
EVALUATING PERFORMANCE
MANAGEMENT AT ESKOM HOLDINGS

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Declaration and Acknowledgements

I Kate Maluleke, hereby declare that the content of this dissertation represents my own work and that the opinions contain herein are my own and not necessarily those of Eskom Holdings.

Firstly, I wish to thank our Heavenly Father for guidance, strength, perseverance and faith, which I was blessed with throughout my academic years at UNISA SBL University. A special gesture of gratitude to my family especially my husband, John Matobela for the support in every way they could and for the faith he have always displayed in me. Eskom Holdings staff for their participation in this research.

Lastly I would like to thank my supervisor Delisiwe Dlodlu for clear and concise guidance.

Signed: -----

Kate Maluleke

Abstract

According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals. The term performance management gained its importance and popularity in the 1980's when the competitive pressures in the market place started rising. This is when organizations felt the need of introducing a comprehensive performance management process into their systems for improving productivity and performance effectiveness. Performance management can be regarded as a continuous process of managing the performance of people to get desired results. Performance management is beneficial to major stakeholders of an organization by clearly describing what is supposed to be done for attaining certain desired goals. However focus on performance management may be fruitless without the existence of effective implementation, proper organizational design and management systems.

DEFINITION OF CONCEPTS

Performance Management System (PMS) - Describes and represents the process of performance planning, monitoring, measurement, review and reporting of an organization. Objectives - The general outcomes to be achieved through actions or activities.

Performance measurement - Involves determining the extent to which objectives are achieved through developing indicators and linking them to targets and related standards.

Impact - Refers to the changes and consequences that result from specific activities or achievements; intended and unintended, assessed in terms of the contribution made to the achievement of a general goal.

Monitoring – Is to monitor progress towards achieving the objectives.

Performance indicators – refers to yardsticks used to assess achievement of results; both quantitative and qualitative aspects.

Qualitative and quantitative measures - Quantitative measures indicate "how much" or "how many"; qualitative measures indicate "how well".

Balance Scorecard - an aid in creating a "balance" among various development factors to be considered when the focus is on performance outcomes.

Business unit- may mean a single department, region, section, or power station.

Key performance area- means a key area of business performance in qualitative terms (example: Energy availability; return to shareholder; customer satisfaction; people development). In some areas in Eskom, the term "KPA" (as used in this document) corresponds to a "balanced scorecard perspective".

Key performance indicator- means a measure that quantifies business performance in terms of the KPA. It is an indicator measuring the desired outcome of the KPA intent.

Multi-rater feedback- means the concept of obtaining feedback on employees' performance from a number of different role players in the work environment. The

feedback is typically obtained from subordinates, peers, superiors, and customers.

Also referred to as 360-degree feedback.

Line of sight: means the principle whereby organisational goals are cascaded down to individual level and are translated into KPAs and KPIs in an individual employee's performance contract.

Individual development plan: means individual plan listing development priorities—both immediate and future – to enhance competence in a person's current job as well as for future progress in the logical career path.

Individual performance contract: means a contract between employer and employee listing the KPAs and KPIs and is drawn up for a period of one year.

Weightings-mean the weight given to an output in a performance contract to indicate the importance of that output relative to the other outputs.

Source of evidence-means the evidence that an employee shall produce in order to prove that he/she has satisfactorily performed the agreed output to the specifications required.

Performance enhancement programme-means a structured and monitored intervention designed to support employees in improving their performance to meet agreed performance standards.

A senior person:-means the next level of management above the immediate supervisor/manager. The immediate supervisor/manager is the person to whom the employees report in terms of the structural reporting relationship.

Internal representative- is a fellow-employee appointed by the employee to assist him/her.

Controlled disclosure-controlled disclosure to external parties (either enforced by law or discretionary).

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1 RESEARCH DESIGN AND METHODOLOGY

1.1 INTRODUCTION

This section describes the methodology that will be used in conducting the research. The sample selected, data collection method, data analysis and the limitations of the research will be discussed in detail below.

1.2 RESEARCH DESIGN

This research will be qualitative because the writer wants to understand the situation from Eskom Finance's perspective and as such the research will be interpretive, naturalistic and phenomenological; qualities that will benefit the Finance department and the researcher. The fact that qualitative research tries to approach reality without preconceived ideas and pre-structured models and patterns gives rise to new and realistic important information for the Finance department. The need to interpret meaningful human actions also necessitates the use of this research topology. The population to be used is small and as such the researcher has time to deeply understand and question the respondents. This type of research yields results that can be helpful in pioneering new ground in Eskom business. It is very difficult to understand the chaotic business environment of today using variables especially for a big corporate like Eskom.

1.2.1 Population and Sampling

The source of information shall come from Finance in Capital Expansion department Division of Eskom. The research will be conducted through a questionnaire preceded by an introductory letter clarifying the purposes and objectives of the entire project. The sample consists of 15 managers from different finance departments. Among this group of division, the researcher contacted managers (include finance director officer) directly in order to select a list of divisions prepared to cooperate with the research. The survey will be carried out by sending a questionnaire during April. The researcher will sample the department by selecting from all band levels because

of Eskom's big organizational size. The use of the sample is necessary because of time constraints from the researcher's point of view. This method will not be expensive as the practitioner researcher is within the organization already.

1.2.2 Data collection methods

The researcher will mainly use primary data as he will question and interview employees in the Finance department. However if the researcher does not get satisfactory levels of responses a request will be made to use achieved data of projects that were done to improve performance as a source of information. The reason for relying primarily on primary data is its element of being unbiased and being original. Secondary data will be used contingent to factors of time constraints and low response rates.

1.2.3 Methodology and Instruments

An English questionnaire will be used as a first instrument as it gets information from respondents in a non-threatening way for all objectives. A questionnaire is a method of obtaining specific information about a defined problem so that data, after analysis and interpretation, result in a better appreciation of the situation at Eskom. A pilot questionnaire will be issued to identify questionnaire problems like layout and wording.

1.2.4 Validity and Reliability

a) Reliability

Data will be gathered by the same interviewer and this naturally can lead to consistency issues. This issue will also be addressed by data collection method as the researcher plans to use one data collection method (survey questionnaire). A pilot test will be done before the major research to review and improve data collection processes.

b) Validity

The data will be collected at Eskom by the researcher who is in the environment and is able to use common sense to check the validity of data being given. By doing a literature review the researcher will be able to validate data against prior research. Survey data collection method will be used as a way of triangulating to check consistence and validity of data.

1.2.5 Ethical considerations

The researcher will not profit from data collected from Eskom Finance department. On designing the questionnaire the GM Finance will be consulted to check sensitivity of information. No bribe will be offered for any activity during this research.

1.2.6 Honesty

The researcher will honestly report data, results, methods and procedures, and publication status. The researcher will not fabricate, falsify, or misrepresent data and will not deceive colleagues, granting agencies, or the public.

1.2.7 Objectivity

The researcher will strive to avoid bias in experimental design, data analysis, data interpretation, peer review, personnel decisions, grant writing, expert testimony, and other aspects of research where objectivity is expected or required. The researcher will avoid or minimize bias or self-deception and will disclose personal or financial interests that may affect research.

1.2.8 Integrity

The researcher will keep promises and agreements and act with sincerity; strive for consistency of thought and action.

1.2.9 Carefulness

Careless errors and negligence will be avoided. . The researcher will keep good records of research activities, such as data collection, research design, and correspondence with agencies or journals.

1.2.10 Openness

The researcher will share data, results, ideas, tools, resources and be open to criticism and new ideas.

1.2.11 Respect for Intellectual Property

The researcher will honor patents, copyrights, and other forms of intellectual property. The researcher will not use unpublished data, methods, or results without permission. The researcher will give credit where credit is due and proper acknowledgement or credit for all contributions to research and never plagiarize.

1.2.12 Confidentiality

Researcher will protect confidential communications, such as papers or grants submitted for publication and personnel records.

1.2.13 Responsible Publication

Researcher will publish in order to advance research and scholarship, not to advance just for her own career and wasteful and duplicative publication will be avoided.

1.2.14 Responsible Mentoring

The researcher will help to educate, mentor, and advise employees. Promote their welfare and allow them to make their own decisions.

1.2.15 Respect for colleagues

The researcher will respect her colleagues and treat them fairly.

1.2.16 Social Responsibility

Researcher will strive to promote social good and prevent or mitigate social harms through research, public education, and advocacy.

1.2.17 Non-Discrimination

Researcher will avoid discrimination against colleagues or students on the basis of sex, race, ethnicity, or other factors that are not related to their scientific competence and integrity.

1.2.18 Competence

Researcher will maintain and improve her own professional competence and expertise through lifelong education and learning; take steps to promote competence in finance as a whole.

1.2.19 Legality

Researcher will know and obey relevant laws and institutional and governmental policies.

1.3 SCOPE AND LIMITATIONS

1.3.1 Limitations

The researcher will not be able to get information that Eskom Finance General Manager will classify as confidential. Time and the availability of resources i.e. executives to interview and answer questionnaires are regarded as the limiting factors for this research. The findings of this study may not be generalized to other organizations.

1.4 14.2 Data Collection

The data collection tools that will be used in the research will consist of questionnaires. The questionnaires will be sent to the senior Finance managers and business managers as well as to other employees in the organizations. The interviews will help the author in getting more descriptive answers to the questions that could not be included in the questionnaires.

1.4.1 Data Analysis

The data collected from the questionnaires will be thoroughly analysed and compared to the data collected from previous studies. The analysis of data will be in the form of examining, categorizing, ranking and comparison of the findings to previous research findings.

1.5 Data collection period

1 Month

1.6 Assumptions

The study assumes that all respondents will be very knowledgeable about Performance management and are intelligent enough to understand the questions. No training shall be given about performance management principles. Respondents answer the questionnaires with integrity and honesty

1.7 Work plan including timetable

Milestone	Start Date
Introduction to research Problem	February 2012
Foundation of the study	February 2012
Review of the literature	March 2012
Research Methodology	March 2012
Analysis and Findings	March 2012
Critical reflection	March 2012
Conclusion and recommendation	April 2012
Editing	April 2012
References	April 2012
First draft of Thesis	April 2012
Proof reading	May 2013
Final draft of Thesis	May 2013

2 Background to the Core Research Problem

2.1 INTRODUCTION

This dissertation sets out to evaluate the effectiveness of Performance Management Systems for the Eskom Holdings Company. The system provides a framework for determining how to manage and facilitate the performance of employees through a results-driven approach that is collaborative, transparent, and fair.

2.2 Background

Performance management in Eskom is regarded as a strategic process and an integrated approach. The process involves an on-going dialogue between the supervisor and the employee for setting goals which are achievable and contribute in the direction of fulfilment of the organizational goal. The main objective is to proactively manage employee's performance for accomplishing organizational goals by attaining a desired level of performance. It is linking the performance plans of an organization with the strategic vision and identifying the major performance indicators and Key Result Areas (KRA's) for enabling the employees to achieve the expected outcomes for their organization.

Eskom performance management process broadly involves three stages and these are:

1. Goal setting and motivation which should be normally done in the beginning of the session.
2. Encouraging stage which is normally undertaken when the employees get involved in the process of pursuit of the assigned task.
3. The final stage is the stage of rewards and consequences which is applied after the completion of a task.

Performance management is always a forward planning process which is developmental and facilitative in nature as it involves the team leaders and the employees in a joint process of decision making for fixing smart targets. It aims at breeding performance orientation in the employees for developing high performance organizations. The entire process involves identification, evaluation and development of the work performance of the employees through effective management practices like continuous coaching, feedback and regular communication. The process includes the following stages:

- Work planning and defining expectations
- Monitoring performance
- Developing the weak performance areas
- Performance rating

- Rewarding good performance

The performance management system in Eskom aims at continuous development of the staff members and recognizing their contributions, assessing the future potential and also the development needs which may be professional as well as personal and facilitating a shared understanding of mutual accountability through giving and receiving feedback. 360 degree feedback is performed which means feedback is elicited from multiple sources on key performance areas of the employees which are competency, behaviour and attitude, values, work life balance, major achievements and areas of improvements. The performance management process in Eskom passes through the following stages:

1. Identification of the Key Result areas both at the organizational level and the regional/unit level.
2. The staff members settle their work compacts which are derived from the KPI's in the departmental level and also from the framework of their job descriptions. These outputs are laid down each year for the following year.
3. After defining the outputs, the staff members describe the key performance indicators which may also include some qualitative dimensions which can be measured in quantifiable terms and ultimately form the basis of assessment for the appraiser.
4. Identification of those set of behaviours and attitudes which are critical for effective performance.
5. Annual review of performance of the staff members against the plans and the behavioural dimensions which is done in a structured format and also the mid reviews are performed at the regional or the departmental level.
6. Identification of training needs of the staff members followed by finalization of a new action plan for the ensuing year.

In Eskom, performance development is treated as a continuous process and a lot of importance is given to the feedback mechanism. Performance management embraces Eskom's stated values and seeks to ensure fairness, objectivity, and consistency, while allowing sufficient flexibility to create the appropriate climate for positive interaction, communication, and feedback regarding individual performance.

2.3 PROBLEM IN CONTEXT

Eskom Holdings has a performance management system in place, However there are several challenges that remain to be addressed about performance management at Eskom. Concerns have been raised regarding the effectiveness and objectivity of performance management in Eskom. There is a lot of confusion and fears about the link in areas of evaluation objectives, developmental objectives, promotions, incentives and career development without threatening the relationship between superior and subordinate. The credibility of the system remains in question. A fair and transparent reward mechanism is the major drawback that employees have no clarity on how management go about allocating it. Furthermore employees have no trust in their superiors that performance management is not used as punishment for personal differences and it is used for managing employees out of the department or organisation. Employees also feel that performance management in Eskom is a one way communication instead of promoting a two way communication system between the supervisor and the subordinate. Employees have observed that goal setting does not happen at the beginning of the year but later when incentives are due for pay out i.e. performance management in Eskom is primarily seen as an annual event, a form completed prior to the end of the financial year. The form is filed and in most cases will not be touched again until the next review the following year. The performance appraisal may or may not be referred to at the annual pay review. Therefore the study will discuss the effectiveness of performance management at Eskom Holdings.

2.4 RESEARCH OBJECTIVES

The proposed study will determine how Performance Management (PM) can be successfully implemented to be effective to achieve and maintain high quality performance at Eskom. This objective will be fulfilled through the achievement of the specific sub-objectives detailed below:

1. To assess the match between motivation and the use of performance management activities.
2. To study the role of performance management in Eskom Holdings
3. To study the effectiveness of high performance management at Eskom
4. To discuss the impact of high performance management on the employees of Eskom Holdings
5. To assess the performance management quality criteria

The diagram below shows the relationship between the research objectives and the research questions:

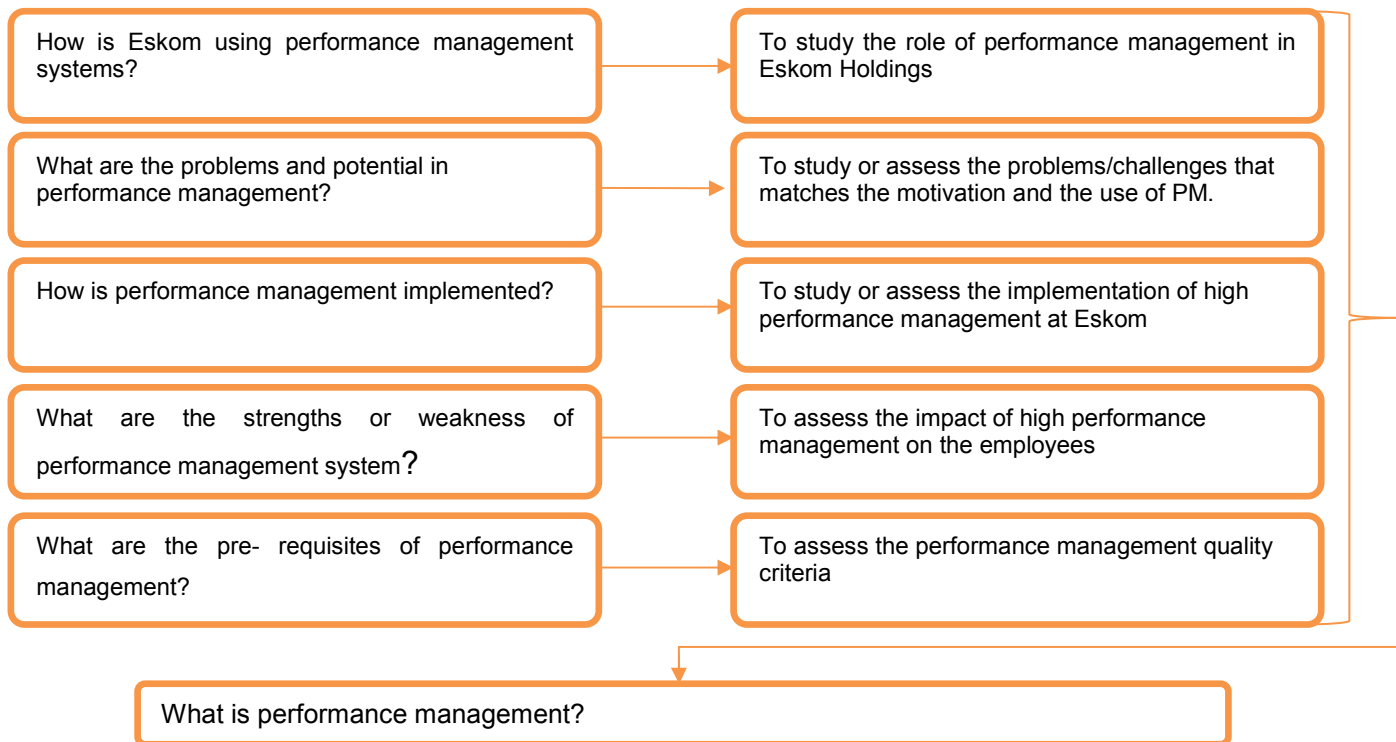


FIGURE 1: THE LINK BETWEEN THE RESEARCH OBJECTIVES AND CHALLENGES

2.5 THE PURPOSE of the Study

The significance of the study is to find ways of motivating employees towards achievement of superior standards of work performance. The study will identify how to boost performance of employees. The aim is to find ways of promoting a two way system of communication between the supervisors and the employees for clarifying expectations about the roles and accountabilities, communicating the functional and organizational goals, providing a regular and a transparent feedback for improving employee performance and continuous coaching. The need for this research was driven by employees' lack of confidence in performance management systems in

Eskom Holding. The research will identify the barriers to effective performance management.

2.6 Research Questions

The proposed study aims to answer the following research question:

How can Performance management be enhanced in such a manner that it is effective and satisfactory to employees at Eskom?

The following research sub-questions will be addressed to resolve the research question:

- How is Eskom using the performance management system?
- What are the problems and potential in performance management?
- How is performance management implemented?
- What are the strengths or weakness of a performance management system?
- What are the pre- requisites of performance management

These research questions will be addressed by a literature review; surveys; and prototyping.

2.7 RELATED RESEARCH

Internationally, an infinite number of research projects in the field of performance management and best practices for organisational performance have been undertaken for parastatal organisations. This includes a range of terms extending from the 1950's, known as benchmarking, to the current context where the balance scorecard has been put on the performance agenda. The emphasis for increased and accountable performance of private or parastatal companies is currently on the foreground, because companies are now responsible for executing duties in the form of developmental outputs. This seeks to ensure that services are effectively rendered to citizens. In research undertaken of private companies performance, Michael

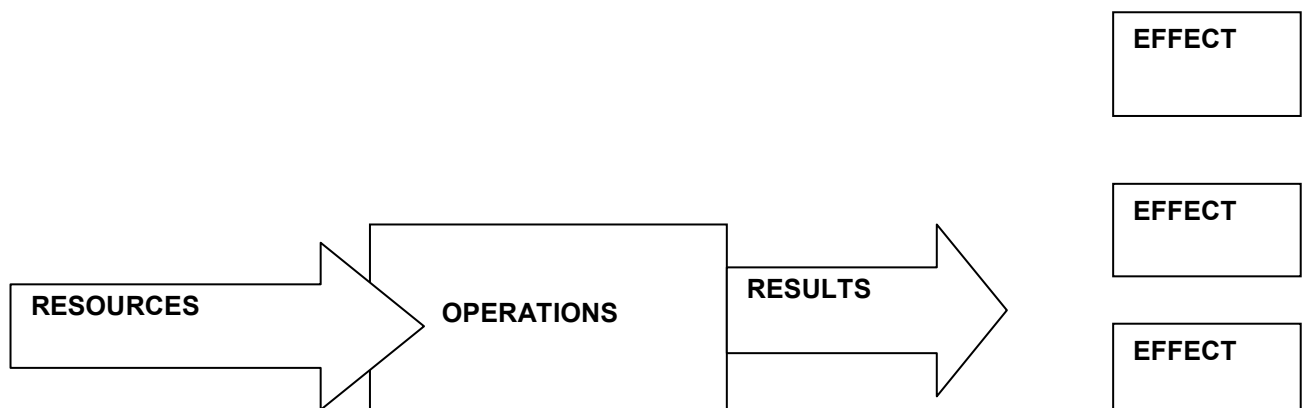
Schaeffer (2000:7), states: "The annual budget should, therefore, be an estimate of the inputs, such as labour and materials, which are required to produce a given output." To enable companies, to achieve their goals by measuring their performance, Schaeffer established that they need to set Key Performance Indicators (KPI's) to check that their programmes are on track and that resources are being used optimally. Schaeffer also indicates that: "Performance information is primarily a management, transparency and financial accountability tool rather than for example a mere budgetary instrument." Improved effective and efficient services delivery thus requires performance management. In this context performance management implies the planning, monitoring and measuring of service performance. In performance management, the companies establish service objectives and monitors performance towards the attainment of those objectives.

The Final Report on Performance Management, submitted by UNICOM: 2001, indicates that organizational performance cascades vertically. The report states inter alia: "Performance is the measurement, assessment and feedback process for monitoring the achievement of goals and objectives of the organization, unit or individual. Performance management ensures the alignment of an individual's actions with organizational goals and objectives. It reinforces the organizational direction through clearly articulated values and rewards and creates a shared understanding of the organization's and of each individual's objectives." The report further states that this may involve translating a balanced scorecard of performance measures, for example, into a "concrete set of measurable indicators" that cascade through all levels of the organization. The outcomes of the introduction of this new dimension, is to assign personal accountability for achieving organizational objectives and to "provide focus on a balanced set of measures in key performance areas. "An indication from this report is that the introduction of a balanced scorecard, as a model within a Performance Management System, produces a method for reaching agreements on where an operation should be heading and for making sure that it stays on course. As the term implies, the scorecard is an aid in creating a "balance" among various development factors to be considered. Olive, et al., (2000:7), states in this regard that:

“The balanced scorecard concept is based on three dimensions in time: yesterday, today and tomorrow. This implies that what we do today for tomorrow may have no noticeable financial impact until the day after tomorrow.” The focus is thus broadened and it is more relevant to keep a continuous watch on non-financial key ratios.

Figure 1 below indicates a traditional input - output model before the introduction of the balance scorecard concept to illustrate how goals and measures may be placed along a causal chain, from resource input to the effects obtained.

Figure 1: Traditional input - output model



Source: Adapted from Olive, Nils - Goran, et al., 2000, *Performance Drives - A Practical Guide to using the Balanced Scorecard*, John Wiley & Sons Ltd.

Olive (2000: 8) believes that what is actually meant is the reflection of cause and effect, or some kind of identified priority: a higher reported profit, a better reputation, or a diminished environmental impact, for example. The conclusion is thus, that several of these effects will, in turn, influence the organization's future operations and become a kind of input for the operations of the subsequent period.

Good scorecards aim to combine outcome measures with performance drivers. It has been said that, with a balance-scorecard concept, a richer picture of reality

replaces financial responsibility and financial control. In this context, Olive, et al. (2000, 12) states: "Not that monetary measures have become less important, but there must be a strive for balance when grading reflects a balance among several important elements of performance." It is therefore important that the scorecard be seen not only as a record of results achieved, but also equally important that it is used to indicate expected results. In addition to the guideline stipulations guiding performance management frameworks, the balance scorecard is a model, within a PMS that is used by certain larger companies in South Africa.

Some reasons for introducing performance management as pointed out by Rashied (1999:25) can be outlined as:

- "Provides clarity about who is responsible and accountable for ensuring objectives are achieved and with whom, by when, and what the expected outcomes are;
- Clarifies what is expected of individuals, teams, and other organizations that are contributing to delivering shared priorities;
- Importantly, it provides or allows feedback to individuals and teams and to Shareholders and stakeholders;
- Demonstrates to interested parties that best value is being achieved;
- Enables effective use of limited resources;
- Improves communication between stakeholders and shareholders.
- Leads to development and training for those who are charged with making things happen."

There are several key challenges for performance management, according to Rashied (1999:21). The first is how to involve employees and customers in measuring performance. The involvement of employees and customers is a true reflection of parastatal organisation integrity in making itself more relevant to customers. The other challenge is that when a performance gap has been identified at an organization level, organisation managers need to understand how to switch resources from other areas and lever in resources to bridge the performance gap. Lastly, there is a need for investment in new financial management and geographical information systems in order for managers to measure performance more accurately, on a frequent and regular basis, and on different levels. Supplementing the definition

for performance management that Rashied provides, the British Local Government Management Board (1994) has provided a description of performance management as: "A means whereby accountability for contributing to the organization's strategic and/or operational objectives is allocated to employees and where these contributions are measured objectively. The outcomes are thus used to inform decisions about the further objectives and needs of the organization and its employees. The outcomes must match what members want, introduce or reinforce a performance culture and improve quality of services to customers."

Elaborating the key performance indicators to which Rashied referred, Nayer-Stone (1992:42) considers four primary types of performance indicators: **input; output, outcome and efficiency**. In general, input indicators address the amount of resources used in providing a service, whereas output indicators describe the activities undertaken in providing a service. The advantage of input/output performance measures is that data is readily available. These indicators however, only provide limited insight into whether goals have been achieved.

Outcome/effectiveness indicators are used to evaluate the quality and effectiveness of services. These indicators provide an indication of how effectively customer's services are provided, but according to Nayer - Stone (1992: 43), they are often difficult to use due to the inability to determine a direct correlation between the services provided and the results measured. The final type of indicator is efficiency, which relates inputs to units of output or outcome, referring to what was achieved, for example, the cost of electricity distributed to a household. It can be concluded that, when efficiency indicators are used over time, they provide evidence of productivity trends. Figure 2 below defines the four primary types of performance indicators.

Type of Indicator	Definition	Example
Input indicator	Measure of resources employed	<ul style="list-style-type: none"> • Equipment needed • Employees required • Supplies used
Output indicator	Quantity of services provided	<ul style="list-style-type: none"> • Number of projects • Number of classes • Number of people served.
Effectiveness/outcome indicator	The degree to which intended objection of the service is being met	<ul style="list-style-type: none"> • Percentages increased in electrification lines

Figure 2: Primary Performance Indicators.

Source: Adapted from Harry P. Hatry, 1997, How Effective is your Services? Washington DC. : The Urban Institute.

The Manual on Performance Management (May 2001) outlined that performance indicators are a management tool for providing assistance in making performance-based decisions about strategies and activities. This introductory guide indicates that these indicators simply define how performance will be measured along a scale or dimension.

This dissertation aims to research a simulation of best practices with regard to Eskom performance management. The fundamental reasons are to determine the effectiveness of Performance management to establish the link that exists between performance management and job compacts, motivation, rewards and ultimately,

seeks to develop an effective performance Management that will enable employees to stay focused and motivated and not feeling discriminated.

2.8 Research Methodology

The research approach for the study is in the form of case methodology by means of an in-depth description and explanation of the specific phenomenon within the context of a specific reality and environment. One of the reasons for using this methodology is quoted by Helen H Perlman (1957: foreword), when she says: "The operations of casework are essentially those of the process of problem-solving." The problem statement indicates that Eskom has a Performance Management System in place that is sub-optimal and does not drive performance. This methodology aims to develop a proposed system that reflects the ability to accommodate employees' expectations and shareholders' compact while, at the same time, ensuring a practical mechanism that drastically improves performances in Eskom. This methodology aims to ensure that logical application and decision-making is used throughout the investigation. This is supplemented with Kaufman's (1944: 230) statement that *research methodology is the theory of correct scientific decisions*. A quantitative outcome is anticipated in the sense that research is undertaken in such a manner that the outcomes of the research may be integrated into the Eskom's current system for measuring performance. Eskom Finance Divisions will be used as the Business Unit of analysis because the researcher is a Finance employee manager. Also, an in-depth literature study to provide the theoretical contents will be undertaken.

Primary data is to be collected from representative Divisions, such as:

- Finance Division
- Distribution
- Transmission

This will be done in the form of unstructured interviews, with the aid of questionnaires. Secondary data is to be collected from:

Human resources division that envisages the new developmental role required from Eskom in South Africa, and a literature review on Performance Management (books, internet, and articles), International research outputs as well as reports

relating to Eskom or parastatals. This will serve as the historical analysis of the reform mechanism under research.

3 COMPANIES APPLYING PERFORMANCE MANAGEMENT SYSTEMS IN SOUTH AFRICA

3.1 INTRODUCTION

In the context of South Africa, the social dynamics that influence the performance management systems of parastatals differ notably from those of developed countries. The same core principles, however, motivate the need for implementation of an efficient system. The purpose of this chapter is to devise suitable performance measures, with appropriate programme monitoring and service performance. The proposals are made against the background of the results of three companies of private and parastatal organisations where viable systems are in place. The findings and recommendations emanating from this research will inform the proposal of a PMS for the Eskom Holdings Company. This chapter collates information about the utility of performance measures in private or parastatal companies. These companies have extensive experience in devising measurements that endorse decision-making, provide material for presentations to the public and data to decision-makers, and to assess and evaluate programme results and outcomes. Hence the reasons why the companies selected in this chapter include DBSA, Transnet and Telecoms. Reference is also made to other companies that have benefited from performance management systems, to learn from their experience of how to rectify deficiencies and to ensure improvements to their developmental programmes. This chapter seeks to establish the link between Eskom performance measurement and monitoring, while minimal focus centres on the more complex, analytic exercises, such as performance auditing and programme evaluation.

3.2 BACKGROUND TO SOUTH AFRICAN REFERENCE

In a South African context, the 1990s were characterized by an extensive focus on performance of parastatals at all levels. This was due, in part, to the demand made by directors and shareholders for accountability. The outcome of this confirmed that performance monitoring and reporting could address and improve public confidence in government by informing citizens about the use of their tax money and the results achieved in public programmes (Benowitz & Schein, 1996). Several national organizations, such as the Governmental Accounting Standards Board (1994), the American Society for Public Administration (in 1993), and the Government Finance Officers Association (in 1994) encouraged expansion of measurements to support decision-making, reporting, and management (GASB, 1994; Tigue, 1994; Epstein & Olsen, 1996). The international public administration literature contains much advice on how to use performance measurement to demonstrate accountability. (Epstein, 1988; GASB, 1994; Ammons, 1995; Holzer & Halachmi, 1996). This literature however contains little practical data on how specific governments have used performance measures to support program monitoring, service performance improvement and reporting, or the effect of such use. Despite the supported advantages of using performance measures, the majority of companies and local entities have not systematically developed and used performance measures (GASB/NAPA, 1996; de Lancer, 1997). Where local governments have implemented performance measurement, consensus on what constitutes an excellent PMS, is lacking (Legislative Commission on Government Administration, 1994). Walters (1997:11) indicates that the provision of detailed information on PMS that relates to development, implementation, and use of information produced, could assist companies that initiate the process of developing effective performance measures. Without detailed information, there is little to guide companies' effective implementation of performance measurement processes. It was found that increased in-depth understanding of existing performance measurement systems and use of measures provide guidance for those shareholders and employees that plan to develop and use performance measures in the future (Walters, 1997:14).

Questions to be answered from these case studies are outlined below. They aim to provide the basis for the system this dissertation ultimately aims to develop. They are:

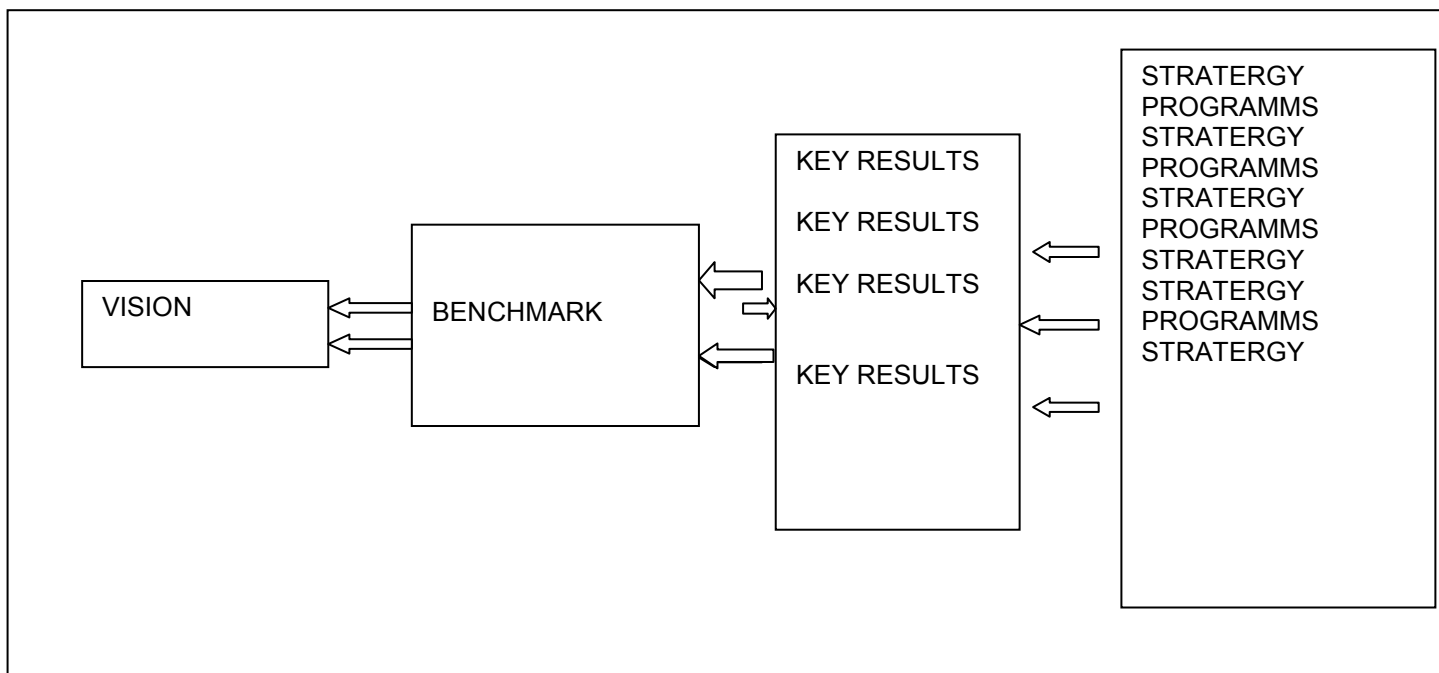
1. How Eskom performance measurement models, systems, or approaches support use of performance measures in evaluating program results?
2. How Eskom use performance measures for decision-making, program monitoring and service performance, and to communicate and report results?
3. How directors or shareholders perceive the usefulness and quality of performance measures, and how are performance audits and evaluations used to enhance the validity and usefulness of results information?

Basing the investigation on four criteria, the researcher selected the specific case studies. First, the selected company has a long history of using performance measures. This enables a better understanding of evolutionary issues that Eskom performance measurement user's experience. Second, company demonstrate that performance measurement systems are designed to encourage intentional (e.g., planned) use of performance measures, with the understanding that unintended effects occur (unpredictability will definitely be experienced). Third, the shareholders selected have the approach of involving multiple departments and agencies, rather than single agency or programmatic use, the result of on-going investigation into developing performance measures (Berman, et al., 1999). These selected areas of exploration, also investigate the use of a variety of different types of performance measures, including outcomes, outputs, workload, efficiency, effectiveness, and explanatory measures (Berman, et al., 1999). Finally, given the qualitative nature of these case studies, the analysis of the literature indicates that access to selected companies, interviewees, and archival documents is critical when the implementation of performance for this company is initiated. This ensures that proper data is in place before performance management is undertaken. The emphasis on acquiring and disseminating detailed information by these shareholders is well developed, which has a secondary purpose, simultaneously, to promote transparency and to promote employees' awareness.

The three companies selected are overall not representative of parastatals in South Africa, or private companies that have extensive histories of using performance measures to support companies' processes and accountability. Only, because of the experience of companies, the researcher anticipates that detailed analysis within each company and, summary analysis across the studies, helps clarify factors affecting the use of performance measures.

3.3 MEASUREMENT MODELS SUPPORTING EVALUATION OF THE RESULTS

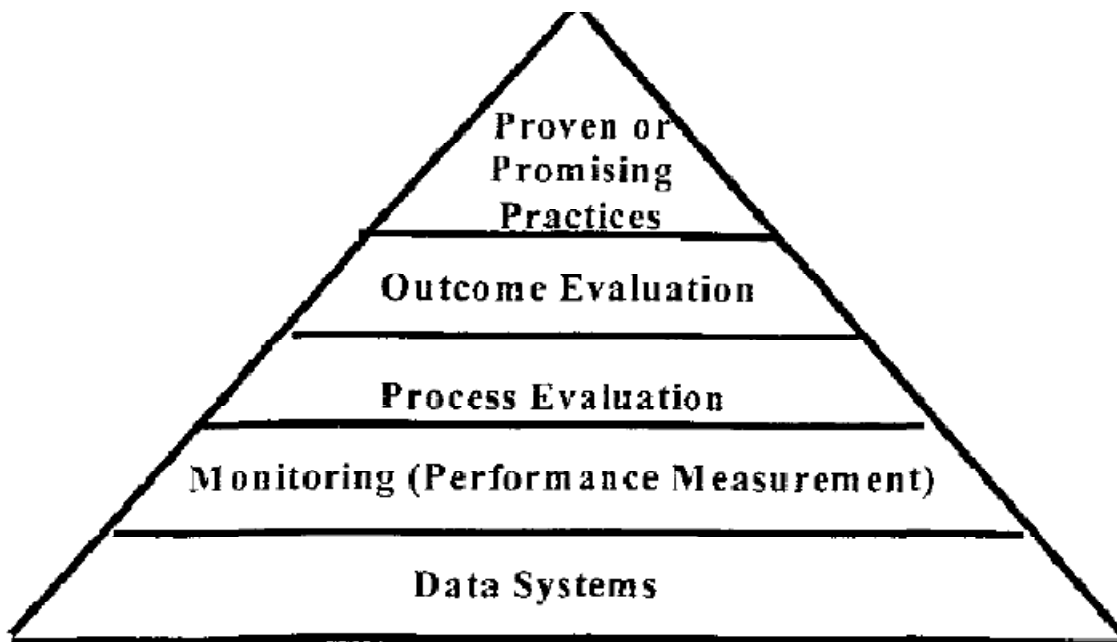
In two of the three companies, DBSA and Transnet, readily available models clearly illustrate the intended uses of performance measures, including monitoring and evaluation of results and outcomes. In **Figure 3**, Ford (1998) indicates that the DBSA model provides a linkage between community-level benchmark goals and program-level key results.



It is argued that evaluation and performance audits are critical to DBSA organisation's efforts to demonstrate the logical link between government programs, private sector efforts, and achievement of community goals. At the same time, performance measures are used to monitor programs, track high priority

programmes (benchmarks), and highlight areas that may need further, more sophisticated analysis. As can be seen in Figure 4, Carlson, 1998, indicates that performance measurement is part of an overall system of data-driven processes in order to measure results.

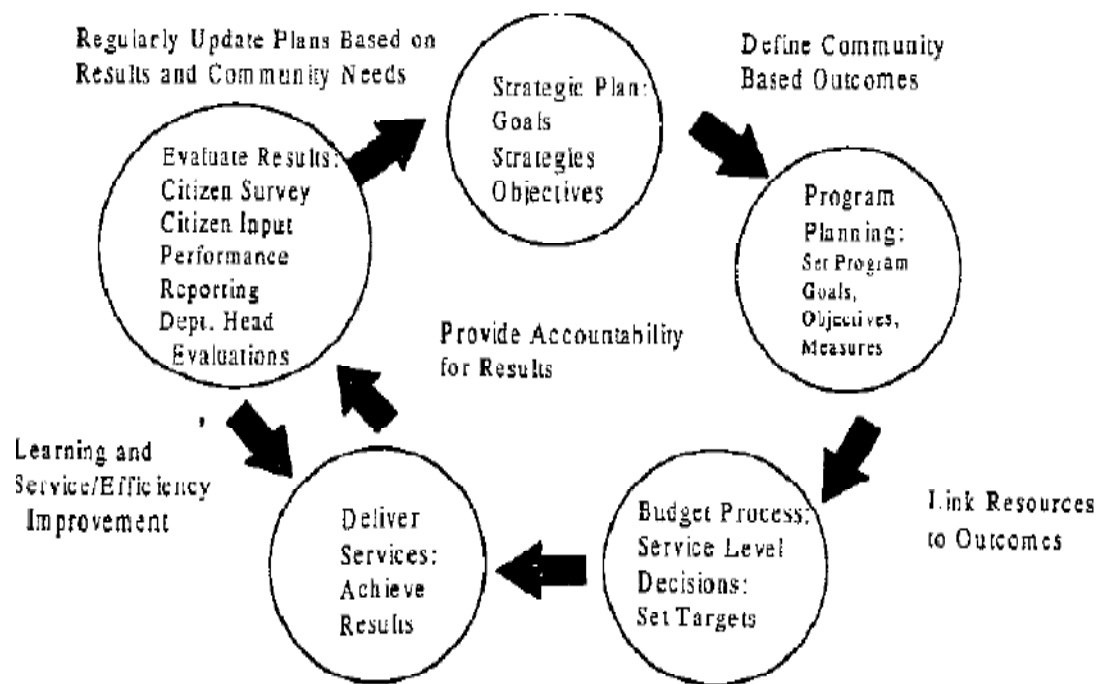
Figure 4



In Transnet (Figure 5), Company staff has developed public presentations of their managing-for-results process, so a clear cyclical model (Marshall, 1998) has evolved. Monitoring and evaluation mechanisms are in place throughout the process of increasing performance in order to determine any flaws in all project cycles and this encompasses transparency for the purpose of employee satisfaction. The focus of Transnet system is on strategic and program planning to define employees based outcomes, followed by a resource allocation budget process to align resources with strategic goals. Alignment can be made in this instance with what Shareholders compact and Performance Management Systems aim to achieve through shareholders-identified priorities. This is followed by a deliberate effort to evaluate

results by surveying employees, gathering employees input on services, performance reporting, and evaluations of department heads, as well as selected performance audits. This is followed by a feedback loop in which evaluative results are used to guide strategic planning efforts. The process of graphically depicting a model or framework in the two companies was made somewhat easier because both incorporate a variation on the managing-for-results theme. In this theme a strategic plan is developed, department and programme mission statements and goals are created, and measures are used both to determine progress towards goals and to prioritize resources in achievement of those goals. As pointed out above, service delivery is followed by a very deliberate effort to evaluate results. The model has proved a useful tool for communicating the vision for implementing performance measurement, and for demonstrating a conscious effort to incorporate use of performance measures systematically into one or more private companies' process. The model also promotes transparency that is supported by employee-based outcomes and a budget process to align resources with strategic goals.

Figure 5 follows!...



The graph emphasizes that, between outputs ultimately, and the evaluation process where it will be determined to what process in the cycle, redress remedies need to be directed in order to achieve an improved performance. This may be anywhere, individually or collectively, between the strategic plan, program planning or the budget process. To some extent all of the companies provide examples or evidence indicating companies' attention to accountability for results and processes. DBSA and Transnet have comprehensive measurement systems that, by design, support a variety of processes. The Transnet system of using performance measures to monitor strategic initiatives, guide the budget process, and allocate resources to produce specific strategic results, shows a clear organizational consciousness for accountability and strategic alignment of plans. DBSA's program-driven focus on achieving a limited number of high priority results shows sensitivity to how measurement promotes shareholders and employee's activism and achievement. Telkom has arguably been the leader and benchmark for considering employees' perceptions in establishing performance levels, designing programs, and demonstrating accountability with public reports. This is an important directive for the PMS that the researcher aims to develop, as it fulfills the requirement of employee's participation. Telkom has been monitoring performance measures, but

during the 1990s the Company reinvented the way it monitors performance, in order to focus attention on achievement of shareholders-identified priorities. Winston-Salem has recently shown sensitivity to employee's perceptions of efficiency and effectiveness with establishment of the employees Efficiency Review Committee, and has been a leader in using performance measures for delivery level benchmark comparisons. This substantiates the importance of employee involvement in establishing performance measures that can eventually be publicly reviewed and from an international perspective suffice our requirement and prove to be an effective component in increasing Eskom performance. The wide range of uses of performance measures, and the bureaucratic-procedural infrastructure changes, to support use over time, is worth noting. In this research, performance measurement is not a repeatedly failing exercise (Perrin, 1998). It is a continuous process with certain aspects and uses emphasized for a time, until Directors and shareholders authorities' systems and efforts evolve to another stage of development.

3.4 PERFORMANCE MEASUREMENT QUALITY CRITERIA

A conclusion may now be made that the quality of performance measures is critical in establishing the credibility of measurement processes, and therefore critical to the confidence shareholders may have in using measures to assess and evaluate programs. In these studies, performance measurement quality criteria were based on four quality characteristics. (Ammon's, 1996; CAP 1998; GASB, 1994; Hatry, et al., 1987; Tuck & Zaleski, 1996). All companies valued measures that were (a) clear, comprehensible, and understandable; (b) results-oriented; (c) useful; and (d) valid, verifiable, and accurate. As part of the quality criteria, it was also found that performance review to determine the level of success, extensively conducted in DBSA, Transnet, and Telkom, was critical to establishing the validity and accuracy of measures. Analysing whether, company programs should take credit or be held accountable for less successful results, requires evaluations and audits to examine logic models, and accounts for factors that influence results and outcomes. These specifications hopefully satisfy the criterion of logic in the model that the researcher aims to develop. These criteria are a useful starting point to verify the quality of

performance measures. Even in these three, very sophisticated, companies, formal mechanisms such as audits and reviews to ensure the quality of measures, are not routinely performed, but, instead are conducted to the extent that limited audit or evaluation resources allow. The researcher puts less focus on auditing purposes when developing the model in order to avoid the complexities that are coupled with it, as well as inadequate availability of information. For the purpose of this proposed model, within a quality assurance framework, the researcher aims to keep it simple and logical because of the exploratory nature that encompasses performance measures within identified goals and objectives.

Table 1 is an indication of the evidence that is extracted from the companies' processes that incorporate performance measures within these three companies. This table provides cross-cutting information about whether, and in some instances, how, the three companies, incorporated use of performance measures within other specific companies' processes.

Table 1
Evidence of companies Processes That Incorporate Performance Measures

Processes that use PM's	DBSA	TELKOM	TRANSNET
Strategic planning	yes	yes	yes
Policy analysis	unknown	unknown	unknown
Budgeting	yes	PM's reported in budget	yes
Performance reports	under review	major programs	major program
Employee survey	yes	yes	yes
Evaluation	potential	unknown	some
Monitoring	yes	some	some

3.5 PRELIMINARY CONCLUSION

In *GASB/NAPA*, 1996; de Lancer, 1997 it is indicated that no amount of detailed information or success stories will cause the thousands of companies, reputedly not using effective performance measures, suddenly want to start collecting, using, and reporting performance measures. Concerns still exist about the amount of time and human resources it takes to put a full-blown performance information system in place. Also, about the challenges of creating a culture in which officials, managers, staff and stakeholders are supportive of measuring performance. However, the ability to produce reliable and valid information on the results of companies' programmes, and to use measures to document outcomes of interest to citizens and elected officials could be successful in convincing less experienced companies that measuring results is a worthwhile process. Regarding performance measurement systems, integration and quality, performance measurement implementation in companies is more "revolutionary." The three companies have extensive experience with performance measurement, which results in an evolutionary, incremental approach to performance measurement. The development of systems for use of, and reporting of, performance measures is not a new, revolutionary idea, as evidenced by the long and evolving history of measurements used in the companies studied. The evolutionary processes in all three companies have matured so that the companies are now more focused on results and outcomes. Enhanced planning for performance measurement implementation could address the on-going need for systems integration and performance partnerships. Even as indicated by the 'much-respected' Portland, Oregon recognized that the need for integrating multiple measurement systems is almost chronic, despite the best intentions of those developing those measurement systems. It is also clear that multiple stakeholders, both within and outside of the organisational structure, may be responsible for the community outcomes that are of paramount interest within the field of public administration. Attention must, therefore, be paid to understanding how different stakeholders impact on desired outcomes, and how such stakeholders

form partnerships to collectively work towards performance goals. New and more sophisticated evaluation techniques to capture the impact of multiple influences are a logical next step in the co-operative development of community-outcomes and managing-for-results. Automation of measurement collection, analysis, and reporting, offers an opportunity to improve the quality, reliability, auditability, and timeliness of measurement data. The quality of measurement information produced, including the reliability and timeliness of such information, has often been an afterthought in development of measurement systems. Automation of performance measurement data collection, analysis, and reporting assists management by making higher quality information more readily available, and more easily audited so that data integrity and accuracy is ensured.

The Internet (Bernstein: 1999, 31) provides a vehicle for more frequent and cost-effective reporting of performance information, provides a wider audience than paper reports, and greatly influences how information is reported and used in the future. Communication is essential, since "enhancing accountability" is frequently cited in these studies as a driving force behind development of performance measurement initiatives. Easy and timely availability of data is conveyed via the Internet, and should receive more attention in the future. As companies continue to become more sophisticated in the use of information technology, use of advanced technology systems, such as the Internet, for collection of employees surveys and other evaluative information, is likely to be the primary means of collecting and storing data. This is for purposes of performance measurement and project management. Contextualising the above, performance measures are most useful at the programme level, since programme staff makes most use of measurement information (Bernstein: 1999, 32). Reflections extracted from these studies indicate that while their own use of performance measures may be sporadic, programme managers and staff use such measures extensively, particularly for on-going monitoring of program outputs and outcomes. The next logical point to confirm is that positive examples of the constructive use of performance measures, at the programme staff and manager level, have the potential to overcome some of the resistance resulting from fears that measures will be misused to hold managers and

staff accountable for performance factors that are beyond their control. There is still only a vague understanding of the impact that performance measurement has on citizen perceptions. Particularly since positive performance results are widely reported by the media, some negative performance results may be due to factors that are beyond the influence of shareholders and managers, and receives disproportionate media attention. It is not clear that the heightened attention to performance results lead directly to improved performance, because so many factors affect results. The relationship between performance measurement and more sophisticated analytic techniques, such as program evaluation, is still not completely understood. These studies project that additional research, analysis, and documentation of positive practices in companies are needed. The reason for this is to ensure that appropriate use of performance measures becomes the hallmark and reputation of measurement efforts, rather than the somewhat distorted and negative reputation that measurement efforts currently appear to hold in some quarters (Bernstein: 1999, 34). Only then can the valuable and ground-breaking work of the three companies that is discussed. Here, become better known, and be used as models for measuring and reporting companies' performance and accomplishment of public objectives. Supplementary to this, these case studies indicate that leadership from an elected, or high-level appointed official, is critical to the success and staying power of efforts to measure performance. In each of the five local governments, a champion of champion emerge to promote the development, use, and reporting of performance measures. While many companies put increasing emphasis on measuring performance, sustained long-term use of measurement information for companies processes is unlikely without the kind of buy-in and active promotion of measurement used by high level officials demonstrated in the three companies discussed here. A willingness to invest in evaluation and performance audits in order to understand the influences on employees and program results better will require active and intentional commitment of shareholders. This is the known prevalent missing human factor that still exists.

3.6 PERFORMANCE MEASUREMENT EXPERIENCES OF DBSA AND TRANSNET

When performance management was reviewed, several individuals expressed their view that the political diversity, evident in the company, was a barrier to the use of performance measurement. The employees are more diverse than in smaller companies. Government decisions are highly political because of this diversity. Spending decisions, therefore, do not lend themselves to the use of rational or objective measures of performance. This is further escalated because of the number of positions within the executive branch. These two factors often prohibit consensus among officials and the public regarding the purpose of government, its programs, and the desired outcomes for those programs. The Office of the Comptroller provided a list of issues that must be resolved for performance measurement to aid the decision-making process in DBSA. These are:

- "the performance reporting policy must focus more on goals and objectives of programs;
- There must be minimal reporting standards;
- Agency budget and accounting systems must be able to generate the necessary performance information;
- There is a need to rationalize the institutional and programmatic framework;
- The amount of information necessary to provide and report frequency has not been determined; and
- performance data must be both valid and reliable." It was found that within agencies, the greatest barriers to developing and using performance measures in the state include:
 - "fear of retribution if performance measures do not indicate improvement;
 - Difficulty in obtaining reliable information so performance can be assessed;
 - Resistance from those whose performance is being measured;
 - choosing the correct measures for managing;

The important lessons learned from developing and using performance measures in

DBSA is the need for a comprehensive approach that provides wide support with a central driving force leading the initiative and the importance of the leadership to support the initiative in both word and action. This component of strong leadership in performance management is a common aspect that surfaced throughout the trial runs in developing performance measures.

Also, it was recommended that an external change agent is necessary for performance measures to really become entrenched in government. The business community and the general public must be interested in improving the budget process for performance measures to have the impact necessary. Too often, the interest from outside the government is on substantive action or policy issues rather than involving these stakeholders for optimizing delivery.

It is also recommended that in addition to the external change agent, there needs to be " ...state-wide support and central driving force and someone has to take initiative to take the process from planning through the implementation stages." .

An extract from the research done in this organisation, indicates that for the initiative to be successful, it is important "to get everyone on board and that this [performance measurement] is not punitive [or viewed as] a way to micro manage and to control." GASB SEA research encompasses the entire spectrum of performance management realistically when it states: "The people in leadership positions need to embrace [performance measurement], but it is a hard step for them to take. People don't know anything about what that is about [performance measures] and [they] get white knuckled and have the 'deer in the headlights' [reaction]. If they [will] embrace it [performance measurement] and actually put in the energy and the time required to do it right, it can be remarkably powerful. That is something that you have to live through once to appreciate."

Laura Tucker, the Principal Researcher wrote that: "You need to find ways to keep the shareholder committed and involved in the process then that will influence his agency directors and their commitment to the process. You can evoke long term change if you go at it in a way that is both obvious and encourage them to showcase their best efforts and validate their need for additional resources."

The public acceptance of companies and their expectations for the quality of services greatly impacts how much change performance measures can have on companies' efficiency and effectiveness. The most important thing for an effective performance measurement initiative is to determine the stage of development of a particular state. The principal researcher also recommended looking at the long term and warns against expecting immediate change. It is essential to talk to one's employee, because companies do not have the natural feedback of sales.

High optimism is expressed for the future applicability of performance measurement in DBSA. There is hope that eventually the company will link employee performance appraisals and the performance of each agency or program. On the other hand, there is little hope that employees drive the performance measurement initiative or that the public provides any pressure for producing better indicators of performance. There is also little hope that the use of performance measurement makes a marked difference in resource allocation in the company because of the political importance of many programmes. Rather, it is generally expected that performance measures provide agencies with a much better idea of where they perform well and where improvement is possible.

In a GASB SEA research study (2000) in the City of Austin, it was found that Austin's shift to program budgeting, including performance measures for identified programs and activities, signalled that budgeting is one of the intended uses of performance measurement. They expected performance information to be used throughout the budgeting process, from departments' initial development of their budgets, to review by the budget office and preparation of the Manager's budget, to public budget review and questioning, and ultimately to final budget decisions made. In their budget preparation, several department managers note that their intention is to use performance measures to develop good budget justifications, either by demonstrating program effectiveness, or demonstrating a gap between needs and service levels. In another department, budget preparation cited as one intended link in key management processes, tied together by performance measures. When that department head has meetings with the managers about the budgets in preparation,

the first question is: 'What is your strategic plan; how does that link to your budget; and let's see your performance measures.'

It was indicated that intended uses of performance measures include eliminating programmes that are not performing, and shifting resources across programmes based on programme performance priorities and where investments have the greatest impact. The monitoring and evaluation component is addressed here.

In an extract from the study, one department manager quoted this picture of the "ideal vision" sought for budgeting: "I've heard this story before of an ideal result being a book of pages. That the pages represent programmes and for it to be so well defined and so well delineated between programmes that an official could go through and, by consensus among officials, tear out a page and throw it in the garbage, and then whatever was left would be the budget. And that they could expect to see very well defined isolated programmes functioning and producing results individually and so that they could report their successes by program."

Another manager states that using performance budgeting to "sunset" programs: "What was anticipated was to be able to put a sunset concept on it. In other words, this activity costs X amount of rand, and it does X for the employees. It allowed policy-makers and managers the ability to look at a program or an activity and determine if it was still worthy of existence and if not, what were the costs associated with it and could it be sunset or put away and if so, these are the rands that go along with that program."

A comment listed from an employee puts a different twist on the sunset idea. He notes that eliminating programmes due to poor performance is not a likely occurrence; he wants managers to think it possible to motivate better performance: "I think that's a threat. It's like a nuclear deterrent. You have the nuclear bombs, but you hope never to use them. The fact that we can zero out your program if you don't get numbers up, means people are going to get their numbers up. They'll be there watching the same thing we're watching. So they're going to be operating the program with that in mind. And I think that is probably a closer match to what the real intention was."

Performance information is used on several levels for resource allocation in DBSA. At the highest level of budget and policy decisions by Managers, performance measures are seen as supplementing the management process, rather than making these decisions less political. Departments use performance measures to develop and justify their budgets. Department managers noted that performance measures helped them "tell their story" to justify their budget requests. As one manager reports it, "My perception in the past, when it came down to budgeting, was: whoever had the best story got the most goods.... I am not very good with words [but performance measures] tell you more. You can prove things. I think that the data proves what we need. That is also helping focus on what is the information that you really need to know. It helps with the questions. We are much more prepared at budget time. We have a whole better understanding of the whole budget process."

Past performance measurement efforts in Austin tend to have a narrow focus, for example, to support programme budgeting, or to support total quality management and customer service improvement. The City's current initiative to improve the use of performance measurement is broader and more systemic than past efforts. The intention is on creating a fully integrated system of managing for results. In this system department business plans, budgets, operating plans, and team and individual performance reviews are all linked by common, measurable goals. In addition, performance indicators are used at all levels that align with the measurable goals. Performance measures play an important role in aligning all these key processes to achieve the intended integrated system. The system is further integrated by performance auditing and auditing of performance measures, both for an accountability link and to provide an opinion from outside departments on how they can improve their performance and the way they measure performance.

The effects of using performance measurement, cited by DBSA, includes changes in staff behaviour, changes in organizational culture, and explicit cost savings and service performance improvements. So far, the main document for communicating performance in DBSA is the budget. There is also a "Balance Scorecard" report that has not come out every year, which has "measurements that relate to the company as a whole." Also, the Auditor's reports are public documents

and communicate auditors' findings on performance; often including recommendations for improving performance measures. DBSA's officials identified three basic kinds of barriers or special challenges to using performance measurement effectively: human barriers, technical and conceptual difficulties, and system and resource constraints. As one related set of human barriers, fear and lack of trust were the most dominant barriers found. When discussing problems or barriers, there is a frequent mention of the words "trust" and "fear." It was indicated that it is hard to build people's trust that performance information will be used for decisions and improvement, rather than to punish operatives. Building trust is especially important when, like DBSA, a government wants to measure and report the results, including community outcomes, which are areas that cannot be controlled by government. The political environment is a barrier, as it makes it difficult for officials to make measurement-based decisions, especially with limited discretionary funding available. A comment from the case study said that when an ineffective program is "very, very costly" but has "all kinds of political connections ... it makes it very difficult to make a business based decision."

Following this is the burden of collecting and reporting data - it is hard to keep up with the demands of the measurement systems, including finding the time to keep tracking data and compiling monthly or quarterly reports. Many of the lessons learned by DBSA relate to the long time it takes to build effective measurement systems, which is identified as:

- The need for *commitment, leadership, dedication, and patience*, as well as the need to *stay focused* for the long term, and *reinforce the learning process*.
- How people have a hard time, early on, determining what a good measure is, so *don't expect perfection early*.
- Measurement will never be perfect, so *improvement of performance measures never ends*. It's an on-going story and an evolving process. It is not that simple to just jumping and do it. You have to start doing it, but you have to keep analysing it as it evolves.

- It takes an awful lot of time to develop good measures and to get support of the groups. People, who have been willing to spend time and have tried to come up with something that they use, have been the ones who have been successful.
- Also *building on success over time*: Once one has a few successes, one knows it starts to build momentum. Once one shows how it can help, then one starts getting some buy-in and some acceptance.

Several additional lessons derived are, to:

- *Design a complete, structured process* that takes a high level look at the whole organization, and then works out more detailed measures.
- *Manage expectations carefully*. Aiming for large-scale gains every year, corrupts the whole process because the level of improvement is better in some years than in others. So it is important not to generate expectations for huge improvements every year. And when results are not as good one year, it is important to *ask why*, rather than assume poor management.
- *Be careful about attaching rewards and punishments to performance measures*. A reward-punishment system could work if balanced heavily toward rewards.
- *Focusing on relevant measures that people understand can quickly motivate performance improvement*. This research seeks to indicate that the use of performance measures to achieve goals and improve performance has different effects. In some cases, performance indicators fail to measure what they are designed to measure and, therefore, need refinements or changes before becoming operative. Performance measures often identify where performance improvement is needed but further analysis is necessary to determine the appropriate program, process, or resource changes needed to realize improvement. In such cases, performance measures merely help to identify the problem. Subsequently, management and staff must find the root cause for the performance shortfall. As program processes, resources, or other factors are changed, the performance measures then become useful in identifying factors with the greatest impact on the performance of an agency activity or program.

In Transnet the following have been identified as some of the barriers that hamper the effective use of performance measurement:

- "It is hard to get around the political nature of appropriations.
- A need for sustained executive leadership.
- If one cannot track ones goal, then ones mission and vision may need revising.
- One must educate departments about what performance measures can do for them.
- It is important that managers and shareholders stick with the initiative.
- Often there is a struggle to encourage individuals who are already very busy to be creative in developing measures.
- There remains a fear that if we do not achieve the desired results because of issues beyond government's control, then government is going to be held accountable and blamed for this failure.
- It is important for managers to track and monitor performance measures that are important for their programs. It is also important to allow managers to continue to modify and improve such data.
- Performance measures that are poorly developed hinder their effective use.
- It is difficult to know if results are good or appropriate.
- Measuring performance can take time away from the purpose of the program or department.
- It is important that members of staff understand the importance of using performance measures for the management of programs.
- While performance measures are developed because it is mandated, they are often not used because they are not understood.
- Development and use of performance measures is often viewed as additional work.
- The performance measurement initiative is often viewed as bureaucratic.
- Difficulty to identify what information is needed.
- It is hard to convince people that failure to meet goals will not be punitive.
- Developing a culture supportive of the use of performance measures.
- There is a tendency by administrators to consider that their activities or programmes are different and therefore support of performance measurement is problematic.
- There are no trends or benchmarks against which to measure.
- This initiative requires that a lot of jargon be learned. "Performance measurement is an international phenomenon even though there is always some form of barrier

projecting itself in one or other form as listed above. Many companies are developing performance measurement systems, and budget processes that more strongly incorporate measurement. However, much work remains to be done to institutionalize performance measurement into decisions about resource allocation. It is important to have the right balance of measures, quality and outputs and it is important to measure performance in the context of the organization, with time to determine both change and consistency.

2.7 CONCLUSION

These overviews of performance management indicate that the intention of this process is to harness all available resources within an organization, and to ensure that these perform to the maximum, in order to achieve the desired results. Even within the context of continuous barriers that are identified as this system is implemented, performance management involves building processes, systems, culture and relationships that facilitate the achievement of organizational objectives. The wide range of challenges that companies must respond to must be met within their budgetary parameters. This places emphasis on the need to ensure that existing resources are used optimally and with maximum impact. It is clear that whether internationally and nationally; a performance management system must address these challenges. From these studies, it has been deduced that, for maximum impact and optimal use of resources, all these companies aim to have a structure in place that indicate a clear vision, mission and strategic goals. Hereby, indicating what they need to achieve and identify methods of achieving strategic goals. This is to be supplemented by clear plans for how human, financial and physical resources are to be procured and utilized, as well as agreed upon quality assurance standards for all aspects of organizational functions. The political diversity that is evident and ultimately influences spending decisions, on which performance measurement is based, has similarities in companies. Whether this has an impact on PMS, is to be determined by the study used for this research. In an era of increasingly scarce resources and where service delivery has become a critical issue, traditional budgeting and planning, and sectorial service delivery systems, are no longer

adequate tools for allocating government funds. The result is lack of accountability for efficient and effective service delivery, and high probability that policy objectives will not be achieved. The increased responsibilities placed on companies globally, requires that adequate developmental systems are in place for authorities to realize their full potential to ensure sustainable effective and efficient service delivery that has all the elements to ensure the utmost form of quantity and quality in their deliverables.

This Chapter has sought to address the first objective of this research i.e. to assess the match between motivation and the use of performance management activities the next Chapter aims to give an overview of the role of performance management in Eskom Holdings.

4 PERFORMANCE MANAGEMENT AT ESKOM

4.1 THE ROLE OF PERFORMANCE MANAGEMENT AT ESKOM

Drury, (2004) suggests that management accounting literature underlines the importance of performance measurement process and how performance measurement systems play an important role in the financial success of the organisation, and as a source which provides appropriate information about internal activities. Therefore, firms focus on the use of performance measures to allow managers to make basic decisions in order to achieve organisational objectives. In this regard, Anthony and Govindarajan (2001) stresses that performance measures are important for managers to track and to measure performance for their subunits, as well as for employees at lower levels to understand the financial impact of their operating decisions. In addition, the importance of using contemporary performance measures like quality service, customer satisfaction, comes from the highly competitive financial industry, particularly the banking sector, as well as in other services and even in manufacturing organisations (Hussain, 2002). Consequently, measuring the performance of financial and non-financial objectives require special consideration in this particular kind of service organisation. Although a lot has been

written about the need for accurate measurement of multi-dimensional performance measures, very little is known about performance measurement systems.

Effective performance management relies on the quality of the relationship and understanding between supervisor and subordinate. To facilitate this, the following roles and responsibilities are assigned to each party.

Supervisor/manager

- (a)** Assigns, negotiates, and coordinates activities, tasks, and projects – provides line of sight, and links individual and team goals.
- (b)** Monitors progress.
- (c)** Identifies problems, and seeks solutions.
- (d)** Applies expertise and judgement to the evaluation of results.
- (e)** Enables and encourages employee/subordinate development.
- (f)** Communicates individual roles, responsibilities, expected behaviours, results, and standards to ensure effective delivery of required results.
- (g)** Ensures that employees are provided with sufficient resources to make decisions and take actions on their own.
- (h)** Holds frequent development discussions to assist in the achievement of employees' performance goals.
- (i)** Regularly provides feedback with regard to employee performance and how it relates to organisational performance.

Individual

- (a)** Negotiates, plans, and executes work assignments.
- (b)** Assists manager/supervisor in setting goals.
- (c)** Seeks and gives timely feedback.

4.2 Performance Management

- (d)** Proactively identifies problem areas with recommended solutions.
- (e)** Presents evidence.
- (f)** Takes responsibility for own performance and development.

Required leadership behaviours

- (a)** Set and articulate clear and consistent strategic performance goals.

- (b)** Interpret the organisation's strategy into specific goals and priorities for the teams and individuals.
- (c)** Create an atmosphere of open and transparent communication.
- (d)** Empower employees to develop themselves with skills required to do well in their job role and meet performance objectives.
- (e)** Drive and expect performance excellence through effectively differentiating high performers and poor performers.

4.3 PROCESS FOR MONITORING

The procedure will be reviewed annually and input will be obtained from the Performance Management Forum members when significant changes need to be effected.

Remuneration and Benefits Department will monitor adherence to the procedure and

Divisional HR Managers will be informed of non-adherence.

4.4 PERFORMANCE MANAGEMENT SYSTEM PROCEDURE

This procedure is aimed at the following:

- (a)** Drive organisational performance by linking Eskom's strategic objectives and priorities to individual/team outputs.
- (b)** Facilitate desired behaviour to support the Eskom values.
- (c)** Reward employees for achieving and exceeding targets.
- (d)** Ensure that managers and supervisors are held accountable for the performance of their subordinates and that employee's take responsibility for their own performance.
- (e)** Cultivate a high-performance culture in Eskom.

4.5 ESKOM VALUES

Performance management embraces Eskom's stated values and seeks to ensure fairness, objectivity, and consistency, while allowing sufficient flexibility to create

the appropriate climate for positive interaction, communication, and feedback regarding individual performance.

4.6 ESKOM'S STRATEGIC OBJECTIVES AND PRIORITIES

Eskom's strategic objectives and priorities are informed by the shareholder mandate and are cascaded down to the divisional, business unit, and individual levels. All individual performance contracts shall be based on, and aligned to, these strategic objectives and priorities.

4.7 PERFORMANCE MANAGEMENT PROCESSES

Management of employees' performance is embedded in effective management processes and based on the following five processes: planning for performance, contracting, managing performance, performance appraisal, and also developing and encouraging performance.

4.8 INDIVIDUAL RATING SCALE

Performance will be appraised and rated by means of the following continuous five-point scale:

1 = Unacceptable performance: requires an intervention, which would be either development or redeployment.

2 = Meeting some expectations: there is substantial room for improvement before all performance expectations can be met.

3 = Meeting expectations: performance is aligned with expectations and requirements.

4 = exceeding expectations: performance is better than expected and planned.

5 = Exceptional performance: performance that deserves an extraordinary reward.

9 = Not rated (neutral rating) for the following reasons:

9.1 = an employee who made an appeal against the performance rating

9.2 = an employee with less than six months' service

9.3 = an employee who is a full-time shop steward (representing organised labour)

9.4 = an employee who is on leave (extended sick leave)

9.5 = an employee who died in service, retired, or resigned from Eskom

9.6 = not rated (after closure of the system)

Please note that a performance enhancement programme (PEP) should be introduced to employees identified as underperforming against the agreed outputs. This can be done at any point during the performance cycle.

4.9 TARGET SETTING

Proper target setting is one of the factors that contribute to the success and effectiveness of performance management. Targets must be challenging, yet achievable. Targets shall be set and agreed up front by both parties, that is, the manager/supervisor and the employee, and shall be used to monitor and track the performance of the individual.

The following target range is employed to evaluate performance against set targets:

Floor

Performance at this level is unacceptable. If the actual result is at or below this value, it will be considered as a reason for applying a development option. The probability that this particular point will be exceeded is 95%.

Kick-in

This value represents a level of performance below the expected performance. The probability that this particular point will be exceeded is 80%.

Norm

This value represents the “expected performance” level. The probability that this particular point will be exceeded is 50%.

Stretch

This value means that performance has “exceeded expectations”. The probability that this particular point will be exceeded is 20%.

Ceiling

This value represents “top-level performance”. The probability that this particular point will be exceeded is 5%.

4.10 PRINCIPLES/RULES

All employees (Task Grades 4 to 18 and the EEE Bands) shall have a standardised Eskom-accepted performance contract for the duration of the

performance cycle. The performance contract shall comprise personal data, key performance areas (KPAs), and key performance indicators (KPIs), KPA and KPI weightings, total weightings, unit of measure, source of evidence, targets, ratings, dates, and signatures.

All effort should be made to ensure that line of sight exists between the individual's performance contract and the manager's contract. Employees shall be measured on the KPIs that they can have an impact on and/or influence.

The minimum total weight for all objective/hard measures for KPIs should be 70% for all the managerial levels (Task Grades 14 to 18 and the EEE Bands), and the minimum total weight for all objective/hard-measure KPIs for the bargaining unit employees (Task Grades 4 to 13) should be 80%. Business measures, audit results, survey results, and multi-rater feedback with predefined measuring instruments by at least five people shall be regarded as objective measures.

The maximum total weight for all subjective/discretionary KPIs should not exceed 30% at all the managerial levels (Task Grades 14 to 18 and the EEE Bands), and the maximum total weight for all subjective/discretionary KPIs for the bargaining unit employees (Task Grades 4 to 13) should not exceed 20%. Judgemental (subjective) and direct supervisor feedback shall be regarded as subjective measures.

In order to drive individuals to focus on the critical key performance indicators (KPIs), the total number of KPIs should not exceed 20, and also the minimum "total weight" of each KPI shall be 4%.

All employees (Task Grades 4 to 18 and the EEE Bands) shall have a signed performance contract and individual development plan (IDP)

Regular performance discussions shall be held between the employee and the supervisor/manager during the performance cycle. During these discussions, the level of performance shall be communicated to the employee for appropriate action.

Employees have the right to appeal against the contracting process, as well as against the outcome of the appraisal, to a person who is one level higher than their direct manager/supervisor.

Employees identified as requiring close supervision in performance matters shall undergo a performance enhancement programme (PEP) at any point during the performance cycle.

Performance management should be a continuous process with formal discussions at least twice a year, with the final appraisal being the overall rating for the year. The mid-year appraisal shall be used as the formal feedback indicator of how well the employee is performing. The mid-year appraisal may also be used as an indicator of the projected year-end performance.

The individual performance contract and individual development plan shall be compiled annually, for the period April to March, and appraised twice a year.

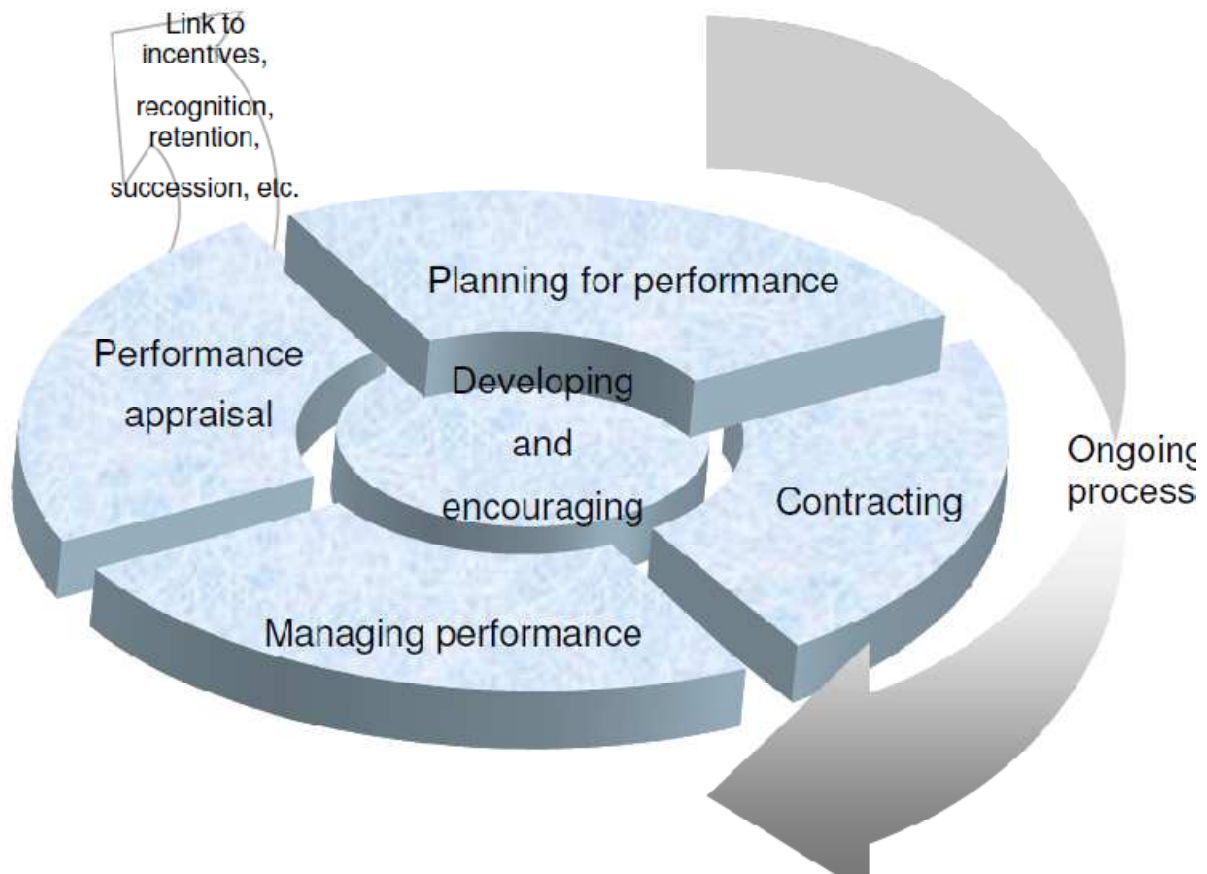
The final individual performance score shall also be used as one of the considerations for career opportunities and other rewards.

Performance management practices shall be reviewed annually by the divisions. In accordance with the assurance requirements of the Eskom Holdings Audit Committee and executive management, Corporate Audit shall include the audit of the performance management process in its three-year audit cycle.

4.11 ESKOM PERFORMANCE MANAGEMENT PROCESS

The performance management process is an integrated cycle of:

- planning for performance;
- contracting;
- Managing performance;
- appraising performance; and
- Developing/encouraging performance.



4.11.1 Planning for performance

Managers and employees shall set performance goals/objectives jointly, on the basis of divisional/departmental strategic objectives, discuss and clarify what is expected in the job, agree on the expected standards (weighted) and levels of performance to be achieved by the end of the performance cycle period under review, and include the IDP as part of the process, developing and managing performance appraisal link to incentives, recognition, retention, succession, etc. Planning for performance Contracting On-going process

4.11.2 Contracting

On agreement by both parties on the standards and targets, a performance contract shall be signed. This will then become a binding agreement between the employee and Eskom for that particular year, unless modified when business priorities change.

4.11.3 . Managing performance

Following the meetings where performance expectations are set (performance planning), the employee will embark on his/her job role, with the aim of satisfying all the requirements of his/her performance agreement. During the period under review, the employee should receive, from the manager, regular feedback/communication, together with coaching and the development of skills, so as to enable him/her to achieve the desired level of performance.

4.11.4 Measuring/appraising performance

Preparations: both parties (manager and subordinate) should prepare themselves thoroughly for the appraisal session, so that they know what to discuss during the appraisal.

Conducting the appraisal: Appraisal should take place in private, and both parties should exercise patience, focus on the facts, and be objective.

Activities to be covered during the appraisal should include the following: discussion of actual performance, review of development plans, and discussion of new priorities in respect of the job contract and development plans, and the signing of ratings. If the subordinate does not agree with the rating, it is the manager's duty to explain the appeal process to him/her.

Multi-rater feedback: to allow for enhanced objectivity, multi-rater feedback may be used as a supporting method to measure performance. A multi-rater tool should be developed and discussed up front at the beginning of the performance cycle, with a minimum of five respondents in different units who will appraise the employee's performance.

Although there are two formal appraisal sessions per performance cycle, it is recommended that performance feedback should be provided continuously throughout the year.

4.11.5 Development planning process

Determine the competencies required to perform outputs

Agree on development solutions such as the formal training, coaching, mentorship, skills/knowledge/attributes needed
Set up individual development plan (IDP), incorporating both current and future development requirements
Identify current job requirements and competencies, analyse, and agree on gap
Load IDP on system
Feedback, follow-up, and monitoring

1. An employee can appeal against the contracting process, for example, targets and ratings, as well as the individual development plan, within five working days of the contracting/appraisal phase, to the person one level above his/her direct manager/supervisor.
2. The line manager shall inform the employee of his/her right to appeal.
3. An appeal made will be declared valid once the appeal form has been signed and submitted to the next higher-level manager. In a case where the employee refuses to appeal formally, the line manager's rating will be captured on the system as the final rating.
4. The employee shall indicate clearly the grounds for his/her appeal.
5. The next higher-level manager must appoint an independent person (preferably an HR practitioner) to investigate the appeal.
6. The next higher-level manager with whom the appeal was lodged shall chair the appeal.
7. The employee is entitled to have an internal representative present at the proceedings.
8. A meeting between the employee, the manager, and the next level of management should take place within five working days after the lodging of the appeal.
9. If the employee is dissatisfied with the outcome of the appeal hearing, he/she may declare a dispute, and the issue will be dealt with in terms of the dispute settling mechanism as captured in Part 6 of the recognition agreement.

4.11.6 Sample appeal process:

Line manager informs the employee of his/her right to appeal

Manager at next level meets employee and supervisor/direct manager
and substantiates evidence
Employee refuses to sign the contractor the rating
Employee lodges an appeal with next level of management
Employee rejects the decision
Manager at next level makes a decision and informs
employee
HR analyses the process on request and gives feedback to the line manager
Dispute declared
Employee accepts the decision –no further action

4.12 PERFORMANCE ENHANCEMENT PROGRAMME

Purpose: the performance enhancement programme (PEP) is designed to be a process of “close supervision” to ensure that the organisation, represented by the responsible manager, does all that is reasonable to enable the employee to perform at an acceptable level. It is not a punitive measure, but rather a responsible effort by the organisation to rectify performance problems and to assist employees. It should be used with care, discretion, and good judgement.

Duration: PEP typically runs for a period of one to three months. The duration will vary according to the merits of each particular case. The duration of the programme will typically be longer where training is required.

Rationale: when considering whether or not to use the PEP, the manager shall consider whether the poor performance is due to the employee’s unwillingness or inability to perform. An unwilling employee, who refuses to perform according to the standards laid down, can be dealt with through the disciplinary process.

- An “unable” employee, who cannot perform to acceptable standards due to lack of skills, can be put into PEP. In cases where an employee is declared a poor performer for other reasons, such as psychological/emotional problems, an appropriate intervention should be identified to address the problem.
- Excellent performance is being encouraged in Eskom through alternative mechanisms such as awards, recognitions, and development opportunities/exposure.

4.13 4. Guidelines for managing poor performance

4.13.1 Target population

These guidelines apply to all employees.

4.13.2 When should poor performance be identified and managed?

1 Poor performance should be identified and managed at any stage during the year.

A manager should not wait for a performance appraisal before addressing performance concerns and implementing required actions.

2 An employee who has achieved an overall performance rating of 2 or less should have

Undergone a PE programme. In this instance, the PEP intervention is automatic.

3 If an employee has achieved an overall performance rating of between 2.01 and 2.5, the immediate manager will have the discretion to put the incumbent on PEP, but this would depend on the employee's performance of the inherent outputs of the job.

4 The management of poor performance is not dependent on the overall performance rating. PEP intervention should be introduced to an employee identified as underperforming against agreed outputs at any point during the performance management cycle.

5 An employee must be given a reasonable opportunity, after having considered the nature of the job within the performance cycle, so that the employee can perform well enough to achieve the agreed targets.

6 Managers who fail to manage performance will be subject to disciplinary action.

4.13.3 General procedural requirement

1 Performance standards shall be clear, comprehensive, and made known to employees from their date of appointment and again when job content and expectations change.

2 Performance standards must be appraised objectively (measurable, attainable, and realistic).

4.13.4 The first interview/meeting

1 The individual should be notified in writing and advised that his/her performance is unacceptable, with explicit reasons and examples.

2 The employee should also be informed of the steps that the improvement process will follow.

3 The focus during the formal improvement process should be on giving the employee a reasonable opportunity and assistance to improve his/her performance.

4 In terms of the LRA, three months is considered to be a reasonable period for performance to improve.

5 Clear, measurable, and attainable objectives and standards should be reset and confirmed.

Resources that may be required for support and the follow-up meeting date(s) should be agreed.

6 Comprehensive records shall be kept of all meetings and feedback.

7 Records of feedback sessions shall be kept.

4.13.5 The follow-up meeting(s)

During follow-up meeting(s), the following should be discussed:

1 Successes and shortcomings experienced by both parties.

2 Reasons for shortcomings and suggestions/plans to resolve shortcomings.

3 Revised programme (objectives, standards, and dates), if necessary.

4.13.6 The final review meeting

A final review meeting shall be held at the end of the agreed period. If the employee's performance has not improved to a "competent/expected level", the following alternatives may be considered:

1 Various interventions, including, but not limited to, re-skilling and redeployment. An employee may be redeployed to a job with different job content, provided the employee consents to this.

The alternatives considered must be justifiable and carried out within a reasonable period considering the business operational impact.

2 If the employee's performance has not improved to a "competent/expected level", after consideration of the alternatives, the following actions may be considered:

a) Demotion of the employee.

b) Termination of the employee's services.

4.13.7 Termination authority

A supervisor without delegated authority can only recommend the termination of employment.

Only a senior person with delegated authority may make the final termination decision.

4.13.8 Appeal

An employee who feels he/she has been unfairly dismissed, demoted, or redeployed may follow the appeal process.

4.14 CONCLUSION

There are many challenges that have been highlighted in this Chapter. A course has now been set and, if it is not followed through, there could be adverse consequences. However, long-term perspectives, strategies and programmes could, achieve a significant measure of success. There is a unique opportunity to implement fundamentally new, advanced system of companies, at a time of expected deliverables from a company. The degree of success in implementing the system is an important barometer of the progress made in the transformation process of Eskom. It is also a measure of understanding of the process and challenges brought about by the democratisation and decentralization process in the South African organisation.

This Chapter addresses the second objective of the research. The next Chapter study the effectiveness of high performance management at Eskom.

5 CURRENT PRACTISE OF PERFORMANCE MANAGEMENT AT ESKOM

5.1 INTRODUCTION

Performance Management is but a mere tool to measure anticipated, desired outcomes of identified programmes, and to act as a directory on how, where and when to redress if targets, as set out in implemented programmes, are not fulfilled. Osborne L. Gaebler (1992, 58) as extracted from the Performance Management Guide for DBSA, gives the following summary regarding measuring performance. He states:

"What gets measured gets done if you don't measure results, you can't succeed from failure if you can't see success, you can't reward it if you can't reward success, you are probably rewarding failure if you can't see success, you can't learn from it if you can't recognize failure, you can't correct it if you can demonstrate results, you can win public support"

This ideology encapsulates the fact that performance management is designed to direct programmes and activities towards a progressive future. The direct reference in this context is that the utilization of development tools such as shareholders' compact and Performance Management Systems has to be put into place in order to ensure or initiate our vision for sustainable developmental Eskom to create viability in the products. The commitment is the collective sharing of those that lead this process to have a continuously enthusiastic belief in performance driven organizations. The implementation of performance management systems for Eskom is, as mentioned earlier in the analysis, to utilize the same capacities that always existed in more progressive ways. Improved service delivery at a level requires the measuring of performance of Eskom to ensure developmental outcomes in a transparent manner. In essence, the process visualizes a process where employees are involved in governance matters, including planning, implementation and performance monitoring and review. In this particular way, Shareholders are empowered to identify the needs,

set performance indicators and targets and hold Eskom accountable for its performance. The process indicates that if board engages employees from an informed position, this result in Eskom being able to plan better and more strategically while improving the way they work for accelerated performance. This, therefore, defines performance management as a tool for change in the conceptualization of Eskom transformation. This, however, is not a new conclusion that the researcher has arrived at, but was initiated by the many essential contributions that were made by companies, people from the private sector, academics, and leaders in the forefront of our developmental approaches that formulated existing policy in this regard, as well as social scientists and many others (Nishendra Moodly: 2003: 15)

Although there are several reasons Eskom should consider measuring the performance of its programs and services, the most compelling reason is that employees demand and deserve quality service from the organisation. Employees or Citizens expect their electricity organisation to deliver services efficiently and, at least possible cost. As a result, shareholder's officials have a responsibility to ensure that programmes meet their objectives in the most cost-effective manner. It is definitely clear that performance measures help improve the quality and cost of the company's activities.

A more formal definition of Performance Management is:

"The use of performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, inform managers to either confirm or change current policy or program directions to meet those goals, and report on the success in meeting those goals." (American Performance Management Manual- 1997)

Pillay (1998:210) refers to Performance Management as a shared process between managers and the teams they manage and that, through its interactive nature, it creates a participative culture. Spangenberg (1994:1) takes this a step further by indicating that performance management assists in implementing the larger goals and strategies of an organization.

Whether in an international context or in a South African context, the introduction of performance management requires the same systems-approach in order to operate, and achieve the same purpose of improving organizational effectiveness. This is achieved by identifying agreed-upon performance goals that inform decision-making at all levels of the organization to initiate a change of direction.

5.2 THE POLICY AND CONTEXT

Eskom performance management has its policy and process. It proposes performance management together with delivery and employee participation, as important tools central to the notion of a developmental government. The process proposes the introduction of performance management systems to organisation, as a tool to ensure development in Eskom. Shareholders have taken this idea forward in Eskom Systems Act (2000) that requires Eskom to:

- *"Develop a performance management system;*
- *Set targets. Monitor and review performance based on indicators linked to their Shareholder's compact.*
- *Publish an annual report on performance for the government and the public.*
- *Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for mineral and energy. Set measurable performance targets with regard to each of those development priorities and objectives against the key performance indicators and targets"*

The performance management system envisaged above complements the type of information required by the Financial Management Bill in terms of assessing value for money. Thus it is important to ensure that the performance measures and targets, as well as the monitoring and measuring systems, are integrated with the budgeting process.

1. *"Identify and develop criteria in terms of which progress in the implementation of the strategies, programmes and services can be evaluated, including key performance indicators which are specific to Eskom and common government in general;*

2. Evaluate progress against the key performance indicators;
3. Review the performance of Eskom in order to improve the economy, efficiency and effectiveness of the organisation"

The same functions, stated above, are required from the board. Once again, the importance of measuring and evaluating performance is highlighted, suggesting an integrated system, which can measure both financial and non-financial performance.

4.5 PRACTICAL IMPLEMENTATION OF PERFORMANCE MANAGEMENT

Ideally, as Nishendra Moodley (2003, 15) indicates, *Eskom's performance management system should be developed while developing the shareholder's compact. The two are interrelated processes that share many common stages. For example the public participation requirements in developing a shareholder's compact are the same as when developing a performance management system. They should be using the same public participation process. The indicators to be developed for the SHC are the same indicators to be used to manage performance; hence the identification of indicators for the SHC relies on the type of approach being taken in performance management.*

Many entities in the country have left the development of their performance management systems until after their delivery program was developed and adopted. They are now in the difficult position of having to re-visit their plan and public participation processes. The need for Eskom to synchronize these processes should have reflected awareness that performance management is closely aligned to the strategic planning and SHC processes; because this is directly relevant to the notion of government. Eskom will need to assess whether the desired development impact in the organisation area is being achieved. This perspective ensures that measurements and focus are placed on the development priorities for Eskom area and to indicate whether the desired development outcomes are being achieved. The

measurement of developmental outcomes in Eskom area will be useful in telling shareholders whether policies and strategies have the desired development impact.

5.3 WHY MEASURING PERFORMANCE?

Former American president, William J. Clinton, on signing the Government Performance and Results Act of 1993, said that, the reason for institutionalizing performance measurement is to:

"...Chart a course for every endeavour that we take the people's money for, see how well we are progressing, tell the public how we are doing, stop the things that don't work, and never stop improving the things that we think are worth investing in."

(Extract taken from A Brief Guide for Performance Management in Eskom. 1997.

National Centre for Public Productivity, Rutgers, the State University of New Jersey).

All high-performance organizations, whether public or private are, and must be, interested in developing and deploying effective performance measurement and performance management systems, since it is only through such systems that they remain high-performance organizations. Effective communication with employees, communities, and stakeholders is vital for the successful development and deployment of performance measurement and management systems. The employees and stakeholders of Eskom ultimately judge how well the administration has achieved its goals and objectives. At the same time it is those within the organization, entrusted with and expected to achieve performance goals and targets, who must understand how success is defined and what their role is in achieving that success. Both organization outsiders and insiders need to be part of the development and deployment of performance measurement systems. This picture of integration, for the most effective outcomes with regard to developmental approaches should be clear to all involved in planning or performance measurement. The support of all relevant stakeholders should be engaged by municipalities eager to render service delivery in the most effective and efficient manner.

Performance measurement systems are learning systems that help Eskom to identify what works and what does not, so as to continue with, and improve on, what works and replace what does not work. Performance measurement is a tool that enables

Eskom to track progress and direction toward strategic goals and objectives, which ultimately align with what was identified in the SHC as needs and priorities agreed upon through the process of public participation. Through measuring performance of these priorities, organisations are able to re-direct their resource allocation to different sets of developmental objectives, should desired outcomes not be fulfilled. Organisations are high performers if they work competently and as a team with a shared objective as propagated by policy formulators, to score high on the outcome base and developmental scoreboard. For this integrated approaches and a shared quest for positive social and economic development reforms are needed. Performance management aims to place greater emphasis on performance planning and on-going reviews. It is designed to provide greater benefits, including clear communication about expectations, an objective basis for reviewing performance and an opportunity for collaboration that leads to enhanced organizational commitment. This is the motivation for the current integrated approach that Eskom has embarked upon to enhance developmental service delivery.

5.4 STRUCTURING OF A PERFORMANCE MANAGEMENT SYSTEM

The structuring of a PMS has its founding principles in the wide range of challenges that demand a response from shareholder. This is the focus of this section of the dissertation. This goes well beyond simply considering the interests of constituents. This higher role is realized only if board become more strategic, visionary and ultimately has a developmental approach in the way it operates. The Eskom policy (1994) indicates that Eskom has a crucial role as policymakers, thinkers and innovators, and as institutions of democracy. Eskom should play a strategic and visionary role, and seek to mobilize a range of resources to meet basic needs and achieve developmental goals. The process points out that a new system needs to build on the strengths of the current system, but equally, it needs to address its weaknesses, and build the capacity of Eskom to address the considerable challenges they face. These challenges are all around and prevalent in the developmental evolution of Eskom to ensure sustainable economic and social

reforms with the desired impact in respect of outcomes that include: Free electricity for the community in rural areas, towns or cities;

How do Eskom directors and shareholders conceptualize these challenges in a progressive way? A response to this question is found through the implementation of performance measures to have productive and developmental outcomes.

Performance Management, coupled with SHC, encourages shareholders, that short-term solutions to redress financial backlogs create more financial and social disparities if there is no shareholders 'compact planning for a better tomorrow.

In order for Eskom to address all the challenges effectively and efficiently, there is a need to ensure that existing resources are used optimally and with the desired maximum impact. A Performance Management System must address these challenges as outlined in the SHC in the form of priorities and needs within a developmental context. To ensure maximum impact and optimal use of resources Eskom must have the following elements in place:

- A clear vision, mission and strategic goals indicating what they need to achieve;
- Identified methods whereby the strategic goals as listed in capital and operating budgets are achieved;
- Clear plans for how human, financial and physical resources are procured and utilized;
- Integrated and agreed upon, quality assurance standards for all aspects of departmental functions;
- An organizational culture that strives towards excellent performance and delivery, by ensuring that decentralization and the developmental mandate enshrined upon Eskom, lays the foundation for a sustainable and viable basis for the well-known slogan: "To create a better life for all".

Performance management provides the system and processes to put the above elements in place to ensure that Eskom is clear about the facilitating and leading role it needs to play for achievement of organizational objectives. Eskom Guideline indicates that in designing a PMS, the following questions need to be answered:

- *"When does performance management start?"*

- *What are the components of a performance management system?*
- *Who will manage whose performance?*
- *When will performance be monitored, measured and reviewed?*
- *What aspects of performance will be managed?*
- *How do we respond to good and poor performance?*
- *What institutional arrangements have to be established to make this work?"*

To answer these questions, Eskom need to develop a framework in which a performance management system operates in conjunction with their respective SHC, ultimately aligned with their budgets. Eskom mistakenly design the SHC in isolation of a concurrent performance management system to monitor and redress, if necessary, identified programmes as part of the overall objectives of the organisation.

The importance of this is to determine what has worked and what has not, and in what direction resources need to be streamlined to achieve desired outcomes. Even though this sounds like repeating the context of a script that needs to be acted out, Eskom need to combat any disparities that might arise by improper planning and uninformed use of these tools to inculcate development.

In general, a good performance measurement system is able to provide answers for the following questions (Ford: 1998, 148):

- What was achieved?
- How efficiently was the work done?

In the quest for a consensus on services, service qualities, and cost, the need for sound information about the performance of services remains vital. In general, Eskom is encouraged to measure performance because it:

- Strengthens accountability;
- Enhances decision-making;
- Improves customer service;
- Assists governments in determining effective resource use, and
- Supports strategic planning and goal-setting.

Taking cognizance of the content of this Chapter, the components of a performance management system incorporate the mission, goals, objectives, and indicators to achievedevelopmental outcomes as outlined by Eskom. This encompasses in a furtherstrategy on how Eskom need to link these components strategically with the inputand consultation of all relevant stakeholders to:

- Provide guidance on how to focus goals on outcomes, determine service areas, focus objectives on outcomes, and develop indicators that give the feedbackwe're seeking;
- Provide guidelines on allocating costs to service areas in order to calculate variousindicators.If Eskom, from the initiation of the process plans of its SHC, coupled with its performance management system, follow the frameworks,irrespective of political alignments, the abovementioned components are visibly reflected in its performance management systems.

The question of who is responsible for measuring performance is demonstrated in theform of logic models that are usually diagrammed as a series of boxes representing*inputs, activities, outputs, and outcomes*. They are drawn either horizontally or verticallyas shown below (Noorzaman: 1999,78).

Inputs • Activities • Outputs • Outcomes

Explanation:

Inputs are resources dedicated or consumed by a program. Examples include money,staff and staff time, facilities, equipment, and supplies.

Activities are what a program does with the inputs to fulfil its mission. Activities includethe strategies, techniques, and types of treatment that comprise a program's servicemethodology.

Outputs are the direct products of program activities and used as measures in terms ofthe volume of work accomplished, i.e., classes taught, people served, applicationsprocessed, etc.

Outcomes are benefits resulting from program activities. For a human services program,it is generally some change in a participant's condition; for economic

development, it is change in an area's economic status; and for public safety, it can be the degree to which citizens are or feel safe.

The above details are specified directives extracted from SHC with the relevant resource allocation. However, both input and activities evolve from the mainstream of cooperation with Government in the context of assistance that is provided to Eskom to promote social and economic reforms. Line function managers and senior management in Eskom are primarily tasked to assess performance at this internal level. This context looks at a broad spectrum of areas that fulfil the components of a performance management system, referring to the mission, goals, objectives, and indicators to achieve developmental outcomes as outlined by Eskom. At this level, adequate channels need to be created for citizens to respond and assess service delivery to enable Eskom to measure results to learn from it and to correct failure to attain public support. In this regard citizens bear the responsibility to assess Eskom performance. It is at this point where performance is monitored, measured and reviewed to determine whether developmental initiatives have or have not been achieved on whatever programmes that would have been instituted. A proper performance management system indicates, if measures are necessary to correct failure, what aspects of the entire system need to be managed in a more progressive way, and whether citizens should, for example, play a more active role for certain desired outcomes. A concern though is how much influence political agendas exert or how much leeway should be created to streamline outputs for support.

It is imperative for the purpose of sustainable development that Eskom monitor and evaluate their planning processes for the purpose of providing continuously improved services to the constituencies they serve. Key Performance indicators need to be in place and changed if so required against which shareholders measure their performance to ensure effective and efficient outcomes as well as to adjust identified segments in their SHC, if developmental initiatives change course.

Performance standards in the form of clear descriptions whether targets are met in a satisfactory manner and whether time-frames allocated to these targets as well as whether these targets are results of identified indicators are sure to project

performance that reflects success. This will ultimately surface in the form of organizational objectives that have been achieving their key performance areas of developmental delivery.

4.8 CONCLUSION

The process of PMS in Eskom states that it should aim to be more developmental in its approach. This aim should become a cornerstone in the transformation process. In pursuit of this goal, Eskom needs to be committed to working with staff to develop sustainable methods of meeting SHC for government, economic and material needs. Performance management is to foster a culture of accountability. The introduction of Shareholder's Compact (SHC) and Performance Management are important policy initiatives. Objective Three of this research has been indicated in this Chapter. This relationship requires Eskom to become more strategic in the approach to development and the allocation of resources, towards the achievement of its goals. In Eskom, systems have been identified and, to a certain extent, are being implemented, but proper synchronization of the development processes is still to be achieved before a culture of proper performance measures can stimulate growth in all its facets.

The next Chapter is an analysis of shareholders compact for the purpose of integration within the proposed framework of a PMS for Eskom. The employees' participation workshops undertaken as part of the SHC process will also be analysed to determine whether the outcomes were listed in the SHC that ultimately influence the element of participation in performance management. As is indicated in the next Chapter, Eskom still has to initiate policy discussions with regard to certain developmental priorities and get clarification of statutory responsibilities between Divisions. Also certain functions that need government intervention to realize certain programmes, and plans for development that still need to be work-shopped. Measurement for impact of development priorities will be vague

due to these existing disparities in the synchronization of the developmental processes, as strategic planning will not have a clear direction at this stage.

6 AN ANALYSIS OF ESKOM AND ITS SHAREHOLDER'S COMPACT

6.1 INTRODUCTION

This Chapter incorporates an analysis of SHC for the purposes of establishing the current reality at Eskom. This Chapter is an analysis of SHC of Eskom, in order to establish whether the current situation and related development plans, as set out in the SHC of Eskom is in alignment.

Identified Key Performance Areas and Indicators by Eskom will be taken into consideration when analysing the effectiveness of PMS. This Chapter will thus be of an informative nature, with reference to the current situation in at Eskom.

6.2 PERFORMANCE AGAINST THE SHAREHOLDER COMPACT

This is an overview of performance against the key performance indicators in Eskom's shareholder compact¹ with government, which is done at an Eskom company level. (See [here](#) for more detailed information on the shareholder compact.)

Key performance area	Key performance indicator	Target 2011	Achieved 2011	Achieved 2010	Achieved 2009	
Provide adequate future electricity for South Africa	Generation capacity installed (Megawatts)	625	315 ^{RA}	452 ^{RA}	1 770 ^{RA}	
	Transmission lines installed (kilometres of line)	446	443 ^{RA}	600 ^{RA}	418 ^{RA}	
	Transmission MVA installed	3 565	5 940 ^{RA}	1 630 ^{RA}	1 255 ^{RA}	
Ensuring reliability of supply of	National load shedding (Generation Induced) or Un-served energy	No load shedding	None ^{RA}	None ^{RA}	641,5	

electricity to all South Africans	(system minutes)					
	DSM energy efficiency annualised (GWh)	994	1 339 ^{RA}	n/a ²	n/a ²	●
Ensuring business sustainability of Eskom	Cost of electricity – (rand/MWh) (before embedded derivatives and depreciation)	327.28	296.36 ^{RA}	255.09 ^{RA}	237.29 ³	●
	Internal energy efficiency – annualised current year savings (GWh)	24.0	26.2 ^{RA}	n/a ⁴	n/a	●
	Water usage (L/kWh sent out)	1.35	1.35 ^{RA}	1.34 ^{RA}	1.35 ^{RA}	●
	Debt:equity ratio (company)	2.5	1.67 ^{RA}	1.69 ^{RA3}	1.32 ³	●
	Interest cover (company)	1.0	1.48 ^{RA}	0.72 ^{RA3}	(4.72) ³	●
Supporting the developmental objectives of South Africa	Percentage of local content in new-build projects	50.0%	79.7 ^{RA}	73.9 ^{RA}	n/a	●
	Skills development:					●
	Eskom trainees/bursars (learner pipeline)	4 500	5 283 ^{RA}	5 255 ^{RA}	5 907	●
	Engineering trainees/apprentices	3 500	4 240 ^{RA}	3 780 ^{RA}	3 535	●
	Additional number of non-Eskom learners on Eskom-sponsored learning	450	550 ^{RA}	236 ^{RA}	n/a	●

1. The compact measures the performance of the electricity business.

2. The basis of measurement changed for the current year. In prior years, verified savings of 372MWRA (2010) and 916MWRA (2009) were achieved.

3. Restated

4. Reporting basis has changed from 2010, therefore not comparable to 2011.

RA – Reasonable Assurance provided by the independent assurance provider ([Refer here](#)).

From this it is evident that the predominant issue in Eskomis capacity and transmission lines. With reference to the above, the issues that surface, is an affirmation of the developmental path Eskom needs to be directed to, in order to fulfil its developmental role for increased social and economic reforms in

The country...The SHC Process Plan of Eskom indicated that:

"Before Eskom commences with the SHC process, it has to do some preparation in order to:

- *Ensure a well-organized process with adequate and effective involvement of all relevant role players;*
- *Ensure that the SHC becomes a tool for institutional transformation;*
- *Help Eskom to plan the process in line with the requirements of the Government.*
- *Ensure that all previous SHC related work done is carried forward into the SHC.*

Underlying basis for this quote, in the context of the above-elaborated background, is that in scrutinizing the SHC, an assumption should be made that these issues and projects should be reflected in the SHC. Unless proven to the contrary to have political, strategic or financial implications that brings about exclusiveness of certain priority issues and projects as identified by government. In the same breath ensuring that the required mandate to fulfil Eskom's role to spearhead developmental local governance as pointed out in government Systems Act, 2000.

The SHC reflects the 625MW target for capacity installation was not achieved due to ongoing challenges at Grootvlei unit 5 and Komati unit 4. At Grootvlei, there was a super-heater boiler tube leak. At Komati, the front end of the high-pressure rotor shaft sheared, due to an unexpected blow as a result of a turbine failure. The target installation of 446km of transmission lines was missed by a small margin due to outstanding land and rights issues (outstanding approvals and permits); late access to land and unsuccessful land acquisition for servitudes due to landowner resistance; the unavailability of required outages and rain.

In the SHC it is envisaged that management system, which is directed at implementing and monitoring all SHC needs that ought to be developed. Quoting from the SHC, it is indicated that the internal transformation needs should address:

- "The role of the CEO;
- The role of the Management Team;
- The role of the Manager: Strategic Services;

- The appointment of project teams;
- Co-ordination between project teams and management and between project teams and SHC structures; and
- Regular process reports on SHC projects, etc."

From an operational perspective, it is indicated that the financial plan was, at the time, not work-shopped and accepted by the government, but preliminary provision was being made by board estimates with the incorporation of SHC inputs. This indicated that, due to non-synchronization of development processes as referred to earlier, disparities in implementing development programmes and projects still exist. The five-year Action Programme was to be completed with the adoption of the SHC. Operational strategies that were identified by executives were a Spatial Development Framework,

6.3 CONCLUSION

The financial management arrangement of Eskom is reflected in a number of documents. However, at the time of adopting the SHC, the financial plan had not been work-shopped and adopted by the employees. A number of Key Performance Indicators has been identified in the SHC for all the Development Priorities that includes the general indicators. It should be noted that at the time of adopting the SHC, Key Performance Indicators had also not been work-shopped and accepted by employees. In the Capital and Operating Budget of Eskom for the 2003 financial year, a sense of streamlining funds to optimize the capacity in all areas is perceptible. However, the question is whether the streamlining is in line with the priority issues that were identified by the different development areas, if stimulation in the respective areas of prioritization will surface to ensure developmental or whether these priority issues are brought about selectively to fulfil political convictions to secure support from government. An indication from interviews in the next Chapter provides possible answers to these questions.

The final Chapter consolidates all common aspects of a PMS as confirmed at this point, and analyses answers from unstructured interviews, in order to develop a framework proposed for a viable effective PMS for Eskom Holdings.

7 PROPOSED FRAMEWORK FOR EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM AT ESKOM

7.1 INTRODUCTION

As indicated in the conclusion of the previous chapter, this chapter consolidates all common aspects that surfaced from the various Performance Management Systems researched and the guidelines provided for the purpose of giving direction to the formulation of a proposed effective PMS for the Eskom. Consolidation is supported by the deliberations provided from selected officials within Eskom in response to the unstructured interviews that were undertaken.

It will be indicated in this Chapter that at this stage of development within Eskom the data and logistics for SHC and projects are still sporadic, with regard to who is responsible for what, and policies that still need to be developed for specific programmes. Therefore, no specifications with regard to specific, measurable outcomes will be incorporated in the proposed PMS for the Eskom. The developed PMS will thus provide a framework in which development priorities may be monitored and evaluated.

7.2 GUIDELINES DERIVED FROM DATA OF PREVIOUS CHAPTERS

The objective of performance measurement is to monitor priorities as identified in the SHC, which ultimately aims to increase the overall delivery standards at Eskom. The rationale behind this is to ensure that service delivery becomes increasingly

moreout-put based, with the emphasis on furthering the accountability status of executives. This is emphasized because it is an expectation of government that resources should be used efficiently in providing the highest level of services, and also the fact that employees have the responsibility of ensuring that the programmes as identified, meet their stated objectives.

The Final Report on Performance Management submitted by EXCO: 2000 encompasses the above by stating that a PMS should be:

- Mission driven;
- Delivery orientated; and
- Result orientated

In general, Eskom is encouraged to measure performance because it:

- Strengthens accountability; what get measured, can be improved upon
- Enhances decision-making; measurement involve employees participation
- Improves customer service; delivering developmental goals
- Assists governments in determining effective resource use
- Supports strategic planning and goal-setting.

Nishendra Moodley (200:8) confirms this when he says: *"In developing a framework for performance management, it is important that it is conceptualized as an inherent part of management in Eskom, and as part of the SHC process. It should not be seen as an additional process or a parallel process, but that it is a new way of working, where planning and management is performance based."*

Therefore, a PMS aims to support decision-making, reporting and management, whereby detailed information is necessary to guide the implementation of performance measurement processes. Questions that should be asked to bring relevance to the above mentioned are:

- What performance measures (indicators) are in place to evaluate program results?
- How do officials perceive the usefulness and quality of performance measures?

These questions are also a guide to the incorporation of the above-mentioned fundamentals within the proposed framework of the PMS. International studies have indicated that performance measures are used to monitor strategic

initiatives, to guide the budget process and to allocate resources that produces specific strategic results in order to see a clear, organizational consciousness for accountability. It has been proved that measurement promotes government and employees and achievement. It has also been found from these international case studies that the quality of performance measures is critical in establishing the credibility of measurement processes. This is supported by the fact that performance measures should bring about changes in staff behaviours, changes in organizational culture, cost savings and service performance improvements. The conclusion was made that measures (indicators) should be:

- Clear;
- Comprehensible;
- Understandable;
- Results-orientated;
- Useful and valid;
- Verifiable; and
- Accurate

The above list reflects the common aspects reflected in these case studies, which is that without detailed information, there is little to guide Eskom effective implementation of performance measurement processes. Another resolution is that program measures (indicators) are most useful at the program level, particularly for on-going monitoring of programme outputs and outcomes. Marshall (1998:7) also indicates that performance measures are proved to be more effective if they are discussed in board's budget deliberations. He argues that when things can be proven, the information on what really needs to be known is available for the budget process. He also indicates that to know the exact costs of goals, with the historical data of what actual performance have been, predictions could be made for future costs. Managing for results in a broader perspective should, therefore, align departmental plans, budgets, operating plans, team and individual performance reviews, which should then be linked to common and measurable goals. Performance indicators at all levels are aimed to align all these goals. Performance indicators must be established that guide resource allocation and at the same time

communicate to employees the goals, objectives and effectiveness of a programme. Should this be achieved, the following aspects are a projection government, fulfilling its developmental mandate:

- Development for the marginalized in its area of authority;
- The re-alignment of resources;
- Programmes of importance in the SHC are being institutionalized, with the accessibility of information to the targeted areas
- A PMS in place that will monitor and measure performance.

Coupled with the above are the challenges for a PMS, as identified by Rashied (1999:21), which are:

- How to get employees involved in performance management, which will be a true
- reflection government's integrity to make itself relevant to employees;
- How political vision and priorities should reflect the aspirations and expectations of employees and not be a barrier to the use of performance measurement by engaging into programmes that are costly, but have political connections;
- How the board should be honest about setting priorities and targets.
- Commitment to employees and honest feedback will be an insurance of this;
- The challenge to establish innovative ways to work across all sectors, because the co-operation of all stakeholders is imperative for a mutual understanding of a PMS.
- Continuous education on PMS to Eskom managers;
- Establishing new financial management systems in order for managers to measure performance more accurately at different levels.

Ensuring the alignment of individual actions with organizational goals and objectives will further strengthen a PMS, by cascading identified performance measures (indicators) through all levels of the organization. These Key Performance Indicators (KPI's) are identified in the operations of a programme to monitor progress enabling the achievement of the desired results. Performance indicators aim to define how

performance is measured along a scale and also subsequently enabling executives to determine whether its organizational structure is suitable to meet its strategic objectives. Importantly, Eskom indicators should be linked to employee performance management systems.

High performing employees, within their scope of contribution towards a particular development programme, will be instrumental in achieving the desired results of a programme as envisaged by Eskom. These indicators should be linked to the particular programme as identified in the SHC, because before indicators can be established, objectives and priorities should be reflected in the SHC. Nayer-Stone (1992:42) considered four primary types of performance indicators:

- Input - the amount of resources used;
- Output - the activities undertaken to provide the service, for example: the number of projects; number of people served;
- Outcome - how effectively services are being provided, for example: capacity of electricity.
- Efficiency - referring to what were achieved, for example: the cost per unit of output.

In order to identify these indicators for monitoring and control purposes, which the reason for development of key performance indicators,

Questions are listed as:

1. What are the operations of a particular programme?
2. What was the amount of resources used for a particular programme?
3. What is the anticipated outcome of this programme, taking cognizance of the input that was invested?
4. What other departmental plans, budgets, operating plans, team and individual input is incorporated in a particular programme?
5. Is there a specific trend or benchmark that IS identified against which measurement can take place?
6. Who are the stakeholders and what are their responsibilities or respective roles?
7. What leadership structures from high-level officials are in place to measure performance?

8. What are the areas of focus for employee performance to a particular identified programme?
9. What are the expectations from Eskom to employees on which a particular programme are directed at?
10. What is the broader developmental outcome that Eskom wish to achieve through a particular programme?
11. How accessible is Eskom?

7.3 PERFORMANCE MANAGEMENT SURVEY RESULTS

Set of questionnaires were sent to programme managers, SHC Manager, The Executives, project managers, Performance Management Manager, HR Manager, finance managers and supervisors across all divisions. All the questions were directed to the people mentioned above. It was indicated that, in monitoring performance, it is important that development (Social, economic and organizational development) should be integrated to ensure that all functional areas should supplement each other to ensure the determined framework. One Manager indicated that for monitoring and review of performance, the SHC Manager should monitor all developmental programmes through a central database which is project-based and departmentally-linked, where relevant information is processed on a monthly basis. The rationale is to ensure there is a continuous improvement of projects. The following questions evolve from the Eskom PMS framework, Responses are consolidation from all responded:

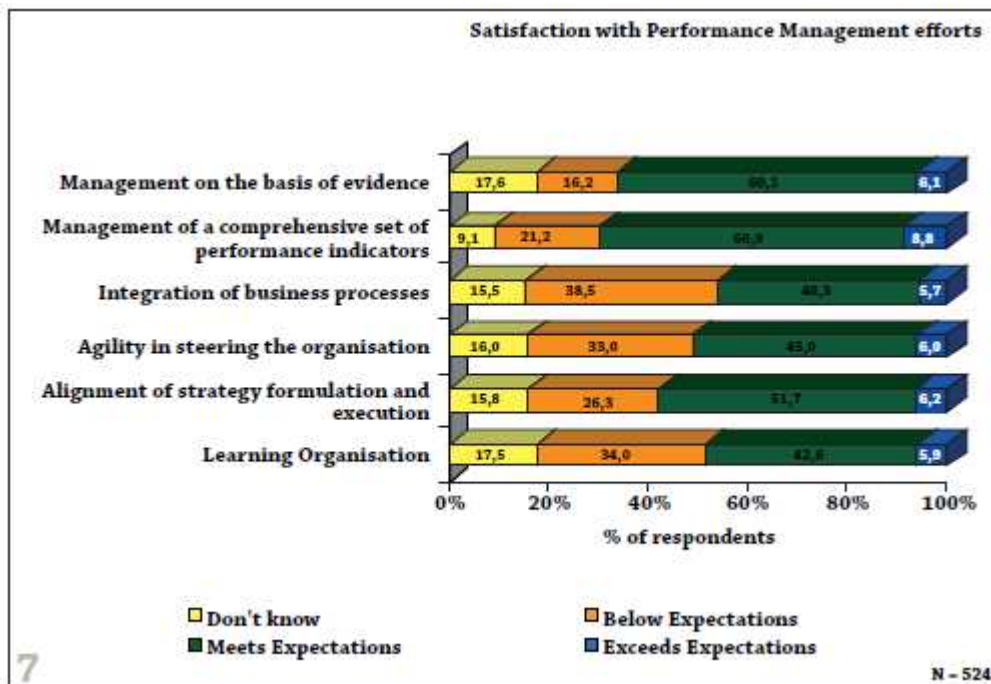
The level of satisfaction with Performance Management efforts is assessed with respect to the following six “better management” expectations for the organization

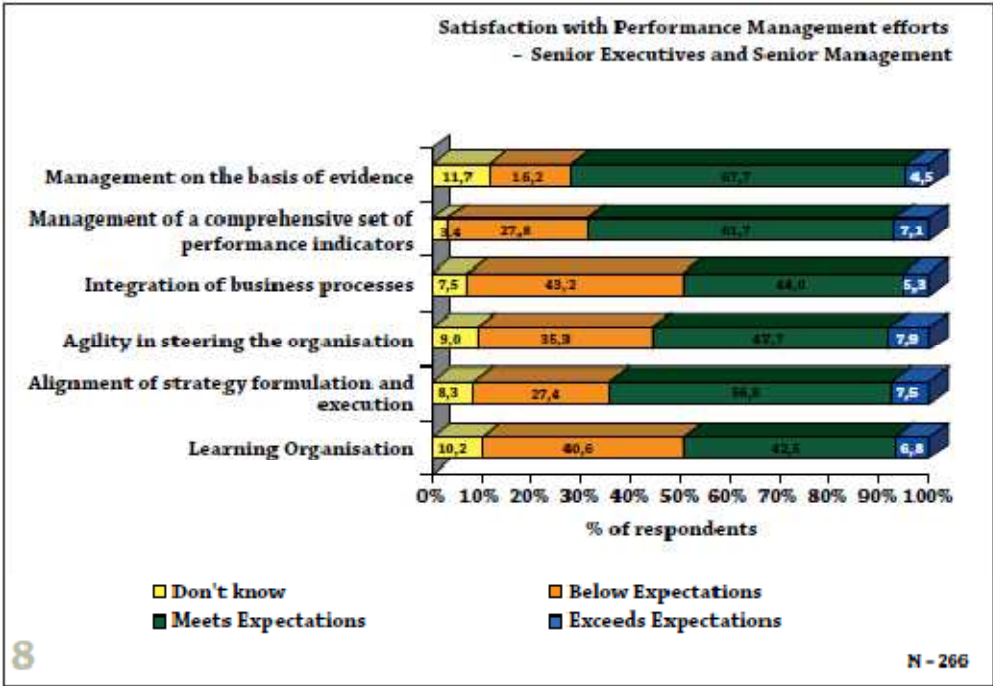
- **It enables management on the basis of evidence.**
- **It facilitates management of a comprehensive set of performance indicators.**
- **It supports the integration of business processes**
- **It provides the necessary agility in steering the organisation.**
- **It enables the alignment between strategy formulation and execution.**

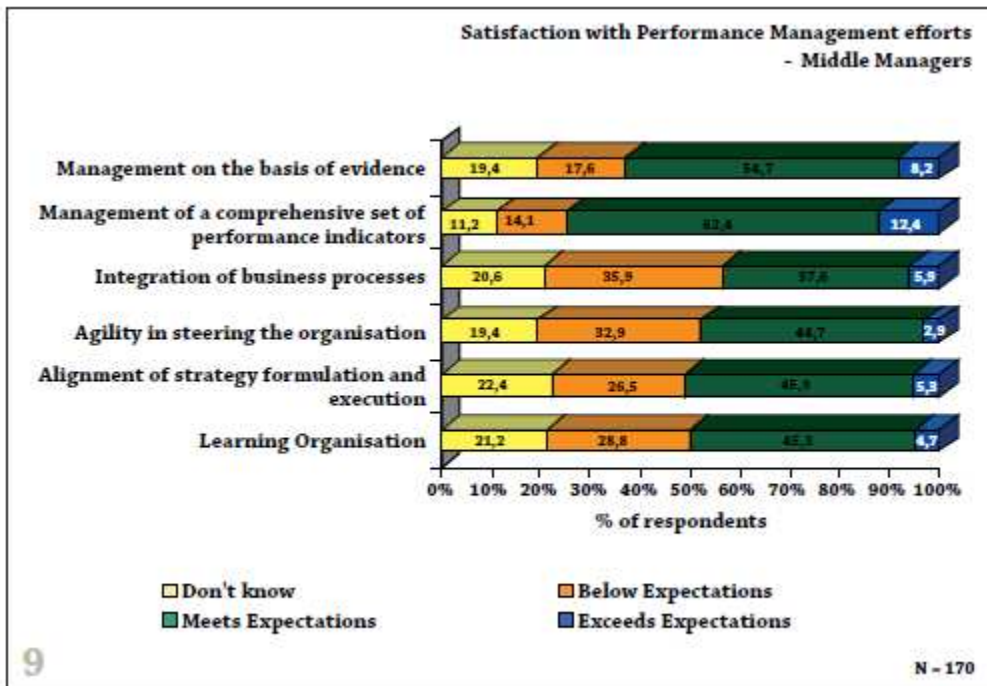
- **It helps to establish a learning organization.**

Respondents are not overwhelmingly satisfied with previous Performance Management initiatives. Overall, the expectations for management on the basis of evidence, the use of more balanced sets of performance indicators, and the alignment of strategy formulation with execution seem to be met by at least a majority of the respondents. However, less than 50% of the respondents claim to be successful on the other dimensions.

Satisfaction was then split out per respondent profile (see Figures 8, 9, and 10). Senior executives and senior managers seem to be more satisfied than individual contributors. Still, overall, a considerable number of respondents remain unable to assess the success of past Performance Management initiatives. Interestingly, the number of “don’t know” responses seriously increases when going down the organizational ladder.



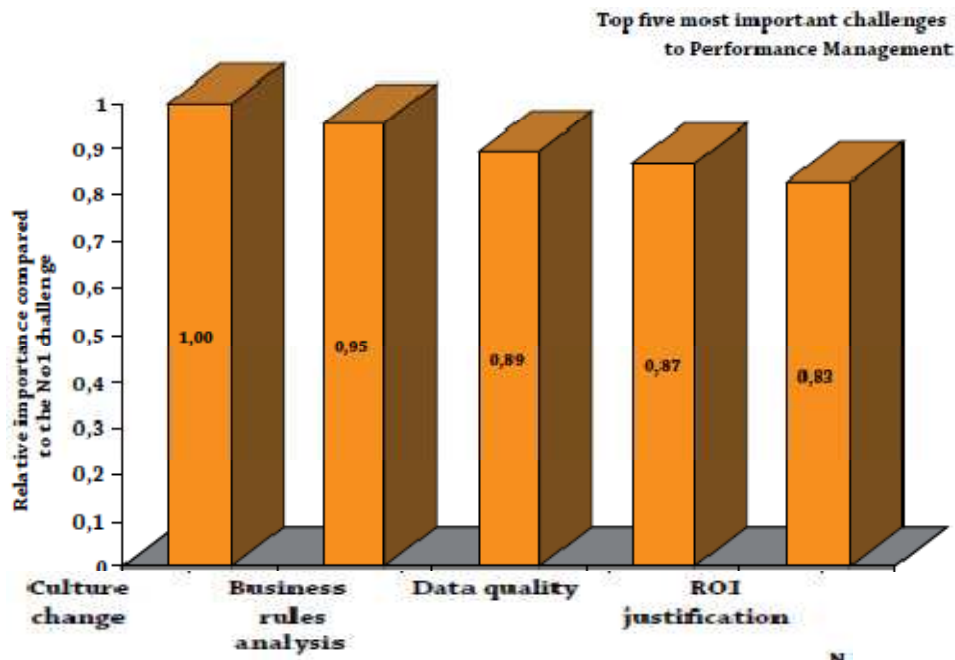




7.3.1 TOP FIVE CHALLENGES TO PERFORMANCE MANAGEMENT

Out of 16 different challenges to Performance Management success that were presented to the survey respondents (see Appendix 11), the following top 5 emerged

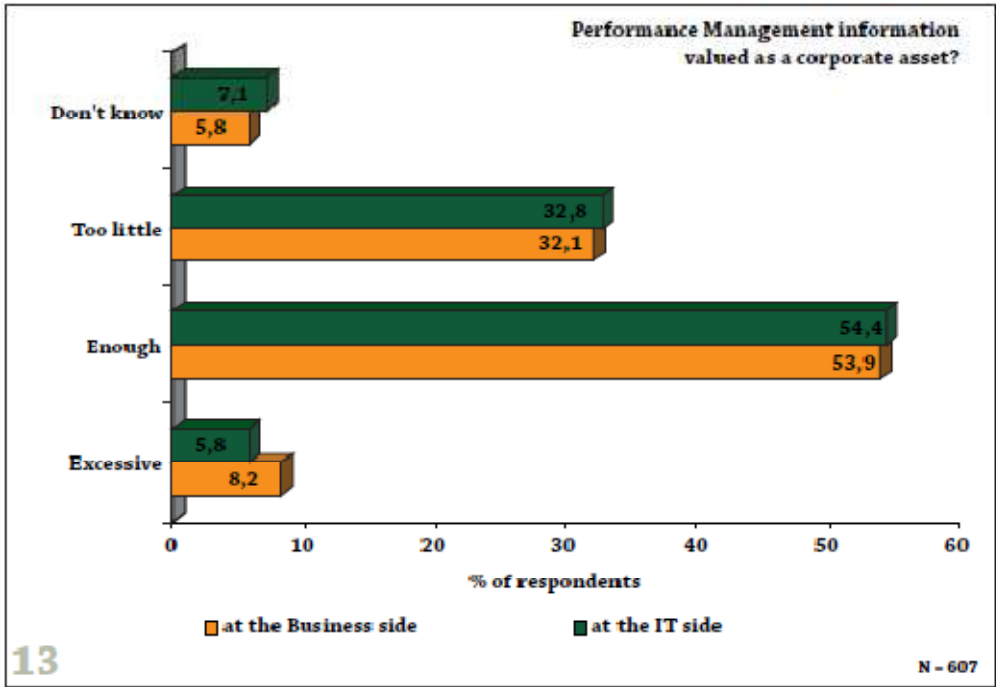
1. Culture change
2. Business rules analysis
3. Data quality
4. ROI justifications
4. Budget constraints



All respondents were asked for their top five ranking. The overall ranking of challenges was obtained by summing the rankings of all individual respondents for each ranked item. The relative importance for the top five resulting items was obtained by comparing the total item rank of each item with the rank of “culture change” as the leading challenge (see Figure 11).

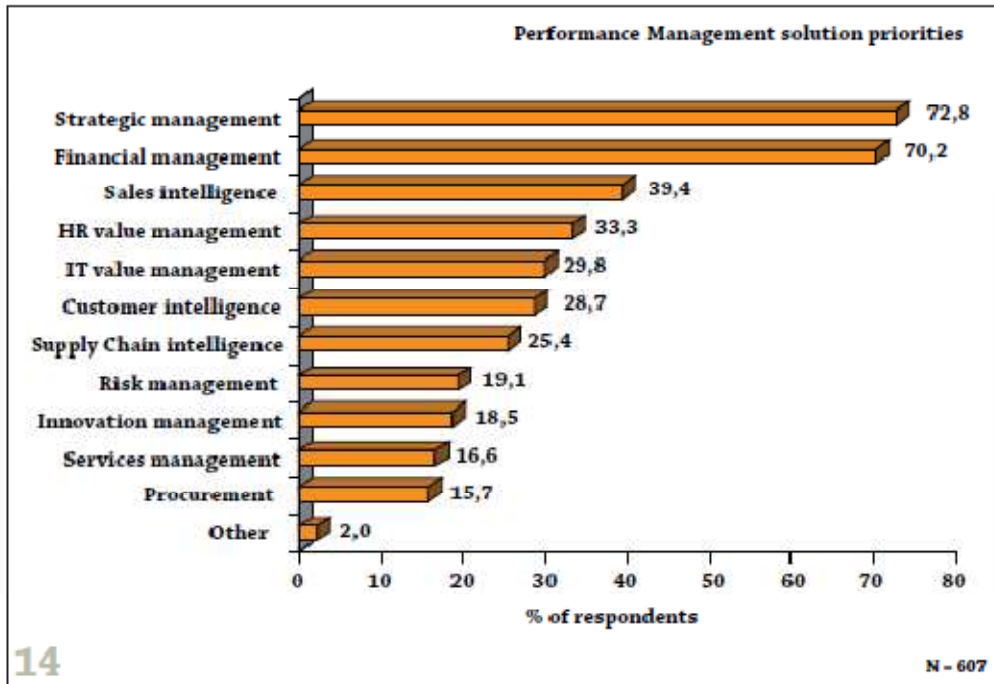
7.3.2 Performance Management information as a corporate asset

Still about one third of the survey respondents feel that both Finance as well as the business side undervalues Performance Management information as an asset to the enterprise (see Figure 13). Somewhat over 50% of the respondents are satisfied with how their organisation’s business and finance side value it. Interestingly, some small percentage of the respondents believes that Performance Management information is excessively valued as an enterprise asset, both at the business as well as the finance side.



7.3.3 Performance Management solution priorities

The survey respondents were asked to flag their solution priorities for Performance Management. Two of them really stand out: Strategic Management solutions and Financial Management solutions. More than 70% of the respondents ticked them off in the list. Risk and compliance is a distant third with some 39% of the respondents having it on their priority list. HR value management and Finance value management solutions complete the top five.



7.3.4 Eskom technology toolset

STANDARD REPORTING TOOLS

These tools are used by professional developers to create standard reports for groups, departments, or the enterprise.

END-USER QUERY AND REPORTING TOOLS

These tools are used by end-users to create reports for themselves or others; requires no programming.

DATA INTEGRATION AND DATA WAREHOUSING TOOLS

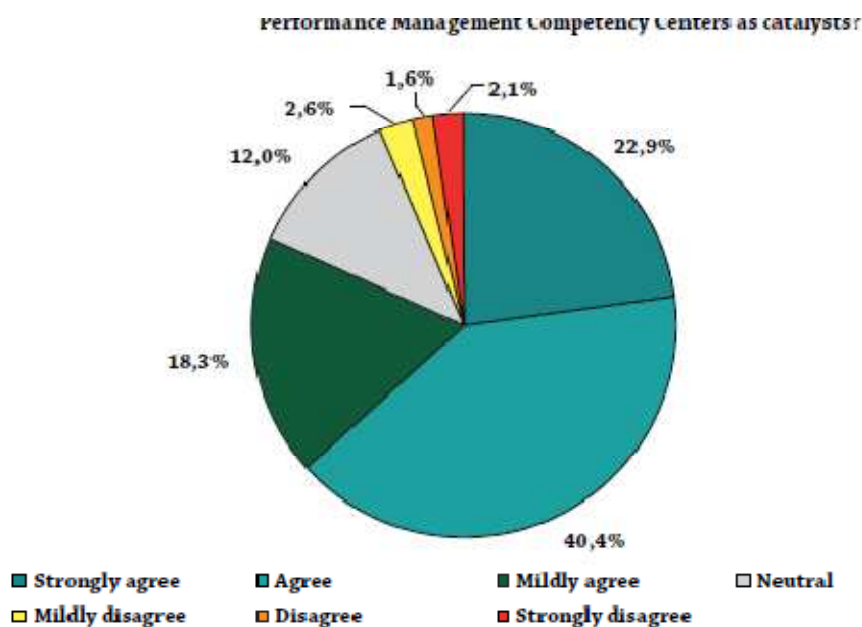
These tools are used to construct and maintain an integrated data household on top of which monitoring, analysis and reporting applications run.

DASHBOARD/SCORECARD TOOLS

These tools allow end-users to view critical performance data at a glance seeing graphical icons and drill down to analyse detailed data and reports if desired

7.3.5 Performance Management Competency Centres

The idea of establishing a dedicated Competency Centre for Performance Management that is a cross-functional team with specific tasks, roles, responsibilities and processes for supporting and promoting the effectiveness of Performance Management, seems appealing to a vast majority of the survey respondents (81.6%) (See Figure below). 22.9% are strong supporters, 40.4% think of it as a valuable notion, and 18.3% assume at least some benefits may result. Only some 6% of the respondents seem to be opposed to the idea. Of course, the setup of such a team may take on many different forms.



Performance Management covers

The combination of management, methodologies and metrics, supported by applications, tools and infrastructure enabling users to define, monitor and optimise results and outcomes to achieve personal or departmental objectives, while aligning with strategic objectives across multiple organisational levels. *(Source: Gartner)*

1. How is the theme of Performance Management situated in Eskom's radar?

- We have been investing in Performance Management for some time now (1)
- We recently started to invest in Performance Management (2)
- We are planning to invest in Performance Management (3)
- We are not interested in Performance Management (4)

2. Which functional areas in Eskom are giving top priority to Performance Management?

- Human Resources(1)
- Finance (2)
- Risk and compliance (4)
- Supply chain (3)

3.1. How satisfied is Eskom with its Performance Management efforts contributing to the following:

Management on the basis of evidence

Exceeds expectations (1)

Meets expectations (2)

Below expectations (3)

Don't know (4)

4.2. How satisfied is Eskom with its Performance Management efforts contributing to the following:

Management of a comprehensive set of performance indicators

Exceeds expectations (1)

Meets expectations (2)

Below expectations (3)

Don't know (4)

4.3. How satisfied is Eskom with its Performance Management efforts contributing to the following:

Integration of business processes

Exceeds expectations (1)

Meets expectations (2)

Below expectations (3)

Don't know (4)

4.4. How satisfied is Eskom with its Performance Management efforts contributing to the following:

Agility in steering the organisation

Exceeds expectations (1)

Meets expectations (2)

Below expectations (3)

Don't know (4)

4.5. How satisfied is Eskom with its Performance Management efforts contributing to the following:

Alignment of strategy formulation and execution

Exceeds expectations (1)

Meets expectations (2)

Below expectations (3)

Don't know (4)

4.6. How satisfied is Eskom with its Performance Management efforts contributing to the following: Learning organisation

Exceeds expectations (1)

Meets expectations (2)

Below expectations (3)

Don't know (4)

5. What do you believe to be the five most important challenges to achieving Performance Management success? Please rank your top 5 by clicking (1 = 1st most important, 5 = 5th most important)

Business rules analysis (1)

Education & training (2)

Understanding and managing user expectations (3)

- Data quality (4)
- Data integration (5)
- Vendor collaboration and support (6)
- ROI justification (7)
- Budget constraints (8)
- Culture change (9)
- Management sponsorship (10)
- Time required implementing (11)
- Analytical skills (12)
- Tool capability (13)
- Technical skills (14)
- Computing power (15)
- Collaboration between Business and IT (16)
- Other (please specify) (17)

6.1. To which extent does Eskom value Performance Management Information as a corporate asset?

- Too little (1)
- Enough (2)
- Excessive (3)
- Don't know (4)

6.2. To which extent does Eskom value Performance Management Information as a corporate asset?

- Too little (1)
- Enough (2)
- Excessive (3)
- Don't know (4)

7. What are Eskom's solution priorities for Performance Management?

Strategic management solutions (e.g. Balanced Scorecard, internal process management) (1)

Financial management (e.g. budgeting and planning, consolidated reporting, activity based management) (2)

Sales intelligence (e.g. sales forecasting) (3)

Innovation management (e.g. R&D management, manufacturing and process innovation) (4)

Supply chain intelligence (e.g. improve forecasting accuracy) (5)

HR value management (e.g. competency development, HR administration) (6)

IT value management (e.g. service level agreements, capacity planning, IT cost management) (7)

Service management (e.g. after market, expertise, recycling management) (8)

Customer intelligence (e.g. customer analytics, marketing automation) (9)

Risk management (e.g. fraud, security) (10)

Procurement (e.g. improve procurement function) (11)

Other, please specify (12)

8.1. Which of the following Business Intelligence (BI) technologies does Eskom use for Performance Management?

Standard reporting tools.

Used by professional developers to create standard reports for groups, departments, or the enterprise.

Yes (1)

No (2)

Don't know (3)

8.2 Which of the following Business Intelligence (BI) technologies does Eskom use for Performance Management? End-user query and reporting tools.

Used by end users to create reports for themselves or others, requires no programming.

Yes (1)

No (2)

Don't know (3)

8.3. Which of the following Business Intelligence (BI) technologies does Eskom use for Performance Management?

Dashboards/Scorecards tools.

Allow end users to view critical performance data at a glance seeing graphical icons and drill down to analyse detailed data and reports if desired.

Yes (1)

No (2)

Don't know (3)

8.4. Which of the following Business Intelligence (BI) technologies does your company use for Performance Management?

Advanced analytics and data mining tools.

Allow business analysts to create descriptive or predictive models of business activity.

Yes (1)

No (2)

Don't know (3)

8.5 Which of the following Business Intelligence (BI) technologies does Eskom use for Performance Management? Data integration and data warehousing. Used as an integrated data household on top of which monitoring, analysis and reporting applications run.

Yes (1)

No (2)

Don't know (3)

8.6. Which of the following Business Intelligence (BI) technologies does Eskom use for Performance Management? Workflow and collaboration. Enables users to both share and discuss information and collaborate in the context of a business process or activity.

Yes (1)

No (2)

Don't know (3)

9. Please indicate the appropriate answer in response to the following statement: Eskom should have a cross-functional team with specific tasks, roles, responsibilities and processes for supporting and promoting the effectiveness of Performance Management.

Strongly disagree (1)

Disagree (2)

Mildly disagree (3)

Neutral (4)

Mildly agree (5)

Agree (6)

Strongly agree (7)

10. Your functional domain:

Strategy (1)

Finance (2)

Sales (3)

Products & Services development (4)

Operations (5)

Human Resources (6)

Information Systems and Technology (7)

Customer Service (8)

Marketing (9)

Risk and Compliance (10)

Procurement (11)

Other, please specify (12)

11. Your position in the organisation:

Senior leadership / Executive (1)

Senior manager (2)

Middle manager (3)

Supervisor (4)

Individual contributor (5)

Other, please specify (6)

A PROPOSED FRAMEWORK FOR EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM FOR ESKOM

As indicated earlier in this dissertation, the development of a PMS is not aimed at a particular programme and project, as currently envisaged by Eskom, because proper data is necessary to undertake research of such a nature. Consolidation of all aspects that a Performance Management System should encompass as well as the responses from the questionnaires, the following should provide a framework in which this mechanism should operate:

1. A Performance Management System should, firstly, encompass a developmental vision and mission for Eskom with directives to achieve the development objectives of the organisation from the big variation of the standards of employees and the need to balance this. This should be regulated within a framework of organizational ethics with regard to service delivery. With regard to ethos, the code of conduct for employees and officials as stipulated in relevant policies and processes to be the guidance for service delivery to its employees.
2. Secondly, development aims are to develop and give effect to the realization of the mission and vision of the organization and to integrate the mainstreaming of participatory governance within a performance-driven Eskom. These aims are encompassed in the new developmental role that is envisaged Eskom since the inception of the transition. In the case of Eskom
 - All citizens shall have access to adequate electricity
 - An economical, effective, efficient and accountable organization.
 - Conditions to be conducive for attracting investment in the area
 - To ensure that sufficient, suitable, adequate and appropriate land is made available to meet the various needs.

Thirdly, governance mechanisms need to be implemented to ensure that the developmental aims of Eskom have a stipulated framework in which it operates.

The challenges for Eskom is to increase performance is thusto develop and use new policy, restructure its administration and service deliveryarrangements as well as developing and provide new cultures and skills for officials, in order to facilitate a performance-driven Eskom on a sustainable basis.

At an administrative level, the appropriate delegation of responsibility and accountability, and the alignment of the organizational structure to the programme structure, are essential. Accountability processes are much more effective if outputs and outcomes are clearly specified in advance. If managers are allowed to manage, and are given the appropriate responsibilities which allow them to do this, the emphasis moves from bureaucratic control to service delivery. It is believed that budgeting for results can be implemented successfully if there is sufficient institutional and managerial support and a well-co-ordinated implementation strategy. Fourthly, the structure of the organization is imperative if Eskom aims to become output-orientated. How, then, should a developmental Eskom be structured to take on these developmental challenges? The organizational design of an institution plays a critical role in financial planning and expenditure and revenue management. It is essentially concerned with dividing the work and responsibilities in a coherent manner, so as to obtain the best performance from individuals and the organisation as a whole. Ideally, the organisational design should be streamlined, with managerial powers and control over decision-making distributed and delegated according to programme structure. In this way, specific individuals are made responsible for certain functions and activities and are held accountable for these. Within the performance budgeting system each manager, given the necessary responsibilities, can be held accountable for achieving specific objectives in the form of outputs or outcomes, depending on the level of management.

The answer lies in how Eskom utilizes its resources in order to maximize its potential to become more effective and efficient. Firstly, the basic organizational and developmental questions need to be addressed - for example, the relationship between Eskom and outlying offices; the creation of co-operative

mechanisms amongst Eskom departments, and improving Eskom' public relations within their employees. In the process, it is envisaged that SHC should be the framework according to which Eskom is organized. There is a need for Eskom to focus on the basic requirement of administrative competence when programmes and anticipated deliverables are identified in the SHC. This would be the strategic departure for performance measurement.

Secondly, in order for Eskom to increase its performance, adherence to the following requirements of the policy aims to ensure that the administration becomes development-orientated:

- To ensure that its managers and other staff members align their roles and responsibilities with the priorities of the SHC.
 - To establish clear relationships, and facilitate co-operation, between government office-bearers and Eskom
 - To perform its functions through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units, and where necessary, on a decentralized basis;
 - To assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms;
 - To delegate responsibility to the most effective level within the administration,
- And
- To involve staff in management decisions as far as practicable.

Throughout the whole spectrum of these requirements, Eskom is required to take serious steps to promote co-operation with government and to involve the employees on a sustainable platform, in decision-making as a measure to increase performance.

For Eskom to maximize performance and become an SHC-guided organization, it should thus:

- Focus on developmental outputs such as infrastructural projects, build programme, network strengthening, or investment *promotion*, which, to a certain extent.
- Secondly, in an output-oriented Eskom, the administrative, financial and technical departments would be aimed primarily at supporting the developmental functions (whether located in the economic, social services or technical departments);
- Thirdly, it would be more developmentally driven should Eskom employ a high level of developmental staff, where such staffs has appropriate qualifications and experience in development management, programme management or project management.

Fourthly, the need for departments in Eskom to co-operate and coordinate their activities in the implementation of development projects is to be intensified. Key functions in Eskom that can play a more effective guiding role in developmental programmes should be investigated. Hereby referring to the utilization of functions to ensure that can be programmes and projects are SHC guided. Co-ordination and mutual adjustment of priorities should be continuously monitored and reviewed. This requires a high degree of leadership from the CEO, who needs to be sufficiently and constantly informed of project requirements and dynamics;

Lastly, for a Performance Management Framework to increase output, Key Performance Indicators (measures), as identified by Eskom, to become developmentally orientated in the SHC, should be the tangible measurement yardsticks projecting itself in the form of programmes and projects to be achieved. This should be approached with consideration of all the above mentioned to ensure that Eskom becomes output driven.

The importance of performance indicators is aimed at guiding resource allocation and at the same time communicates the goals, objectives and effectiveness of a programme to the employees. These findings and recommendations thus provide a framework for a Performance Management System to operate within Eskom, supplemented by the system that is already in place within Eskom as discussed earlier in this Chapter.

6.5 CONCLUSION

Eskom should deliberately and systematically set about creating a fully integrated system of managing for developmental results, in which department business plans, budgets, operating plans, and team or individual performance reviews are all linked by common, measurable goals, and performance indicators are used at all levels that align with those goals. Performance measures play an important role in aligning all these key processes to achieve the intended integrated system. The system is further integrated by performance auditing and auditing of performance measures, for both an accountability link, and to provide a view from outside departments on how they can improve their performance and the way they measure performance. Essentially, a clear mission, and strategic goals, indicating what they need to achieve and identified methods whereby they will go about achieving the strategic goals, should be put in place. This must be supplemented by clear plans for how human, financial and physical resources are procured and utilized, as well as agreed-upon quality assurance standards, for all aspects of organizational functions.

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Performance Management Questionnaire

Dear Participant

I am a Final Year MBA student with UNISA SBL conducting research under the supervision of DelisiweDludlu. My research is about evaluating effectiveness of performance management at Eskom.

Eskom Holdings has a performance management system in place, However there are several challenges that remain to be addressed about performance management at Eskom. Concerns have been raised regarding the effectiveness and objectivity of performance management in Eskom. There is a lot of confusion and fears about the link in areas of evaluation objectives, developmental objectives, promotions, incentives and career development without threatening the relationship between superior and subordinate. The credibility of the system remains in question. A fair and transparent reward mechanism is the major drawback that employees have no clarity on how management go about allocating it. Furthermore employees have no trust in their superiors that performance management is not used as punishment for personal differences and it is used for managing employees out of the department or organisation. Employees also feel that performance management in Eskom is a one way communication instead of promoting a two way communication system between the supervisor and the subordinate. Employees have observed that goal setting does not happen at the beginning of the year but later when incentives are due for pay out i.e. performance management in Eskom is primarily seen as an annual event, a form completed prior to the end of the financial year. The form is filed and in most cases will not be touched again until the next review the following year. The performance appraisal may or may not be referred to at the annual pay review. Therefore the study will discuss the effectiveness of performance management at Eskom Holdings.

There is only one phase which I will randomly select employees in the Divisions.

Completion of the questionnaire will take 15 minutes of your time minimum, and may be filled in by any employee in Eskom Division. Participation in this project is

completely voluntary. If there are any questions that you prefer not to answer, you may skip them. If you would like to write additional comments on the questionnaire, please feel free to do. All information that you provide through your participation in this study will be kept confidential. Further, you will not be identified in the thesis or in any report or publication based on this research. There are no known or anticipated risks to participation in this study.

I will pick up the completed questionnaire in un-marked envelopes/box on the 16st of April 2011 alternatively send to me via my email address
kate.maluleke@eskom.co.za

Thank you in advance for your co-operation in my research.

Yours sincerely,

Kate Maluleke

+27 83 4460319

Respondent number

SECTION A

Kindly complete this section. This section is requested for statistical purposes only. The information you provide will only be used for the purpose of this research and nothing else. Researcher conformation to ethics, dictates that confidential information will be strictly adhered to.

Please tick the appropriate one in a box

1. What population group are you?		
Black	<input type="checkbox"/>	<input type="checkbox"/>
White	<input type="checkbox"/>	<input type="checkbox"/>
Indian/Asian	<input type="checkbox"/>	<input type="checkbox"/>
Coloured	<input type="checkbox"/>	<input type="checkbox"/>

2. I am a		
Female	<input type="checkbox"/>	<input type="checkbox"/>
Male	<input type="checkbox"/>	<input type="checkbox"/>

3. What age group are you?		
22-30 years	<input type="checkbox"/>	<input type="checkbox"/>
31-45	<input type="checkbox"/>	<input type="checkbox"/>

45 and above		
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SECTION B

1. Which section are you in Eskom(tick only one answer in a box provided)		
• Consulting		
• Finance		
• Auditing		
• Human Resources		
• Commercial		
• Project Management		
• IT		
• Other please specify		

2. Which Division are you in Eskom(Tick for the appropriate answer))		
• Transmission		
• Capital expansion		
• Generation		
• Distribution		
• Corporate		

3. What is your position in the organisation (Tick the appropriate answer))		
• Senior leadership / Executive	<input type="checkbox"/>	<input type="checkbox"/>
• Senior Manager	<input type="checkbox"/>	<input type="checkbox"/>
• Middle Manager	<input type="checkbox"/>	<input type="checkbox"/>
• Supervisor	<input type="checkbox"/>	<input type="checkbox"/>
• Other please specify	<input type="checkbox"/>	<input type="checkbox"/>

4. What band are you (Tick the appropriate answer))		
• T09-T13	<input type="checkbox"/>	<input type="checkbox"/>
• P/S/M Band	<input type="checkbox"/>	<input type="checkbox"/>
• E & F BAND	<input type="checkbox"/>	<input type="checkbox"/>

5. How is the theme of Performance Management situated on your division's radar?(Tick ONE appropriate answer using the box provided))		
• We have been investing in Performance Management for some time now	<input type="checkbox"/>	<input type="checkbox"/>
• We recently started to invest in Performance Management	<input type="checkbox"/>	<input type="checkbox"/>
• We are planning to invest in Performance Management	<input type="checkbox"/>	<input type="checkbox"/>
• We are not interested in Performance Management	<input type="checkbox"/>	<input type="checkbox"/>

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6. Which functional areas in your organisation are giving top priority to Performance Management? (indicate in a box provided by using number 1-4) 1= high and 4 low)

• Finance		
• Supply Chain		
• Human Resources		
• Risk and Compliance		

8. How satisfied are you with performance Management efforts contributing to the following:

Management of a comprehensive set of performance indicators (Tick the appropriate answer using the box provided)

• Exceeds expectations		
• Meets expectations		
• Below expectations		
• Don't know		

9. How satisfied are you with Performance Management efforts contributing to the following:

Integration of business processes (Tick the appropriate answer using the box provided)

• Exceeds expectations		
• Meets expectations		
• Below expectations		
• Don't know		

10. How satisfied are you with performance Management efforts contributing to the

following: Agility in steering Eskom (Tick the appropriate answer using the box provided)		
• Exceeds expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Meets expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Below expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Don't know	<input type="checkbox"/>	<input type="checkbox"/>
11. How satisfied are you with Performance Management efforts contributing to the following: Alignment of strategy formulation and execution (Tick the appropriate answer using the box provided)		
• Exceeds expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Meets expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Below expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Don't know	<input type="checkbox"/>	<input type="checkbox"/>
12. How satisfied are you with performance Management efforts contributing to the following: Learning organisation (Tick the appropriate box)		
• Exceeds expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Meets expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Below expectations	<input type="checkbox"/>	<input type="checkbox"/>
• Don't know	<input type="checkbox"/>	<input type="checkbox"/>
13. What do you believe to be the five most important challenges to achieving Performance Management success? Please rank your top 5 by indicating with 1-5 (1 = 1st most important, 5 = 5th most important)		

• Business rules analysis		
• Education and training		
• Understanding and managing user expectations		
• Budget constraints		
• Culture change		
• Data quality		
• Data integration		

14. To which extent does your Division value Performance Management Information as a corporate asset (Tick the appropriate box)		
• Too little		
• Enough		
• Excessive		
• Don't know		

15. What are Eskom solution priorities for Performance Management (use the provided box and indicate with a number (use number 1-6) (1=High and 6 Low)		
• Strategic management solutions (e.g. Balanced Scorecard, internal process management)		
• Financial management (e.g. budgeting and planning, consolidated reporting, activity based management)		
• HR value management (e.g. competency development, HR administration)		
• Procurement (e.g. improve procurement function)		
• IT value management (e.g. service level agreements, capacity planning, IT, cost management)		
• Other, please specify		

16. Please indicate the appropriate answer using a box in response to the following statement: Eskom should have a cross-functional team with specific tasks, roles, responsibilities and processes for supporting and promoting the effectiveness of Performance Management.		
• Strongly disagree		

• Disagree		
• Mildly disagree		
• Neutral		
• Mildly agree		
• Agree		
• Strongly agree		
<p>17. Which of the following Business Intelligence (BI) technologies does Eskom use for Performance Management (Tick the appropriate box)</p>		
• Dashboards/Scorecards tools.		
• Allow end users to view critical performance data at a glance seeing graphical icons and drill down to analyse		
• Detailed data and reports if desired		