Chapter 7
Role of Performance Management

The Performance Management and Development System (PMDS) is probably one of the most contested systems implemented in the South African public service. Fundamentally, to conduct a valid and objective assessment of the performance of individuals constitutes one of the most vexing challenges of human resource management.

**Key features of the performance management system in South Africa**

The Senior Management Service (SMS) Performance Management and Development System (the system) is a framework (the broad parameters within which departments must act) issued by the DPSA.1 The PMDS is based on assessing performance during and at the end of a year against a performance agreement entered into at the beginning of a performance cycle (i.e. 1 April of each year). It is a framework because the details against which employees are assessed are agreed between an employee and supervisor (and not pre-set by departments themselves). The details that must be filled in are the “Key Result Areas” (KRAs), outputs and standards against which the employee will be assessed. Core Management Criteria (a list of generic management competencies) are included to assess the level of competence of employees. During annual performance assessments staff are scored against the KRAs and standards agreed upon, using a 5-point scale, where 1 and 2 are unacceptable and not fully effective performance, 3 is fully effective and 4 and 5 are significantly above expectation and outstanding. Scores are moderated by committees to ensure that the same standard is applied throughout the department. To justify scores, staff must provide reports and evidence. Decisions on performance rewards, the development of staff and dealing with poor performance are taken on the basis of the assessments. Cash bonuses are awarded only for “significantly above expectation” and “outstanding” results.

**Problem Statement/ Evaluation:**

At the conference (PSC, 2014) the question was raised whether the problems with the system are fundamental (related to the design of the system) or whether the system is just poorly implemented. Participants agreed that the problems were at both levels.

Some of the points below may seem like implementation problems but it can not be expected that a formal (or technocratic) staff assessment system will solve basic management problems of not setting a clear and unambiguous strategic direction, ambiguousness in performance expectations, performance measurement problems at the unit level, poor supervision, and poor accountability for performance.

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1 For levels 1 to 12 each Executive Authority must determine a PMDS for his/her department. For this purpose the DPSA (2007) has developed a pro-forma Employee Performance Management and Development System (EPMDS) as a framework for voluntary use by departments.
The distinction between fundamental and implementation problems also raises the question of the approach to fixing the system. When some of the problems are fundamental then it can not simply be fixed at the implementation level and if a system is implemented when some of the preconditions for its success are not met, then it can do more harm than good.

**Fundamental problems**

*The system is a failure as measured against its own objectives*

Administrative systems should be evaluated against their own objectives. The stated objectives of the PMDS (DPSA, 2007) are to:

- establish a performance and learning culture in the public service
- improve service delivery
- ensure that all jobholders know and understand what is expected of them
- promote interaction on performance between jobholders and their supervisors
- identify, manage and promote jobholders’ development needs
- evaluate performance fairly and objectively
- recognise categories of performance that are fully effective and better
- manage categories of performance that are not fully effective and lower

No well-designed evaluation has been undertaken to test the effectiveness of the system against these objectives. A key question is: To what extent does the system improve service delivery and evaluate performance fairly and objectively? The increasing wave of widespread service delivery protests seems to indicate that performance and service delivery are deteriorating, despite the existence of the PMDS and increased measures to enforce compliance.

**Measurement problems**

The PMDS assumes that performance can be fully and properly evaluated by objective measures. However, in the public service the assessment of many activities requires careful insight and judgement. But even if the belief in measurement is justified, a scrutiny of performance agreements and work plans shows that the standards mostly do not meet the SMART\(^2\) requirements. Outputs and target dates may be specified, but quality very seldom. (See Mintzberg, 1996, for a discussion of the differences between the private and public sectors and different models for management in government.) A similar thought is illustrated in Albert Einstein’s quote: “Everything that can be measured is not important [grains of sand in a bucket], and everything that is important, cannot be measured [commitment, insight, judgment]).

The system is still much dependent on the subjective judgement of a supervisor and the personal interaction between supervisor and employee. Specifying KRAs, outputs, standards and indicators creates the appearance of scientific measurement, but this is deceiving. Moderating committees are then similarly in the hands of the supervisor and often do not have a solid basis for an assessment.

Available evaluations show that one of the main preconditions for the success of the system, namely objective measures, is often not present. At programme and sub-programme level

\(^2\) Simple, clear and understandable; Measurable; Achievable and agreed between the member and the supervisor; Realistic – within the control of the member, taking account of her/his experience – but challenging; and Time-bound.
(organisational unit level), audits by the auditor-general of pre-determined objectives found that performance information is often not useful or accurate. Setting performance indicators on organisational unit level is difficult enough. To isolate the contribution of individuals and set standards at the individual level is even more difficult.

Since these are determined between supervisor and subordinate, there is no standardisation of the performance standards against which employees are assessed.

**Weak accountability frameworks**

A prerequisite for effective performance management is good accountability frameworks. A proper management structure requires that responsibility, (delegated) authority and accountability should be aligned as much as possible.

Yet the NDP found that in many cases accountability has been eroded: “The absence of a process for consequences management is largely due to the lack of a coherent accountability framework, which links job descriptions and responsibilities, performance management and bureaucratic purpose.” (NPC, 2011)

The National Development Plan distinguishes between two main forms of accountability: (1) The standard hierarchical form where officers are accountable to their supervisors and eventually to the head of department, who is accountable to a minister, the minister to the legislature and the legislature to the electorate. (2) A bottom-up form where citizens hold public officials directly accountable at the level where services are delivered. Both these forms should be strengthened. (NDP, p.427.)

The NDP refers to accountability in several chapters. With regard to schools the NDP proposes a framework of “results oriented mutual accountability”. Districts should be accountable for supporting schools, schools should be accountable to the education authorities as well as the school community and parents should be accountable for the behaviour, attitude, attendance and work ethic of their children. (NDP, p. 311.)

With regard to the health system, the NDP found that the management structure is centralised and top-down with poor authority and feeble accountability. (NDP, p. 332.) It proposes that an “appropriately specialised, more accountable management model for health service delivery, including revised roles and responsibilities for the national department, provinces, districts and public hospitals” should be defined. (NDP, p. 336.) It also proposes accountability to users: “Governance and management frameworks, from national to local levels, need to be effective, with the emphasis on accountability to users/communities. Centralised guidance, technical support and monitoring should be aligned with decentralised, devolved responsibility and decision-making.” (NDP, p. 337.)

**Disjuncture between unit and individual performance**

There is currently no scrutiny of individual performance assessment against the performance of the organisation/unit.

Objectives are many times determined through a bottom-up approach instead of top-down with departmental leadership setting the performance expectations. Senior management should set the tone by incorporating key standards and transformation indicators. Weak
departmental planning documents lead to poorly formulated performance agreements and performance standards.

*Lack or poor day-to-day management of performance by supervisors – including poor supervision, poor people management, and poor operations management – contributes towards failure of formal performance assessment*

A distinction should be made between performance management at the organisational unit and individual levels. Performance management is part of the day-to-day operational management process (managing the daily work of units). Day-to-day management of performance takes place in organisational units and carries on without formal individual staff assessment. A key role of the supervisor here is to give feedback on performance, reprimand, motivate, mentor, lead teamwork, use incentives, make his/her own personal contribution to solving problems, and add value to the products produced by the unit. All this has to do with management style, which has a huge impact on the performance of any unit.

Sound supervision, operations management and unit performance management is an absolute prerequisite for effective performance management at the individual level.

At the conference (PSC, 2014), failure of managers to take responsibility for proper performance management was expressed by the dictum: “Managers must manage.” Poor day-to-day management of performance includes:

- Lack or poor clarity of objectives from the managers.
- Lack or poor implementation of the system due to poor understanding of the system by the manager and the implementers at the lower level.
- Lack or poor review of individual performance to unlock difficulties that may lead to poor performance. Regular review of performance can’t be left to end of year formal staff assessment.
- Quarterly performance assessment is not adhered to.
- Failure of managers to take responsibility for the rating they give to subordinates. Managers tend carefully when rating the performance of subordinates and tend to give higher ratings. They also realise that giving low ratings to subordinates may make it difficult to justify giving themselves a high rating. Allocating a rating of 3 or 4 which is not deserved encourages mediocrity.
- Implementation of formal staff assessment is compliance driven and managers absolve responsibility. Staff assessment is a “by-the-way” responsibility.

In the same vain the NPC concluded that improving staff performance does not require complex systems; it requires clear lines of accountability and engaged managers who seek to understand and overcome the challenges faced by their staff. Performance management can deliver results only if it creates the scope for a case-by-case analysis of the underlying reasons for strong or weak performance. (NPC, 2011)

The management of poor performance is also linked to the PMDS system because this system formally identifies poor performance in order for the procedures of the Incapacity Code to be applied. To identify poor performers, supervisors should be prepared to award scores of 2 on the 5-point rating scale. The definition of a 2 is “the jobholder has achieved

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3 The basic principles are laid down in Chapter 7 (Misconduct and Incapacity) of the SMS Handbook and the Incapacity Code and Procedures for the Public Service, PSCBC Resolution 10 of 1999.
less than fully effective results against more than half of the performance criteria and indicators as specified in the PA and work plan”. Managers often take the road of least resistance and award the average score, which is a 3. In practice the PSC has found a “consistent lack of accountability by managers for managing poor performance and a failure on the side of HRM components to provide the necessary guidance and support. … The research revealed a lack of will among managers to manage poor performance – despite their ability to articulate the rationale for managing poor performance. There is a failure to follow through by management, which is attributed to a lack of mechanisms for holding managers accountable for fulfilling this role” (PSC, 2007).

Technocratic systems do not solve underlying problems

Although the majority of managers felt the performance management system was appropriate, they also felt it did not play a significant role in supporting management processes and was unwieldy. (PSC, 2007.)

The NPC concluded that complex technocratic systems such as the centralised performance management system have been used to focus attention on formal procedures, but those systems are overly complex – administrators do not have the skills to use them and managers do not have the time. The system is poorly understood by supervisors and subordinates alike. This leads to staff demoralisation and disputes rather than enhanced performance. (NPC, 2011)

It is a one-size-fits-all system, which is not appropriate in all contexts

Participants at the conference (PSC, 2014) had divergent views on this. Some felt that the system should be purpose designed for different contexts, whilst others were in favour of setting stronger guidelines and/or norms and standards in order to ensure more uniform application across departments. It is clear that the right balance between prescribing norms and standards and discretion to design appropriate systems for different contexts, should be struck. The PSC is of the view that the PMDS is a framework that allows enough discretion for the detail to be filled in by departments. What is important is that the detail should not be entirely left to be filled in between supervisors and subordinates but that the department also prescribes performance standards for certain occupations.

It is, for instance, questionable whether the system is appropriate for employees at lower levels and their supervisors. These employees and supervisors do not understand the language of KRAs, outputs, standards and indicators. This is not to say that the basic framework of the PMDS is inappropriate for these categories of employees, but that the framework should probably be filled in as a standard for lower level occupations by the departments.

There is a prescribed framework for employees at the SMS level but only a pro-forma framework (not prescribed) for performance management at salary level 1-12. Even though most departments follow the pro-forma framework, it leads to unevenness in implementation of the system. Some participants felt that the pro-forma should be prescribed for employees at Levels 1-12.

4 “Technocratic” is used here in the sense of inappropriate use of measurement scales to replace judgement or process to replace substance.
The incentive system is not congruent with the values of public service

This Discussion Document emphasises values of public service (Chapter 4) – the reward is the intrinsic reward of living these values – and career-orientation (Chapter 6) – the reward is a satisfying career.

The stakes for employees in the system are high because of the link with performance bonuses. There is a perception that the system is manipulated simply as the means to produce the supporting documentation and obtain approval for performance bonuses.

Participants at the conference (PSC, 2014) expressed no firm bias towards delinking incentive rewards from the PMDS. Participants rather favoured “diversifying” the system by allocating a portion of the pie for individual incentives, unit/group incentives and strengthening a system of non-monetary incentives. The NDP also favoured incentives at the unit rather than the individual level, eg, for schools (NDP, p 309).

Implementation problems

Poor compliance with the tenets of the system

The PSC has over a number of years undertaken quite a few compliance studies, testing whether departments comply with the tenets of the system (PSC, 2007-2012). The studies found that Performance Agreements (PAs) often:

- did not include KRAs.
- did not integrate the Batho Pele principles in KRAs or the Core Management Criteria.
- did not include Personal Development Plans.
- were not concluded by 30 April.
- did not include work plans.

Often annual appraisals are not done.

The DPSA also found that the PMDS was generally applied incorrectly, inconsistently and unfairly (DPSA, 2008).

If levels of compliance with the system are low and there is a lack of implementation support from Human Resource Management (HRM) components, then the natural reaction is to enforce compliance, provide more support and issue manuals on how to implement the system. This assumes there is little fundamentally wrong with the system or the assumptions underlying it.

With regard to compliance, the tone should be set from the top, and this is clearly not the case as a large proportion of HoDs have not submitted their performance agreements and the number of HoDs who have been evaluated is low and has declined over the last few years. It is also clear from the long list of reports the PSC has published on this matter that compliance has been assessed repeatedly and appeals made to the appropriate authorities to comply.

Poor support from HR components

HR Units provided insufficient assistance and guidance in the implementation of the system. It is moreover a question whether HR units have the technical know-how to advise line management on how to set performance standards.
Development interventions agreed to in Personal Development Plans are not implemented

Areas of development of the individual are, moreover, not linked to the unit and overall organisational objectives.

The Workplace Skills Plan is developed without consideration of the information in Personal Development Plans.

As a last point, employees are often aggrieved about how the process affects them (PSC, 2012). In 2011/12, 33% of all grievances were about performance assessment, and 24% in 2012/13 – see graph below. Formal grievances probably represent the tip of the iceberg with regard to employees who feel unhappy about the system. If so many employees are unhappy with the outcome of the process, the question is: To what extent is the system seen as fair and objective?

Figure 1: Reasons for grievances

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<thead>
<tr>
<th></th>
<th>2011/12 fy</th>
<th>2012/13 fy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Filling of posts</td>
<td>14%</td>
<td>17%</td>
</tr>
<tr>
<td>Salary problems</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Unfair treatment</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>Performance Management</td>
<td>33%</td>
<td>24%</td>
</tr>
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Conclusion

A system can only be successfully implemented if the preconditions for success are met. Any effort at improving the system should start with addressing the fundamental problems at the unit/organisational level, especially designing an appropriate management structure and setting clear objectives and performance standards. It is also logical that in places where the preconditions are not present, the question should be asked whether a department should persist with applying individual staff assessment, knowing full well that chances of effective implementation are slim.
**Recommendations**

It is recommended that –

1. an evaluation of the effectiveness of the system against its own stated objectives be undertaken. Change should be based on a thorough review of the assumptions and effects of the system. A comparative study/literature review on performance management systems in other countries could be undertaken to draw relevant lessons for South Africa.

2. effective management structures, aligning responsibility, authority and accountability, and

3. effective performance management systems at the unit level

   be designed for a number of prioritised service delivery units, whereafter the structures/systems can be reviewed across the public service based on the lessons learnt from the exercise.

4. the National School of Government designs supervisory courses for different contexts in the public service.

5. consideration be given to suspend individual staff assessment in contexts where the preconditions for successful implementation of the system are not met.

6. The following options for changes in the individual staff assessment system are suggested:
   - Much more use should be made of objective external assessment, e.g. of schools and hospitals.
   - Consideration should be given for introducing aspects of 360-degree performance management, especially for the Middle Management System (MMS) and SMS.
   - Simple frameworks for specifying performance standards for selected occupations should be pre-determined by departments and not be left to be filled in between supervisors and employees.
   - Performance appraisal can be done through regular inspections of units rather than through individual staff assessment.

7. the nature of incentive and reward in the public service should be fundamentally rethought. Initial reforms could include –
   - complementing, and even replacing, the cash bonus system based on individual staff assessment with rewards for specific results or products and for unit performance; and
   - complementing, or even replacing, cash bonuses with rewards designed around the intrinsic value of the job, such as professional recognition.

The PMDS is a mutual interest matter and changes will have to be negotiated with labour.