

Full Length Research Paper

Introduction of private sector management principles to the public sector: Easier said than done

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The public sector on the African continent is viewed by critics as dysfunctional, inefficient and ineffective in meeting and addressing societal demand in a turbulent socio-economic environment. The proponents of neo-economic liberalism are of the view that the introduction and application of private sector management principles to the public sector will address service delivery deficiencies. The study focuses on the challenges to implement private sector management principles in the public sector. The objective of the study was not to argue for or against the neo-economic liberalism but rather to come to an understanding of the challenges that hinders the introduction of private sector management principles generally and particular performance management system to the public sector. The locus of the study was local government in the Western Cape Province of the Republic of South Africa. A comparative case study approach was used to draw inferences and answer the research question. The findings indicated that implementation challenges do exist but juxtaposed this with successful implementation. The study concludes with a proposed model for implementing private sector management principles to the public sector.

Key words: Private sector management principles, new public management, neo-economics, performance management, local government.

INTRODUCTION

Many countries on the African continent display characteristics such as high unemployment, high poverty levels, a budget deficit, low levels of development and a dysfunctional state. Most of these countries are indebted to the International Monetary fund or the World Bank. A general loan proviso is that countries agree to implement a structural adjustment program (www.globalissues.org). In the main, the programs are aimed at addressing the policy shortcomings that resulted in the socio-economic adverse situation that these countries found themselves. Some of these requirements amongst other are a smaller state, modernization of financial management system, a balanced budget and the introduction of private sector management principles.

These principles featured prominently in the theoretical framework of the new public management (NPM) (Hood, 1991; Rhodes, 1994) aimed amongst other at modernizing the state. The principles are premised on the neo-liberal perspective that the private sector is best equipped to deliver services. Dereli (2011) postulate that NPM on the one hand reflect the neo-liberalist view that the 'private sector does things best and therefore the pre-

ferred agency to deliver services and on the other hand, to the application of private sector management systems and managerial techniques into the public sector'. Hence, the view, if the private sector is not rendering the services then its management principles must be adopted by the public sector. Holzer and Kloby (2005) are of the same perspective, stating that the public sector must 'adopt private sector efficiencies'. Van Gramberg and Teicher (2000) echo this and state that 'the need for public servants to adopt private sector principles and practices to pursue a results oriented approach has been hailed as the panacea'. Proponents of this view convinced public sector policymakers of the need to introduce and adopt the private sector management principles.

The paper discussion, and focus, is on the implementation challenges of private sector management technique, such as a performance management system, in the public sector. The local level of South Africa was used as a case study to answer the research question. A brief explanation of the configuration of the South African state is provided in order to place local government within this context. This is followed by a conceptualization of

performance management. Thereafter, a comparative analysis of three municipality's performance management implementation strategies is presented.

The findings are discussed and a model for implementation is presented. Although, the focus of the paper is at the local level in South Africa the lessons learnt could assist local government in other countries on the African continent struggling with implementation of private sector management principles more so performance management system.

The study adopts an interpretive multiple case approach (Yin, 2003). This enabled the phenomena to be researched in different settings. The comparative approach increased the validity and reliability of the data analysis and findings. The use of triangulation in other words the multi-source data collection approach enhanced the validity, reliability and objectivity of the research findings. The paper seeks to answer the question what are the key factors that resulted in the weak implementation or non-implementation of the performance management system at the local level. The contention held is that the findings from the investigation could inform and strengthen implementation of private sector management principles in the public sector. Many authors (De Waal and Gerritsen-Medema, 2006; Holzer and Kloby, 2005) had written on performance management but very little work exists on the challenge of implementation of a performance management system in the public sector on the African continent. An objective of the study is to contribute to the body of knowledge regarding implementation of private sector principle, in the public sector on the African continent generally and South Africa in particular.

THE SOUTH AFRICAN STATE IN PERSPECTIVE

The South African State is configured into three spheres of government, namely, national government, nine provincial (regional) governments and 284 local municipalities (SA, 1996). The local sphere is sub-divided into three categories A, B and C. The category A municipality is known as the metro municipality and has a population density of more than two million people. The budget size of the category A municipality is more than 22 billion South African rands (approximately \$3.3 billion). South Africa has seven metro or category A municipalities.

Category B municipality is known as the district (regional) municipality and shares executive and legislative responsibilities with a number of category C municipalities (SA, 1998).

The local level of the Western Cape Province is the locus and focus of the study. The Western Cape is situated at the southern tip of South Africa and it is the meeting place of the Indian and Atlantic Ocean. Off its coast the famous Roben Island is situated on which the famous liberation icon, Nelson Mandela was incarcerated

for twenty seven years. The local level in the Western Cape Province comprises, one metro or category A municipality, the City of Cape Town, five category C or district municipalities and twenty four category B municipalities.

The paper compares the metro municipality and two category B municipality's performance management system implementation process. The municipalities differ in budget size and staff complement. The South African state adopted a policy regime of 'one size fits all' implementation approach (Levy and Tapscott, 2001). This means that all municipalities regardless of their capacity are compelled to implement the requirements contained in the legislation governing the local sphere (Municipal Systems Act of 2000). The implementation of a performance management system at the local level is one such legislative requirement. This poses implementation problems at the local sphere given the different levels of municipal capacity.

THE NEED FOR PERFORMANCE MANAGEMENT SYSTEM (PMS)

The public sector increasingly is criticised for not addressing and meeting societal needs (Booyesen, 2007; Jones and Kettle, 2003). Societies placed pressure on the state demanding that it be held accountable for the poor service delivery or the lack thereof (Jones and Kettle, 2003). According to Halachmi (2005) communities demand greater transparency and accountability on the part of the state. Pollanen (2005) is of the same view and state that the call for accountability was aimed at increasing the efficiency and effectiveness of service delivery on part of the state.

In turn, the state responded with the introduction of a performance management system. The belief was that the system will facilitate the measurement of output against input (Foltin, 1999) and hold management accountable for target achievement. It is undeniably so that a functional performance management system holds many organizational advantages. Some of these advantages are that timeous corrective action could be taken during implementation and progress of programs could be measured against planned activities. Furthermore, past experiences and lessons learnt would inform future planning activities. Importantly, the state could be held accountable for the allocation and use of resources to achieve predetermined objectives. The inability of many countries on the African continent to achieve planned outcomes could be contributed in part, to the lack of implementing a functioning performance management system.

The same situation prevails in South Africa and government is subjected to severe criticism for lack of performance and accountability. Critics cite operational inefficiency, corruption, wastage of public money as the major outcomes stemming from the lack of accountability.

This prompted a public outcry to turn the situation around. Halachmi (2005) state that '...the response to perceived failures or questionable government operations was to demand greater accountability and transparency by the public. South Africa local level is faced with similar situation and an urgent demand for the implementation of a performance management system to keep government to account was made. A performance management system, according to Curtis (1999) is a useful tool to determine accountability, because it links organizational objectives to departmental and individual performance goals. In this manner, the activities of the individual staff member is aligned to and aimed at achieving the overarching organizational objective.

Kaplan and Norton (1996) echo the sentiments of Curtis that the performance management systems allow the objective measurement of the degree of achieving the organization strategic intentions. The alignment of the performance measures and strategy is important but not the end. Instead, the analysis of goal achievement is more important (Amaratunga and Baldry, 2002). According to the latter, goal achievement analysis enable the organization to 'draw conclusions about what it is doing well and what it is not doing well and what can be improved'. Goal achievement analysis is particular important in the public sector because it will provide some understanding of what went wrong and what interventions are required.

De Waal and Gerritsen-Medema (2006) discusses performance management system from a structural and behavioural aspect. The structural aspects deal with the structure to implement the system and include factors such as key performance indicators and the measurement instruments. Behavioural aspects on the other hand deals with 'organisational members and their use of the system'. These two aspects are inter-related and neglect of the one will have a detrimental impact on the implementation success.

The use of PMS according to De Waal and Counet (2009) improves the performance and overall quality of an organization. More so, it is an objective tool capable of improving decision making and fostering fiscal prudence (Holzer and Kloby, 2005). This is an important function of performance management given the resource constraints and the ever increasing societal demand. According to Behn (2003), it is a management tool that could assist to 'evaluate, control, budget, motivate, promote, celebrate, learn and to improve' organisational efficiency.

Notwithstanding the benefits, Streib and Poister (1999) highlighted a number of challenges of implementing a performance management system. Amongst other, the development of key performance indicators and dealing with resistance to change are some the challenges highlighted by them. Boland and Fowler (2000) stated that the public sector differs from the private sector and these differences in context does impact on the implementation of performance management system. Manville (2007) augment this discussion and point out that 'poor design

and poor implementation' resulted in implementation failure. Design, according to Neely and Bourne (2000) is strengthened by mapping the inter-relatedness of the key performance indicators. Most of the design problems are contributed to the lack of showing and understanding how the key performance indicators relate to each other. The implementation challenges they attribute to a 'lack of organizational structure, lack of management focus and political issues'.

For this study, three municipalities were compared to bring some understanding on 'what contributes to or hinders implementation' of private sector management principles to the public sector and 'how could it be addressed'.

COMPARATIVE STUDY

A comparative study of three municipalities were undertaken to determine, the performance management system implementation strategy and the challenges associated with implementation. Purposive sampling methodology was used to determine the municipal case studies. The three municipalities and reasons for the sample choice were as follow; the City of Cape Town, because it is the only metro municipality in the Western Cape Province. It has the biggest budget, staff complement of approximately 26000 and won accolades such as the best managed municipality in the country (Auditor-General, 2010). The choice of the other two municipalities was determined by geographical location. Swellendam municipality is an inland one, whilst Saldanha Bay municipality is a coastal one. The individual cases are discussed subsequently.

Saldanha Bay municipality

The municipality is situated on the west coast of the Western Cape Province. It is a category B municipality with an executive mayoral type political configuration (Municipal Systems Act of 1998). The executive mayor is accountable to the municipal council who is the legislative authority. The executive mayor has delegated executive and legislative powers and responsible for the day to day political guidance and legislative oversight. The municipal manager as the administrative head of the municipality, reports to the executive mayor and is responsible for policy implementation. The municipality has a staff complement of approximately nine hundred employees.

PMS Implementation Process

The responsibility for the PMS implementation was vested at the political level, namely the municipal council. A municipal task team was established to develop and

implement the PMS. The members included the executive director of corporate services, the human resources manager, and representatives of labour. The task team reported directly to the municipal management team who in turn report to the executive mayor. The task team held a number of meetings with the different directorates. The objectives of these sessions were multi-purpose:

1. To open the channels of communication.
2. To explain to the staff the need for the introduction of the PMS.
3. To listen and address their concerns. Particular emphasis was placed on dealing with resistance to change and soliciting buy-in.
4. To solicit ideas on the design and implementation.

Organizational-wide training was provided to equip staff with the skills to operate effectively in the envisaged organizational environment. The municipal manager instructed all employees including senior management to participate in the sessions. This immediately sends a clear signal to the staff of the seriousness of intent on part of the municipal leadership to implement a performance management system. The indication that the process is driven from the municipal manager's office played a major role in moving the staff from a position of resistance to one of buying into the implementation process.

Community participation in the development of the PMS was solicited. Notices were placed in the local media calling for public input and participation in the process. The final PMS document was compiled based on the various inputs and presented for municipal council approval.

Some observations

The expectation was that Saldanha Bay implementation would be successful. Contrary to expectations the municipality implementation process did not result in an operational and functional performance management system. In the main, this was largely attributed to the following: firstly, the municipality during this period of time encountered high levels of political volatility and the implementation process grinded to a halt. The municipal manager and the mayor were removed from office resulting in the derailment of the process. Effectively, the key role players in the process were removed leaving the municipality in a state of administrative paralysis. Johnston (2008) in his study states that 'a change in political control in a council may lead to a complete reversal of policies'. This statement holds true for the Saldanha municipality where the change in political and administrative leadership resulted in the performance management implementation process being stopped. Secondly, the institutionalization of the performance

management system had not occurred yet and given the leadership vacuum, the municipality reverted to the old way of doing. Thirdly, the human resources department was unable to perform all the tasks necessary for the system to become institutionalised. The department was severely understaffed and unable to perform all the responsibilities needed for sustainability. This resulted in the implementation being derailed and the organization returning to their previous status quo.

The Swellendam municipality

This is a fairly small municipality in terms of budget size and staff complement. The municipality is classified as rural and is situated on the eastern part of the Western Cape Province. The staff complement is approximately six hundred and the budget is approximately 80 million rand (+/- \$11 million). The municipality is a category B with an executive mayoral system which reports to the municipal council. The administration comprises of the municipal manager and four directorates, finance, technical services, community services and corporate services. The human resources department forms part of corporate services directorate and comprises a supervisor and two other staff members. It is a small unit but is required to carry out all the human resources associated functions.

PMS implementation process

The responsibility of development and implementation had been delegated to this human resource department. The department is severely understaffed and unable to effectively carry out the key human resources responsibilities, let alone the burden of the additional responsibility of a developing and implementing a performance management system. Given the capacity constraint situation, a decision to purchase an electronic performance measurement system was decided on. This system was purchased in the absence of the municipality having developed and agreed on a municipal performance management system.

Some observations

The decision in retrospect was a wrong one in many ways. The municipality did not get out of the starting blocks with regard to the development and implementation of the PMS. The electronic system purchased remained unused and became a white elephant. The director of corporate services indicated that the knowledge of the PMS is vested with the consultant because the staff still needs to be trained on how the system works.

The lack of implementation could be attributed to a number of factors. Firstly, the responsibility of developing and implementing the performance management system was not vested with the municipal council and the municipal manager. Rather, it was delegated to the human resources department. This department was under capacitated and did not have any knowledge on development and implementation of a performance management system. The PMS being relegated to the department diminishes the importance of the initiative and presented a picture to the staff that this is but another one amongst many. The municipality did not have a clear understanding of what the PMS must look like and what the inter-related parts must be. Secondly, the staff as a stakeholder was ignored and did not form part of the process. They were not engaged on the matter of introducing and developing a performance management system. Their fears and concerns were ignored leading to much dissatisfaction and resistance. Labour unions took up the battle on their behalf to resist any introduction of a performance management system. Thirdly, senior management did not publically show their support for the introduction of the system. The perception amongst management was that it was not 'my' responsibility but rather that of human resources department. This attitude filtered through the entire organization and became entrenched and perhaps the major reason for implementation failure.

The municipalities top down non-consultative implementation approach contributed to the implementation failure. The decision to purchase a pre-pack performance management system without taking into consideration the local circumstances, coupled with the lack of senior management support and no staff involvement was a major strategic mistake on the part of the municipality. The development and implementation of the performance management system was doomed from the onset. In the main this could be contributed to the fact that the municipality neglected to design the system properly and neither did it plan for implementation.

The City of Cape Town

A twenty two billion rand (+/- \$3.3 billion) budget with a staff complement of 26000 makes it comparable to any other medium size company. The City of Cape Town has a mayoral executive system which is accountable to the council. The administration comprises the municipal manager and a number of directorates. The budget size, staff numbers and staff skills set of the city by far outclass the aforementioned discussed municipalities.

Some observations

The City of Cape Town's performance management implementation process had been highly successful and

is attributed to the following: Firstly, the decision to implement a performance management system was a municipal council decision.

A task team was formed which visited Toronto municipality to experience firsthand the development and implementation of a performance management system. The political leadership championed the process and implementation responsibility vested in the office of the municipal manager. All senior management staff formed part of the project implementation team. This approach sent a clear message organisation wide of the seriousness of intent to implement the performance management system.

The performance management system was aligned to the municipal strategic plan. This facilitated the monitoring and measuring process to determine if the planned outcomes had been achieved. The measuring of planned outcomes contributed to the ensuring accountability within the municipality. Secondly, a process of consultation and engagement with the employees and labour representative was initiated. This was an important strategy to move staff from a situation of resistance to the process, to a state of buying-in. Thirdly, staff training programs were introduced to inform them about the performance management system. Communications platforms were created for staff to voice their concerns.

These concerns were addressed and taken into consideration during the development stages. Fourthly, political and administrative stability prevailed. The political leadership was elected for a five year period and this ensured that the policy focus remained the same. This created a five year policy and administrative stable environment to implement the system, strengthen weaknesses and institutionalize the PMS.

The institutionalization of the system was an important part of the implementation process. The new systems and processes were developed and staff acquired the new way of doing things. They started to unlearn the old way and the new processes became norm. The cementing of the new organizational processes was an indication of successful implementation. The organizational structure had been redesigned to support the introduction of the performance system.

An important part of the success was the composition of a specific directorate whose sole responsibility was performance management. This unit reports directly to the municipal manager. The directorate comprises various units that deal with planning, monitoring and review. Having only one focus, the unit could specialize in the various aspects of performance management. This largely contributed to the institutionalization and success of implementation.

DISCUSSION

The implementation of the private sector management tool, the performance management system, at the local

Table 1. Comparison of key elements of performance management system.

Implementation phases	Key elements	Swellendam	Saldanha	City of Cape Town
Design and planning	Council decision	Yes	Yes	Yes
	Strategic plan	Yes	Yes	Yes
	Budget	Yes	Yes	Yes
	Alignment strat. plan- PMS	No	Yes	Yes
	Study tour	No	No	Yes
	Managerial support	Yes	Yes	Yes
	Top management buy-in	Partially	Yes	Yes
	Appoint consultant	Yes	Yes	Yes
	Consultative approach	No	Yes	Yes
	Involvement labour	Limited	Yes	Yes
	Deal with resistance to change	No	Yes	Yes
	Staff training	No	Yes	Yes
	Community participation	No	Partially	Partially
	Staff support	No	Partially	Yes
	Measurement system (KPA/KPI/Targets)	No	Yes	Yes
Implementation	Organisational redesign	No	No	Yes
	Capacity support	No	No	Yes
Implementation	Measurement system	No	No	Yes
	Institutionalisation	No	No	Yes
Review		No	No	Yes

level, was not equally successful as illustrated by the preceding case studies. Based on the aforementioned comparative study, three distinct phases are evident. These are the design and planning phase, implementation phase and the review phase. The design and planning phase (Table 1) is the critical stage and involved a number of key elements. The second phase is the actualization of the planning phase and putting it to practice. The last phase entails a review of experience and the knowledge gained to strengthen the system.

Swellendam municipality is an example of a disastrous approach to implementation. The municipality got stuck in the design and planning phase. The stage was chaotic, unplanned and directionless. It reflects a municipality suffering chronic capacity challenges. The municipality, due to capacity constraints, neglected to address a number of critical inter-related factors. This stems from the fact that the PMS was not linked to the strategic plan of the municipality. The support of management was limited and rather one of, it is not their responsibility. This view-point permeated throughout the organization and strengthened the resistance towards implementation. The municipality erred in not involving the staff in the process. It appears that the staff as hindsight albeit on a limited basis was included in the process. The fears and concerns of the staff were not addressed and this led to an increase in resistance to the introduction of the PMS. The purchasing of a performance measurement system

was done in absence of a comprehensive performance management system. This reflected the symptoms of capacity weakness and a lack of understanding of the relationship between performance measurement and management. The end result as shown in this instance was that the measurement system was met with resistance and became obsolete and the process of implementation reaching a dead end.

The Saldanha Bay's municipality approach on the other hand was structured and planned. It completed the design and planning phase but failed to move towards the actualization phase. In other words, it got '*stuck on the runway and never departed*'. The decision for development and implementation was taken at the executive level and driven by senior management. Staff involvement was a central pillar on which the implementation process was built. Staff was kept informed through different modes of communication. Platforms were established for staff to engage in matters of concern which resulted in objections against, turning into support for the system. The municipality completed phase one, the planning phase but failed to proceed to the next stage. In the main, it was due to the following aspects; the change in political leadership and the removal of the municipal manager resulted in an administrative crisis and the municipality returned to the old way of doing. The performance management process grinded to a halt because the institutionalisation of the PMS had

not taken place. The organizational systems were not developed to support the system and the staff had not adopted the new behaviour demanded by the system. In such a situation, it was much easier for staff to regress to the tried and tested ways.

The City of Cape Town completed the three phases of implementation and has a functional performance management system. The key elements that contributed to the success were that it was a planned structured approach. The process was top driven, partnership was formed with labour, staff concerns were addressed, community input was solicited, the strategic plan and the performance management system was aligned and importantly the system was institutionalised. The city successfully introduced and institutionalized the private sector management tool, of a performance management system. The benefits accruing from this is already seen organisation wide and felt within the community. The auditor general of South Africa had given 7 out of 284 municipalities a clean or unqualified audit report (South Africa, 2010). The City of Cape Town is one of the seven. Furthermore, the City had been awarded the prize as the best run city in South Africa (Empowerindex, 2009). It is undeniably so that many factors contributed to being awarded a best run city and getting a clean audit report. But, importantly, in order to achieve the outcomes and targets set, progress must be monitored and reported on. This is only possible through an effective performance management system.

PMS IMPLEMENTATION MODEL

Table 1 is a comparison of the three municipalities in relation to their implementation progress. It identifies the three inter-related phases and the key elements needed for successful implementation.

The study had shown that successful implementation requires completion of all three phases. It also provides a road map for implementing a private sector management tool within the public sector. Furthermore, it identifies the pitfalls along this road that could lead to non-implementation. Similarly it identifies key elements that will contribute to the success of implementation.

Firstly, a stable political environment is important because it contributes to the policy direction remaining unchanged and brings about administrative focus. Saldanha Bay municipality implementation process was derailed due to an unstable environment. The political environment volatility resulted in a change in political leadership and a shift in policy. The administrative head, the municipal manager was similarly removed resulting in lack of administrative leadership. The key drivers, the mayor and the municipal manager, of the project were removed resulting in the PMS implementation being derailed. Secondly, 100% commitment of senior management to the project is fundamental to ensure success.

The collective commitment indicates the seriousness of intent on part of management and the organization will follow. Thirdly, the involvement of and partnership formation with labour cannot be emphasized sufficiently. Labour will either contribute to the success or to the derailment of the entire process. Therefore, labour must be involved right from the beginning of and throughout the process. Fourthly, planning for implementation is a fundamental implementation requirement. Implementation without a plan is planning for failure as illustrated in the case of Swellendam. Fifth, the human side of the organization must not be ignored. Ignoring this would be at own peril. Hence, the importance of introducing a change management plan to deal with the staff concerns and fears is of utmost importance. Sixth, the selection and recruitment of a consultant must take into consideration the experience and expertise in dealing with implementation of performance management system. The incorrect choice of a consultant could lead to non-implementation. Furthermore, the consultant must accompany the process from the planning to the institutionalization thereof. Seventh, institutionalization of the system, meaning the systems is in place and the organization as a whole had adapted to and internalised the new ways of behaving. Lastly, and perhaps most important is the public sector organisational capacity or the ability to implement the private sector principles. The presence or absence thereof is directly associated with implementation success.

CONCLUDING REMARKS

The introduction of the private sector management tools into the public sector as this article portrays has its own challenges but it is doable if approached in a planned systematic manner. If the implementation is done successfully as illustrated in the case of the City of Cape Town, then the public sector and society stand to benefit. Understandably, the space that the two sectors, private and public, operate within is governed by different requirements. The private sector is profit driven and management tools such as, performance management, objective is to ensure optimal utilization of resources to ensure maximum profit. The public sector on the other hand operates in an environment which is not profit driven but is in pursuance of other objectives. It operates in an environment that requires community involvement in administrative decision making. Community involvement has its own challenges and requires appropriate organizational structure and systems to give effect to that objective. The operational space of the public sector in relation to the private sector is much more complex and does impact on the organizational ability to introduce much needed private sector management principles. The bureaucratic organizational culture and the restrictive legislative framework are major impediments that need to

be circumvented when private management practices are introduced. Introduction and implementation of any of the private sector management principles need to pass a number of hurdles and at any given point could become bogged down in this quagmire of rules and regulations.

This paper demonstrated that the introduction of private sector management principles is possible, although not easy, and holds benefit for the public sector and ultimately for the public at large.

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