensure that PAs are concluded as required by the Public Service prescripts. In addition, departments themselves need to take the initiative to ensure that once concluded, PAs are used throughout the year as part of effective management. However, there are also areas relating to the format of the PAs that would need some attention at a policy level. These include, among others, the need to simplify the format of PAs to ensure that the requirements are not subject to multiple interpretations.

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