

Operationalising performance management in local government: The use of the balanced scorecard

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Orientation: Local government forms that part of the public sector closest to citizens and therefore indispensable in its role of providing essential goods and services and developing the local area. Local government has the authority and functions necessary to provide services for the maintenance and promotion of the well-being of all people within their area and should provide access to basic services such as water, electricity and health care.

Research purpose: This study examines performance management as a tool in local government effective provision service delivery. The critical question addressed in this paper was how the balanced scorecard (BSC) can be used to improve performance in the context of local government and assist in eradicating the current challenges of lack of quality services, poverty and infrastructure development.

Motivation for the study: The need for continuous improvement in service delivery at local government compounded by high levels of service delivery protest requires regular review of performance management system.

Research approach: To understand the current context and challenges facing local government, the applicable legislative framework including the Constitution, white paper and the National Development Plans were perused to better understand the legal environment in which local government operates. A literature review was undertaken to evaluate theory on organisational effectiveness. Semi-structured interviews were used to solicit expert opinions.

Main findings/managerial implications: The BSC approach emerged as the preferred tool because the method offered the authors the opportunity to review non-financial and financial factors to arrive at a balanced conclusion. A BSC tool was developed and applied to the Joe Gqabi District Municipality as a case study.

Practical implications: The BSC as a performance management tool enables organisations to clarify their vision and strategy and translate them into goal or actions.

Contribution/value-add: The research findings conclude that there was acknowledgement of the importance of performance measurement instruments in the municipality, yet the municipality still experienced challenges caused by the performance review process not being transparent and not communicated to all stakeholders.

Current context and challenges

Democratic South Africa has introduced two important changes at local government level that have defined the process of service delivery. In the first instance, Section 40 (1) of the Constitution of the Republic of South Africa (RSA, 1996) renders local government as a distinct sphere of government, which in terms of Section 41 (1) is autonomous *vis-à-vis* the national and provincial spheres of government. Secondly, in terms of Section 152 of the Constitution of the Republic of South Africa (RSA, 1996), one of the objects of this system of local government is 'to promote social and economic development'. According to Section 153 (a), municipalities must structure and manage their administration, budgeting and planning processes in such a way that priority is given to the basic needs of the community and to promoting the social and economic development of the community (RSA, 1996).

The White Paper on Local Government discusses the characteristics of developmental local government, identifies a series of development outcomes and proposes several tools to assist municipalities to become developmental (RSA, 1998, p. 17). This makes the importance that

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national government attaches to service delivery at local government level quite evident. Furthermore, the white paper deals with two interrelated and equally important aspects of developmental local government. The first concept that it deals with is integrated development planning (IDP), which 'provides a powerful tool for municipalities to facilitate integrated and co-ordinated service delivery within their locality' (RSA, 1998, p. 19). Secondly, it also refers to the concept of performance management that ensures that IDP is being implemented and that municipalities are having the desired development impact.

The net effect of these changes has been the establishment of what was generally referred to as 'developmental local government'. The concept of developmental local government was first alluded to in the Constitution of the Republic of South Africa (1996) (see Section 153). According to Section 153 (a), municipalities must structure and manage their administration, budgeting and planning processes in such a way that priority is given to the basic needs of the community and to promoting the social and economic development of the community (RSA, 1996). Local government forms that part of the public sector that was closest to citizens and is therefore indispensable in its role of providing essential goods and services and developing the local area. This paper examines the role of local government in improving service delivery in South Africa with special reference to the Joe Gqabi District Municipality (JGDM) in the Eastern Cape Province. This province, the second biggest in the country, was a predominantly rural province.

Persistent high levels of poverty and food insecurity in rural areas have implications for public policy and the design of a strategy to reduce poverty and improve service delivery. Because of the geographical dispersion of the rural poor, it is more expensive for national government in South Africa to provide provincial government and local government with public infrastructure, social services and a safety environment equivalent to those provided to urban communities. The above background is given to illustrate problems that municipalities in rural areas encounter in their quest to provide basic municipal services to the communities they serve. Despite all the efforts made by the previous governments of South Africa to address poverty in rural areas of the country, local government, for reasons that remain unresolved, still plays a minimal role in addressing these problems. The lack of infrastructure entrenches the problems of poverty and limits the potential of communities to sustain economic growth, rural livelihoods and social development. Efforts to extend the provision of basic services to all people are slow to reach rural areas and farm-dwellers, even while most urban communities have access to free basic services. The National Development Plan (NDP) envisages that by 2030 South Africa will be a state that is capable of playing a developmental and transformative role. In broad terms,

such a state intervenes to support and guide development in such a way that the benefits accrue across society, with particular emphasis on the poor.

The South African government has introduced a substantial body of legislation focusing on service delivery in the national, provincial and local spheres of government. Various legislation and policy frameworks significant to local government were briefly explored in the paper and reviewed in terms of their contribution and impact on service delivery. The Constitution (RSA, 1996) gives the following mandate to local government: to provide democratic and accountable government for all communities, to ensure the provision of services to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment. Van der Waldt (2006, p. 142) and Thornhill (2008, p. 492) assert that local government is at the coalface of public service delivery. Mopaki and Mutono (2016, p. 4), who state that local government is often the first point of contact between an individual and a government institution, also articulate this view. The local sphere is often referred to as grassroots government because of its direct association with communities at a local level.

Local government could be described as public organisations authorised to manage and govern the affairs of a given territory or area of jurisdiction. It is also important to note that local government refers to a sphere of government, not an individual municipality. All the individual municipalities in South Africa collectively make up the sphere of local government (Roux, 2005, p. 64). Being the government level closest to the people, it was to be expected that a core function of municipalities was the rendering of a variety of basic but essential services to the community within its jurisdiction (Roux, 2005, p. 69). The provision of services by municipalities was a constitutional obligation. Part B of Schedule 5 of the Constitution (RSA, 1996), concerning functions falling concurrently within the national and provincial competence constituent units, identifies the following services that fall within the ambit of local government and its municipalities. These are water; electricity; town and city planning; road and storm water drainage; waste management; emergency services, for example firefighting; licenses; fresh produce markets; parks and recreation; security; libraries; and economic planning.

The White Paper on Local Government (RSA, 1998) asserts that:

... basic services enhance the quality of life of citizens and increase their social and economic opportunities by promoting health and safety, facilitating access to work, to education, to recreation and stimulating new productive activities. (p. 92)

There are nine distinct 'values' in the White Paper on Local Government (RSA, 1998):

- *Accessibility:* The white paper stresses non-discriminatory (race, gender, sexual orientation) access to services, at least at a minimum level. Historical unevenness in service provision was to be addressed by building new infrastructure and rehabilitating/upgrading that which already exists. The mechanism for rolling this out was capital investment in bulk and connector infrastructure via infrastructure grants, at this stage through the Consolidated Municipal Infrastructure Programme. Municipalities were also urged to consider the 'ease of use' of this infrastructure, particularly for the disabled. The question of 'eligibility' was thus firmly established – all citizens were eligible for municipal services irrespective of their social and economic circumstances. Much debate has centred on this principle and the extent to which it has been carried through to implementation programmes and municipal logistics.
- *Affordability:* The White Paper on Local Government (RSA, 1998) notes the importance of considering the affordability of the actual service – even though the service infrastructure may be in place. It urges that tariff levels consider both the economics of providing the service and the potential of the poor to access the services, that is, financial sustainability has to be offset against the needs of the poor and their possible contribution to service costs. Service levels have to reflect local affordability patterns but not in such a way as to perpetuate the existing spatial (and racial) inequality between low, middle or high income users. Cross subsidisation was envisaged within particular service types and across services (e.g. income from electricity can legitimately be used to subsidise water provision). Higher income users may thus subsidise lower income users and commercial users may subsidise residential users.
- *Quality of services:* Quality relates to attributes like relevance to purpose, whether the service was delivered on time, and convenience to users, safety, continuity (minimal breakdown) and responsiveness to the service users.
- *Accountability:* The stress here was on the municipality retaining ultimate responsibility for service provision. Perhaps recognising the overarching international movement to privatisation and 'outsourcing', the white paper emphasises that council remains responsible for delivering appropriate services of the required standard.
- *Services and development:* Integrated development was called for, with consideration of the social and economic impacts of the services provided. Importantly, sustainability was defined as encompassing resource usage that was financially viable, environmentally sound and socially just.
- *Value for money:* It was noted that this attribute compares cost inputs with the quality and value of service outputs and that the aim was the best possible use of public resources to ensure universal access to affordable and sustainable services. It might be argued that this was the most important measure to apply in any assessment of the current service delivery patterns, specifically, useful appraisal was less about the reach and scale of service delivery (where the challenges and achievements were fairly well documented) and more about whether the significant resources allocated to services were optimally deployed.
- *Impact on local commerce and industry:* When considering cross subsidisation between commercial and residential service users and generally when considering tariff levels, municipalities were urged to consider the impact of rates

and service charges on commerce and industry in order not to compromise the 'job-creating and competitive nature' of such enterprises. (p. 93)

The key outcomes that the White Paper on Local Government (RSA, 1998) envisages local government to achieve were the provision of household infrastructure and services; creation of liveable, integrated cities, towns and rural areas; local economic development; and community empowerment and redistribution. Drawing from the NDP chapter on a capable and developmental state, by 2030 South Africa will have a developmental state that is accountable, focused on citizens' priorities and capable of delivering high-quality services consistently and sustainably through cooperative governance and participatory democracy.

As depicted in the White Paper on Local Government, developmental local government was (RSA, 1998):

... local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives (p. 27).

In this scenario, local government was at the forefront of participatory democracy, involving citizens in meaningful deliberations regarding governance and development; was responsive to citizens' priorities, enjoying high levels of trust and credibility amongst the public; had employees who were skilled, competent and committed to delivering quality services; was able to cost-effectively increase the quantity and quality of services; and operated within a supportive and empowering intergovernmental system.

The NDP, however, cautions that such a developmental state cannot materialise by decree, nor can it be legislated or waved into existence by declarations. It has to be consciously built and sustained. Local government was at the centre of development, and to achieve the aspiration of a transformed and effective local government system will require strong leadership through a clear and consistent, long-term strategy. Additionally, while the metro municipalities have made significant progress in addressing service delivery backlogs, even these advances are obscured by overwhelming challenges related to the fast pace of urbanisation and in-migration.

The NDP identifies institutional capacity, an enabling environment and the macro context as the main challenges facing local government in South Africa. Table 1 lists the constraints as depicted in the chapter on local government as components of outcome nine in the NDP document. The critical question addressed in the paper was how the balanced scorecard (BSC) tool could be used for improving performance measurement in service delivery in local government and assist in eradicating the current challenges of lack of quality services, poverty and infrastructure development.

TABLE 1: Local government constraints.

Institutional capacity	Enabling environment	Macro context
<ul style="list-style-type: none"> • Weak political leadership • Technical skills gap and lack of relevant competencies • High staff turnover and vacancy levels • Weak understanding of policies • Political deployments not always competent appointments • Lack of career progression • Poor attitudes and values of staff • Lack of professionalism and regulation thereof by professional bodies and government • Weak strategy – focus on compliance • Weak financial management and low budget spend • Weak council decisions, often contrary to technical advice • Organisational instability, including review of 5 57 contracts linked to political term of office • Lack of oversight and accountability • Lack of legal compliance or regulatory support • Weak municipal systems 	<ul style="list-style-type: none"> • Lack of central co-ordination support, information and M&E. • Financial viability of municipalities. • Bulk infrastructure gaps. • Lack of clarity regarding decentralisation of powers and functions and role of the districts. • Role of DCOG unclear. • Lack of planning alignment amongst the three spheres – IDP not taken seriously by other spheres. • Local government financing system, including equitable share, needs to be reviewed. • Unstable political environment. • Inconsistent, incoherent and complex local government legislative environment. • Lack of customised support to municipalities, and support focused on compliance. 	<ul style="list-style-type: none"> • Huge pressures of poverty, unemployment and inequality • Huge service delivery backlogs • Weak public participation • Huge social issues, such as crime, drug abuse, gender-based violence • Weak revenue base of municipalities with low levels of affordability • Political dynamics, including coalitions, resulting in inertia • Pressures of in-migration and urbanisation • Weak education system

Source: National Development Plan (NDP) (2014)

IDP, integrated development planning; M&E, Monitoring & Evaluation; DCOG, Department of Cooperative Governance.

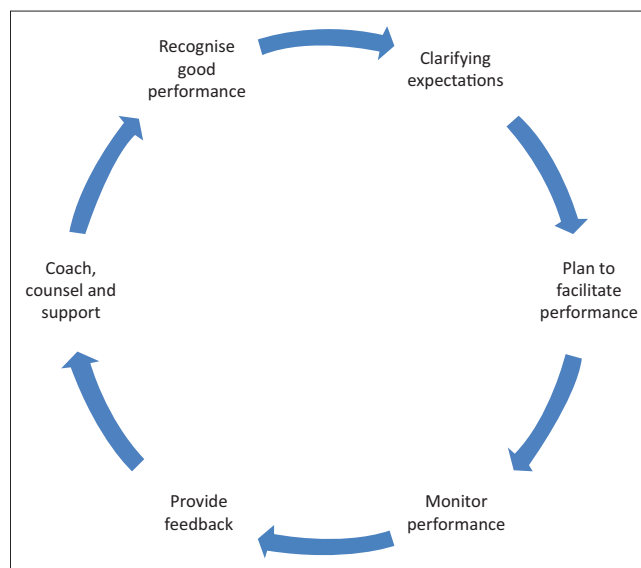
Performance management literature

Armstrong and Baron (1998, p. 7) define 'performance management' as a strategic and integrated approach to delivering sustained success to the organisation by improving the performance of employees and by developing the capabilities of teams and individual contributors. The objective, from this definition, aimed at the improvement of results at the level of the individual, the team and the organisation, as illustrated in Figure 1.

According to Grobler et al. (2011, p. 293), performance management is a process that significantly affects organisational success by having managers and employees work together to set expectations, review results and ultimately reward excellent performance. Hood (1995, p. 98) argues that encouraging a performance management approach in the organisation means managing results, not rules. The interest was more on achieving organisational objectives and goals rather than monitoring how procedures and policies are implemented. Cavalluzzo and Ittner (2004, p. 251) further argue that an organisation that relies on or adopts performance measures should achieve improved decision-making methods.

Clarify expectations

It is important in performance management to first ensure that employees understand what was expected of them in the workplace. They must have a clear understanding not only of



Source: Adapted from Werner, A. (2007). *Organisational behaviour: A contemporary South African perspective*. (p. 109), Pretoria: Van Schaik

FIGURE 1: Individual performance management cycle.

what the objectives mean but also of what was necessary to affect the measure associated with the objectives (Grobler et al., 2011; Werner, 2007, p. 110).

Plan to facilitate performance

In this case, a manager asks a subordinate in the initial performance management meeting to identify which areas of work, resources and skills the organisation can assist the employee with in order to achieve the objectives. There are instances in which the organisation has to intervene because the employee has no authority or resources to execute their responsibilities effectively and efficiently (Grobler et al., 2011; Werner, 2007, p. 110).

Monitor performance

At this stage, there is a common understanding of what should be done. It is important to monitor actual performance to check whether the organisation is still on track to achieve the set organisational goals. The frequency of the monitoring process depends on the nature of services provided and the seniority of the employee being monitored. In some environments, monitoring may take place every day; in other cases, especially with middle to senior employees, a performance review session may be held on a monthly or in some cases on a yearly basis (Werner, 2007, p. 110).

Provide feedback

One of the main reasons for monitoring performance is to be able to provide feedback on progress towards achieving organisational goals and on employee performance. According to Werner (2007, p. 111), feedback serves two purposes: it allows the organisation to provide consequences for performance and to redirect employees' efforts if necessary. Feedback allows employees to improve their performance by indicating performance deficits (Grobler et al., 2011).

Coach, counsel and support

If performance monitoring reveals a serious performance deficit, the organisation may have to coach the employee concerned. This consists of discussing the desired performance and if necessary modelling the performance for the employee, requesting the employee to perform and then giving critical feedback until performance is at the required level.

In some instances, employee performance is substandard because of personal or interpersonal problems. In this case, the manager may have to counsel the employee and if possible offer advice on how to overcome the problem. It is also important to support employees and ensure they know that the organisation has confidence in them and will stand by them should the need arise.

Figure 1 demonstrates that far from merely emphasising individual performance and accountability or reporting on compliance with procedures, the performance management process is a useful and essential management process for understanding the performance of programmes, reaching agreement on performance expectations, improving performance and demonstrating to citizens that expectations of performance are successfully met. As part of the overall management strategy, public sector managers need to measure performance to evaluate whether the organisation was performing as expected. According to Niven (2003, p. 56), there is growing recognition that using performance measures to gauge success is vital to any organisation whether in the private or public sector.

Balanced scorecard perspective

The last decade has seen a paradigm shift in the public sector towards more accountability and the adoption of the new style of public management, which is more closely aligned with private sector management systems (Sharma & Gadenne, 2011, p. 167). The above has precipitated the adoption of more sophisticated performance management and control systems such as the BSC. The BSC was originally developed for the private sector by Kaplan and Norton (1992, p. 75). They argued that financial indicators alone were not sufficient to measure performance or manage an organisation. Senior management needs various kinds of information about the goods and services that the organisation is offering (such as quantity, quality, market, consumers, suppliers, competition and technology) as inputs for decision-making and strategic planning (Kaplan & Norton, 1992, p. 75).

It has become apparent that managers need a balanced presentation of both financial and non-financial measures so that they are able to view the organisation's performance simultaneously across several areas or perspectives. Kaplan (2001) is of the view that the BSC has the potential to enable public sector organisations to:

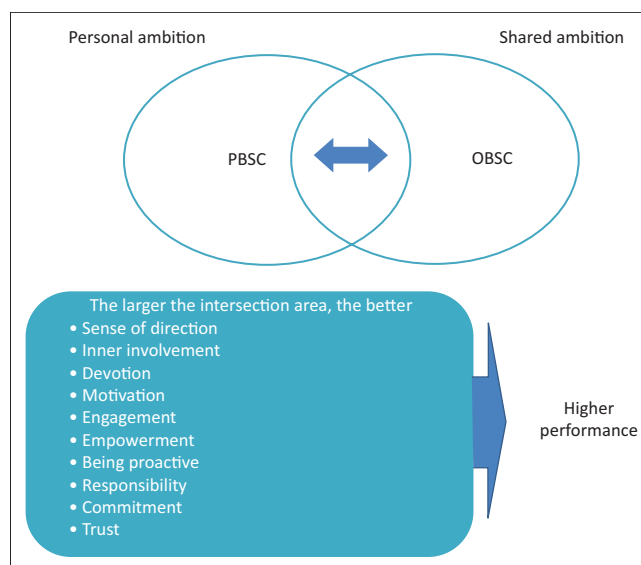
- bridge the gap between vague mission, strategy statement and day-to-day operational actions

- develop a process to achieve strategic focus, avoiding the notion of attempting to be everything to everyone
- shift their focus from programme and initiatives to the outcomes the programs and initiatives are aiming to achieve
- avoid the illusion that they have a strategy because they are managing a diverse set of programs and initiatives
- align initiatives, departments and individuals to work in ways that reinforce each other so that dramatic performance improvements can be achieved (p. 90).

The name BSC comes from the idea that measurable statistics form the basis of the approach and metrics that are applied for different but related elements are important to the organisation's success (Thompson & Mathys, 2008, p. 378). The categories of metrics form a balanced set of measures to assess organisational performance.

In Rampersad's view (2006, pp. 110–113), the alignment of personal ambition informed by a personal BSC with the shared organisational ambition informed by an organisational BSC is central for the purposes of employee commitment, trust, inner involvement, stress and burnout reduction, stimulating enjoyment, active participation, motivation and empowerment of employees. It has to do with reaching a higher degree of compatibility between personal and organisational objectives and mutual value, as illustrated in Figure 2. In a similar manner, recent studies, such as those conducted by Ellangovani and Kamalanabhan (2014, p. 10), the authors have also explored and agreed with the approaches discussed above and argue that the original framework remains the basis for successful implementation of the BSC.

The argument by Rampersad means that employees do not work with devotion or expend energy on something they do not believe in or agree with. As Rampersad (2006, p. 114) puts



Source: Rampersad, H.K. (2006). *Personal balance scorecard: The way to individual happiness, personal integrity and organisational effectiveness*. (p.115), Randburg: Knowres
PBSC, personal balanced scorecard; OBSC, organisational balanced scorecard.

FIGURE 2: Match between personal ambition and shared ambition.

it, clarity and uniformity of personal and organisational values and principles are therefore essential for employees' active involvement and contribution to the achievement of organisational goals. The above demonstrates the importance of understanding that employees join the organisation with personal objectives or have aspirations to achieve at a personal level. Kaplan and Norton (2001, p. 99) cited in Sharma and Gadenne (2011, p. 171) argue that many of the concepts articulated above consist of lists of programmes and initiatives rather than outcomes that the organisation is attempting to achieve. Within this context, Sharma and Gadenne (2011) advocate a modified BSC framework where the organisational mission is featured at the highest level of the scorecard, underpinned by three high level perspectives:

- costs of providing services
- value or benefits of the service
- support of legitimising authorities including the legislature by taxpayers (p. 72).

Introducing a BSC means introducing change in the organisation, which was never an easy process: the organisation can expect to encounter challenges.

Semi-structured interviews – Analysis and interpretation

In this paper, the qualitative method was applied through interviews with a selected number of stakeholder representatives. The participants in the study were officials, the political office bearers, ward committee members, and the business and agriculture forums from JGDM jurisdiction. Welman and Kruger (2002, p. 211) argue that the important factor in collecting data through interviews is to identify themes, as they assist the researcher in analysing interview data.

The researchers used a structured interview questionnaire formulated around themes that were predetermined; JGDM was used as a case study. Examining attitudes to the use of performance measures in a municipality can be particularly interesting because the nature of the community and stakeholders varies considerably. These themes were limited to policy implementation, management commitment, performance measurement and analysis, and performance evaluation approach.

Policy implementation

Participants were asked questions on their awareness of the legislative and policy requirements for the implementation of performance measurement in municipalities. The participants were given a list of legislative and policy requirements that were applicable to the sector, as captured in Appendix 1 for them to indicate their knowledge of these requirements. While ward committee members and the business and agriculture forums were not familiar with or could not remember the policy requirements, the officials and political office bearers explained the policies that oblige the municipality to do performance evaluation.

Management commitment

The need for strong top management commitment to performance measurement is recognised in the government reform literature. Cavalluzzo and Ittner (2004, p. 247) argue that while administrative and technical factors are expected to influence the implementation of performance measurement, their impact is secondary to that of organisational factors. They argue that top management commitment is crucial to implementation success because these managers can focus resources, goals and strategies on initiatives they deem worthwhile and deny resources to initiatives they do not support, as well as provide the political help needed to motivate or push aside individuals who resist the initiative.

The feedback from interviews conducted with all stakeholders reflected different views from participants. The municipality's political office bearers and officials indicated that there was support from council, which is the top management governance structure in the municipality, but the organisation was hampered by a lack of capacity to implement the performance management initiative as well as current budgetary constraints. However, other stakeholders interviewed indicated that top management was not willing to take decisions and commit to support the implementation. They based their argument on the fact that they were not aware of any municipal policy dealing with performance measures.

Performance measurement and analysis

Interviewees were asked to comment on the use of performance measures in the municipality. Categories were given to them to help with the focus of the response. The categories included input, activity/process, output, outcome, benchmarks and customer satisfaction. The interviewees were provided with definitions and explanations for each of these terms to ensure consistent understanding of terminology. All respondents agreed that customer satisfaction was central to the process of implementing performance measures and that community input should be more visible and valued. Participants also indicated that while in practice the programmes that the municipality develops were informed by input from all stakeholders in the area such as the IDP, they were divided on whether performance measurement was focused on shared programme results or rather on the Service Delivery Budget and Implementation Plan, over which they had little input and influence.

Interviewees were questioned about the consequences of performance measures and targets not being met. The interviewees agreed that the current culture at local government did not provide any consequences for measures and targets not being met.

Performance evaluation approach

Judging by responses given to the above theme, it was concluded that while all stakeholders understood and

agreed on the importance of a performance measurement review, their opinions about the overall experience with performance measures in the municipality differed fundamentally. More specifically, they all acknowledged the usefulness of performance measures but at the same time indicated problems in their identification and implementation. Some of the points raised by ward committee members and the agriculture and business community were, in no particular order:

- the review process was not transparent
- there was no review system, or if there was it was not communicated to all stakeholders
- lack of commitment by all parties
- reactive approach by management and political office bearers.

While management, on the other hand, identified the following challenges, the list below does not reflect order of importance:

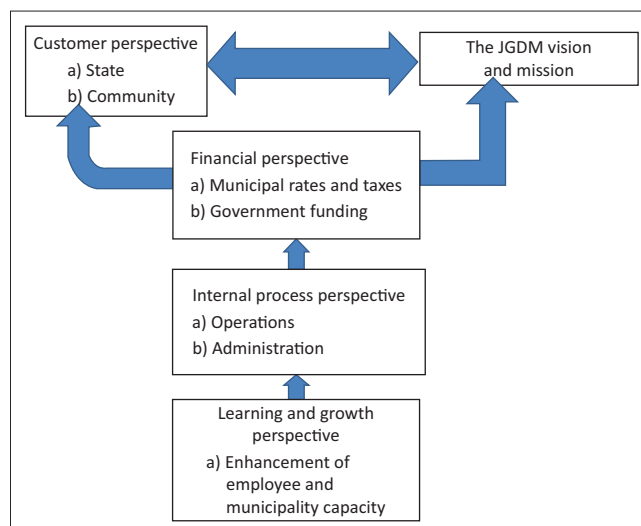
- lack of capacity
- budget and time constraints
- politically driven process
- poor management of the process
- implementation challenges.

Balanced scorecard as a strategic management tool

The scorecard was initially introduced solely as a performance measurement system but the inventors soon realised that a measurement system can help the organisation to navigate the future. Subsequently, the scorecard became the operational framework in which strategy was organised. It can be concluded that a scorecard provides a framework in which strategic objectives are organised within the four perspectives. The strategy's critical elements and the linkage between them is organised top-down on a cause-and-effect relationship basis. According to Kaplan and Norton (2001, p. 91), cause-and-effect relationships should exist between these four perspectives in such a way that learning and growth leads to the improvement of the internal process, which in turn leads to financial improvement, finally bringing about customer satisfaction improvement. Figure 3 shows the design of an ideal scorecard in the context of local government, as supported by the discussion above.

The proposed scorecard framework contains the four standard perspectives, but instead of starting with a learning and growth perspective it starts with a customer perspective. Each perspective represents a strategic goal, objective and Key Performance Indicators (KPI) as depicted in Figure 4.

- Customer perspective: Is the municipality focusing on the needs of its citizens and offering quality services?
- Financial perspective: Is the municipality providing quality service standards at a reasonable and cost-effective rate (value for money)?



JGDM, Joe Gqabi District Municipality.

FIGURE 3: A design of an ideal scorecard framework.

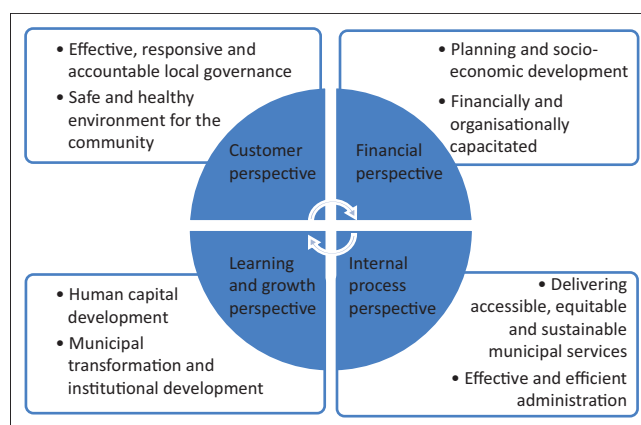


FIGURE 4: The four perspectives of the Joe Gqabi District Municipality scorecard framework.

- Internal process perspective: Is the municipality maintaining its operational systems and striving to improve its method of service provision?
- Learning and growth perspective: Is the municipality able to change or adapt to innovative methods of service provision?

The scorecard design was based on the assumption that the municipality's performance in the achievement of the strategic goal of every perspective was related to its performance in achieving the strategic goal of the lower level perspective. Every subsystem has one strategic goal and contains both outcome measures (objectives) and performance drivers (KPIs). The strategic goal of each perspective takes place on the first level. The second level consists of the outcomes of the measures of the perspective that serve as objectives, while the third level contains the selected KPIs for every objective.

The scorecard provides the municipality with a comprehensive framework that translates vision and strategy into a coherent and linked series of objectives and KPI; it was not just a collection of critical, financial or non-financial indicators of these four perspectives.

Crucial elements to be considered when implementing a balanced scorecard

Leadership and support of senior management

Kaplan and Norton (1996, p. 285) argue that the leadership and support of senior management is crucial for the successful implementation of a BSC. Organisations that complied with the criteria for a fully developed and structurally complete BSC were found to have greater senior management involvement during the BSC implementation process. These organisations also reported fewer BSCs that were cluttered with inappropriate measures or measures not linked to cause-and-effect relationships (Soderberg et al., 2011, p. 704).

Burning platform for change

In addition to senior executive support, Niven (2003, pp. 47–48) was of the opinion that a burning need for change (also referred to as a 'burning platform') has to be determined. A case study article of seven private sector financial companies, which found that the initial reasons given for the implementation of the BSC affect the potential benefits of BSC use (Agostino & Arnaboldi, 2011, pp. 99, 109–111), supported this. Niven (2003, pp. 47–48) explains that the burning platform for change to the BSC includes understanding why it was being done, the need to get involved ('buy-in') and its value to the organisation. Resistance to change is natural (Mooraj, Oyon & Hostettler, 1999, p. 490). Learning anxieties are central to the resistance; consequently, people will only adapt to change when 'survival anxiety ... [is] greater than learning anxiety' (Niven, 2003, p. 48). The implementation of the BSC helps to encourage change by placing the focus of employees on long-term objectives (Mooraj et al., 1999, p. 490). The objectives that are developed by the BSC team will communicate the survival anxieties of the organisation to the staff and convey why change is required for success. The BSC reduces learning anxiety by providing a safe environment for learning (Niven, 2003, p. 48).

Balanced scorecard team and leader

Kaplan and Norton (1996, p. 64) posit that one person cannot draw up a BSC because no single person has the requisite knowledge to tell the strategic story of the organisation. Kaplan and Norton (1996, p. 64) contend that collective knowledge, experience and input have to be provided by all well-prepared staff members who are part of the BSC team, a position with which Niven (2003, p. 51) concurs. This approach enables the BSC team to own and drive the BSC concept under the guidance of the BSC team leader, driver or architect (Kaplan & Norton, 1996, p. 64, 2001, pp. 362–363). Kaplan and Norton (2001, p. 363) argue that a broader set of people could be involved in smaller subgroups, possibly focusing on one perspective. The work of the subgroups would then be integrated at a bigger meeting.

Why the balanced scorecard may not work?

Balanced scorecards that are not reviewed periodically

A BSC should not be built once and then left unchanged (Niven, 2003, p. 287) but should be maintained (Weinstein & Bukovinsky, 2009, p. 54). In fact, best practice studies have shown that most practitioners do an annual critical evaluation of the BSC to ensure that the strategic story is still being told accurately (Niven, 2003, pp. 287–288).

Balanced scorecard development labelled a short-term project

Niven (2003, p. 289) is of the opinion that the development of a BSC that is seen as a 'project' is doomed to failure. He argues that a project is a short-term endeavour and the BSC should become a fixture in management processes. To reach this level, it should be used continually in every facet of the operation, including decision-making and resource allocation. On the other hand, Nair (2004, p. 157) believes that BSC development should be treated as a project. This reflects a different viewpoint in that Nair (2004, p. 157) does not see a project as short-term but focuses on the strict and controlled sequencing that flows from the planning and implementation of projects. According to Kaplan and Norton (2001, p. 365), the BSC should be seen as a management project and certainly not as a systems project. Kaplan and Norton (2001, p. 365) argue that where consultants are appointed to develop and implement a BSC management system, engagement with managers on strategic dialogue rarely occurs. Consultants are more likely to design a system that gives managers desktop access to masses of data but does not contribute to the organisation's being managed differently and as such is never used.

Lack of disciplined management and leadership

Nair (2004, p. 157) sees disciplined management and leadership as crucial to successful BSC implementation. Nair (2004, p. 157) believes that without disciplined management and leadership, projects tend to be overcommitted, understaffed and miscalculated.

Keeping the balanced scorecard at the top

According to Kaplan and Norton (2001, p. 364), while senior management should support BSC implementation, the mistake of involving them alone should be avoided. In order to be effective, BSC implementation should ultimately involve everyone in the organisation. The aim is for all staff to have an understanding of the strategy and contribute to implementing it, therefore making strategy 'everyone's everyday job'.

Drawn-out development process

Kaplan and Norton (2001, p. 364) caution that the BSC is a building process and that a limited amount of time should be invested in its initial development and implementation.

Even though there may not be data for all measures on the BSC at first, implementation should proceed. Delaying implementation to design the 'perfect' BSC will inevitably lead to it being ineffective or even not being implemented at all. Once the implementation of the initial BSC is embedded in the management system, developments and refinements can be made on a continual basis.

Appointing inexperienced consultants

Kaplan and Norton (2001, p. 366) argue that the appointment of consultants who do not specialise in the BSC and have not implemented multiple successful BSCs will most likely doom it to failure. An inexperienced consultant generally proceeds with the implementation of a measurement or information system that he or she is familiar with, makes minor changes and calls it a BSC, even though it is not.

Only introducing the balanced scorecard for compensation

While BSC implementation can effectively be used as a tool to gain the attention and commitment of individuals, Kaplan and Norton (2001, pp. 366–367) are of the opinion that great care should be taken when a BSC is implemented mainly for compensation, because there is a tendency to skip the conversion of the strategy into measures. When strategy is skipped, a collection of financial and non-financial measures that resemble a stakeholder or strategy scorecard are grouped together and called a BSC.

Concluding remarks

Balanced scorecard is a performance management system that can be used in local government as it allows management to measure financial, internal processes, learning and customer results in operations and organisational potential. However, it is suggested that in local government such a system should start with a definition of community or customer needs and service expectations. Leadership, a transformation orientation and collaborative decision-making are essential to the implementation of a BSC in local government. The implementation of a BSC system should be perceived as a long-term leadership and management project and such a system should be used to develop and implement strategy rather than just as a compensation tool. As such, it should be driven from the top but also cascaded to the individual performance management level.

Research on the BSC has been heavily orientated towards the private sector but as public sector organisations increasingly seek ways to improve their performance management practices, a growing need exists to understand the issues and challenges of BSC implementation in the public sector. An implication of this paper is that where local government is perceived to lack strategic direction, the potential for the BSC to support decision-making and performance improvement may not be recognised. As indicated in other similar studies,

the findings of this paper suggest that BSC could be used as an important management tool, as it enables organisations to clarify their vision and strategy and translate them into goal or actions. The reporting based on the BSC can greatly improve accountability.

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Competing interests

The authors declare that they have no financial or personal relationship(s) that may have inappropriately influenced them in writing this article.

Authors' contributions

Z.J.N. was the principal investigator and K.M. was the co-researcher of this study.

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Appendix 1 starts on next page →

APPENDIX 1

TABLE 1-A1: Policy implementation.

Policy	Explanation
Constitution of the Republic of South Africa, 1996	<ul style="list-style-type: none"> • provide democratic and accountable government for local communities • ensure the provision of services to communities in a sustainable manner • promote social and economic development • promote a safe and healthy environment • encourage the involvement of communities and community organisations in the matters of local government.
<i>Municipal Systems Act (Act 32 of 2000)</i>	<p>The <i>Municipal Systems Act</i> (2000) enforces the idea of a local government performance management system and requires municipalities to:</p> <ul style="list-style-type: none"> • develop a performance management system • set targets, monitor and review performance based on indicators linked to their IDP • publish an annual report on performance for councillors, staff, the public and other spheres of government • incorporate and report on a set of general indicators prescribed nationally by the minister responsible for local government • conduct an internal audit on performance before tabling the report • have their annual performance report audited by the auditor general • involve the community in setting indicators and targets and reviewing performance.
White Paper on Local Government (1998)	<ul style="list-style-type: none"> • It states that local government should introduce a performance management system. • It acknowledges, 'involving communities' in developing some municipal performance indicators.
White Paper on Transforming Public Services Delivery (Batho Pele) (1998)	<ul style="list-style-type: none"> • <i>Consultation:</i> Communities should be consulted about the level and quality of public services they receive and, where possible, be given a choice about the services that are provided. • <i>Service standards:</i> Communities should know what standard of service to expect. • <i>Access:</i> All communities have equal access to the services to which they are entitled. • <i>Courtesy:</i> Communities should be treated with courtesy and consideration. • <i>Information:</i> Communities should be given full and accurate information about the services they are entitled to receive. • <i>Openness and transparency:</i> Communities should know how departments are run, how resources are utilised and who is in charge of particular services. • <i>Redress:</i> Should a promised service or a particular standard thereof not be delivered, the community is entitled to full explanation about the service delivery gaps and remedial interventions should be effected. • <i>Value for money:</i> Public services should be provided economically and effectively in order to give the communities the best possible value for money.
<i>Municipal Finance Management Act (56 of 2003)</i>	<ul style="list-style-type: none"> • States the requirement for a municipality to include its annual municipal performance report with its financial statements and other requirements in constituting its annual report. • This must be dealt with by the municipal council within 9 months of the end of the municipal financial year.
<i>Municipal Planning and Performance Management Regulations, 2001</i>	<ul style="list-style-type: none"> • Sets out how the performance of officials will be uniformly directed, monitored and improved. • The regulations address both the employment contract and performance agreement of municipal managers and managers directly accountable to municipal managers. • Provides a methodology for performance system as well as criteria for performance bonus payments. • Provides an approach for addressing underperformance, should it occur.
<i>Intergovernmental Relations Framework Act (13 of 2005)</i>	<ul style="list-style-type: none"> • The municipal will establish a Local Intergovernmental Relations forum. The structure will promote cooperation of all local municipalities by bringing together their mayors. • Develops processes in order to align policies and priorities. • Establishes intergovernmental forums to realise these processes. • Implements aligned priorities through joint effort, programmes and projects.

IDP, integrated development planning.