

Explaining convergence with respect to performance management in South Africa;

**The motivations behind the adoption of performance management in local
governments in South Africa from different theoretical perspectives.**

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PREFACE

This research is done in order to finalise my study of public administration at the Erasmus University in Rotterdam. For this final thesis I got the opportunity to do research in South Africa. Professor Schwella had invited me to do an internship at the Public School of Management and Planning in Belville, which is connected to the University of Stellenbosch. I stayed there for three months, in which I primarily worked on this research. I enjoyed my stay in South Africa a lot and think of it as a very instructive experience, both with respect to my study as to me personally. I want to thank Professor Schwella, Mrs. Belinda Weaver and Ms. Babette Smit of the Public School of Management and Planning in Belville sincerely for inviting me and supporting me with my research. Their knowledge, contacts and support have been of great help. Furthermore they gave me room to develop my own ideas and to do my own research. It was a great privilege to work with them.

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Moreover, I want to thank Dr. Sandra van Thiel for her advice, insights and support. It was great to know that she was on my side during this research, especially when I was in South Africa. Furthermore I want to thank her for stimulating me to finish a great part of my thesis before I went to South Africa. This made it easier to connect the theory with the findings and to get a consistent content of the thesis. I am grateful for her accompaniment during this research. Finally I want to thank Dr. Klaassen for reading this thesis attentively and giving me constructive criticism.

1. INTRODUCTION

Performance management has become popular in the public sector in many countries. States spend more time and money on performance measurement and evaluation on all levels of the public sector than they used to do (Van Thiel & Leeuw, 2002: 267).

Performance management is a result based management form. It focuses on performance instead of input. Overall performance management aims to increase the effectiveness and efficiency of an organization. It does this by linking the goals of an organization directly to the products and services that must be delivered in order to achieve it; by working with contracts in which is put exactly what targets should be achieved; by budgeting on performance instead of input and by introducing advanced management instruments like benchmarking and risk management (Van Oosterom, 2002:4).

Performance management is related to the New Public Management (Van Oosterom, 2002:2). New Public Management (Hood, 1991;3) refers to new trends in managing the public sector that have been dominating the western countries since the end of the late 1970s. In general these trends shape a vision of a smaller public sector intensively focused on efficiency, with smaller and more autonomous units instead of big bureaucracies. Furthermore it strongly focuses on market and market type mechanisms, on performance frameworks, result based forms of management and specified budgets (Kickert, 1993:21; Pollitt, 2002:474).

The ideas of New Public Management have become very influential all over the world. The 'new public management revolution' has fostered a wave of reform not only in developed countries, but also in developing and transitional countries (Minogue, Polidano & Hulme, 1998). Around the world; a generic wave of reforms has occurred. Some academics speak in this context about convergence of public management (Pollitt, 2002:472). 'Convergence' implies that countries become more alike. Following Wilensky (in: Minogue, et al., 1998:63) convergence theory is 'the idea that whatever their political economies, whatever their unique cultures and histories, the "affluent" societies become more alike in both social structure and ideology.'

1.1 Motive and relevance of research

Why does this convergence take place? Why are new forms of management, such as performance management, adopted in so many different countries? Moreover, why are these new forms of management, that are originated in the western countries, adopted in so many non-western countries? Will they work in these countries as well? Is it reasonable that a developing country in Africa needs the same sort of management as a developed country in Europe? Furthermore, one can question how a country in Africa becomes inspired to implement a western management form.

To gain understanding in these matters I will study the adoption process of performance management in a number of local governments in South Africa. Since a few years local governments are experimenting with performance management in South Africa. This is an interesting case, because South Africa is an African country which is at a large distance from the western world. Furthermore the economical and political circumstances of South Africa differ a

lot from those in the Western countries. Still they decided to adopt performance management in the local governments.

The purpose of my research is to explain why local governments have adopted performance management and why they implemented it like they did? By means of this research I want to give insight into the motivations behind adopting a western management form in a non-western country. Do people really expect performance management to work in South-Africa, or are there other reasons why they adopt it?

Most research on performance management is about its effectiveness and functionality or dys-functionality. I choose to study the motivations behind the use of performance management, because it is important to understand why certain things are done. Especially considering the big effort that people have to put into the implementation of performance management in South Africa, it is important to find out why this implementation takes place. With regard to these new business like management forms, researchers seem to be preoccupied with analysing how it works and how to implement it best. There is hardly any attention paid to the question why these management techniques are implemented in the first place. In my research I hope to give more insight on this aspect of adopting performance management.

1.2 Theories and main question

Pollitt (2002: 481) gives different answers to the question why convergence takes place. He distinguishes a functionalist approach and a non-functionalist approach towards convergence. Following the functionalist approach, convergence take place because one organizational form is just better than other forms and therefor this best form will be adopted everywhere. The argument for convergence of the New Public Management is also functional; the traditional bureaucratic way of managing public task does not seem to work anymore under the present circumstances and as a result of that governments of countries all over the world are moving towards a new way of managing public tasks, namely entrepreneurial (Pollitt, 2002: 481-482).

The non-functionalist theories do not agree with the idea that change is always driven by efficiency or good environmental 'fit'. Instead they argue that organizational reform is a result of adhering to the normative appropriate behaviour rather than calculating the optimal choice. Considerations of legitimacy, symbolism and fashion, are other drives that are emphasized by non-functionalist (Pollitt, 1998: 482). DiMaggio and Powell (1991) constructed a theory about institutional isomorphism in which they identify three reasons for this 'convergence'. First there is 'coercive isomorphism'; an organization adopts a particular form because it is pressured to do so by another organization or by the society in which it functions. Secondly there is 'mimetic isomorphism' where an organization decides to copy innovations going on somewhere else to be able to face its own uncertain circumstances. Thirdly, there is 'normative isomorphism' where an organization is operating in a field that is strongly influenced by norms set by other actors.

In short, these approaches imply different drives behind the implementation of new forms of management. Functionalists believe in 'one best way of management' and non-functionalists argue for different motivations behind reform, like pressures from other organizations, the urge to be like the rest and the influences of the personnel of an organization.

In order to study the adoption process of performance management by local governments in South Africa, I decided to use both a functional as well as a non-functional theory. In that way, I will be able to look at the adoption process from both perspectives, which will enable me to get a better overall view on the matter. I will use the innovation diffusion theory (Rogers, 1995) as a more functional theory and the theory of institutional isomorphism (DiMaggio & Powell, 1991) as a non-functional theory. I have chosen these theories because they are both involved with adoption processes. The innovation diffusion theory gives more insight in how adoptions of innovations take place in a system. Following this theory the drives behind an adoption depend on the nature of the innovation. So in case of a change in management, the drive will be that performance management is a better management form than the one used before. Performance management aims to improve efficiency and effectiveness, so one may expect that the efficiency and effectiveness will increase by using it. This theory fits well into the ideas of the functionalist theories for adoption.

The second theory I will use is the theory of institutional isomorphism (DiMaggio & Powell, 1991). This theory argues that organizations try to resemble other organizations not so much for economical reasons, but for reasons like increasing the institutional legitimacy and political power. Not only economical fitness, but also social fitness is an important motivation for adoption. This theory suggests three drives behind an adoption; coercive pressures, mimetic behaviour and normative pressures. In short this means that an organization is forced to adopt something by a more powerful institution, or that it copies something from another organization to cope with its uncertain environment or that it is influenced by professional norms and standards. Following this theory the adoption of performance management is not so much about efficiency and effectiveness, but about legitimacy and symbolism. As I mentioned above institutional isomorphism can be seen as a non-functional theory about adoption.

Whereas the theory of diffusion of innovations places emphasis on the innovation itself and why that particular innovation is adopted, the theory on institutional isomorphism puts adoption in a broader perspective and places emphasis on reasons for adoption that are not really related to the object of adoption itself, but more to the environment. In other words where the innovation diffusion theory focuses on performance management and the drives behind performance management itself, namely an increase in efficiency and effectiveness, the theory on institutional isomorphism focuses on drives behind the adoption related to the environment, like for example international pressure and the influence of professional standards.

My question is which theory provides a better explanation for the adoption process at the local governments in South Africa in particular? Are the motivations behind the adoption process more functional or non-functional of nature? My main question in this research will therefore be:

Which theory, the Innovation Diffusion theory or the theory of Institutional Isomorphism, provides a better explanation for the motives behind the adoption process of performance management by local governments in the Western Cape Province in South Africa?

In order to answer this question I will first specify the theories of innovation diffusion and institutional isomorphism and how these theories explain an adoption process. In this part I will try to answer the following question:

1. How would the theories of innovation diffusion and institutional isomorphism explain the adoption of performance management by municipalities in South Africa?

After looking at the theoretical answers on the question why the local governments in South Africa decided to adopt performance management, I will study this issue empirically. In the empirical research I will try to find the answer to the question:

2. Which explanation do the organizations involved offer for the adoption of performance management by local governments?

The empirical research will consist of interviews, observations and content analysis. Next I will compare the situation of the adoption process of performance management by the local governments in the Western Cape Province in South Africa with the theoretical explanations of the innovation diffusion theory and the theory on institutional isomorphism. The analysis aims to answer the following question:

3. How do the explanations of the organizations involved with the adoption of performance management correspond with the innovation diffusion theory and the theory of institutional isomorphism?

The scope of research will be the Western Cape Province of South Africa. Due to the physical size of South Africa and the great variety within the country, it is not easy to do research and make generalisations for all local governments in South Africa. Especially not when one decides to use qualitative research methods. I decided therefor to focus on one province. Within one province there is still enough variety to render the typical culture and history of South Africa, but this variety is manageable. Because I was offered an internship at the Stellenbosch University for three months, where I could work with experts on performance management in South Africa, it was obvious to do research in the Western Cape Province. The Western Cape Province was furthermore an interesting province, because it covers all the different types of municipalities in South Africa and because it covers one of the biggest cities in South Africa: Cape Town. Cape Town and Johannesburg are both known to be early adopters of performance management in South Africa.

1.3 Research objectives and scientific relevance

The innovation diffusion theory and the theory on institutional isomorphism are based on different research approaches. The innovation diffusion theory is more functional of nature and fits therefor well into the rational approach, while the theory of institutional isomorphism is non-functional and belongs better to the interpretative/hermeneutic research approach (Hakvoort, 1995; Pollitt, 2002: 482). An important difference between these two approaches is that the starting point of the rational approach is that there is an objective knowable truth, and within the interpretative/hermeneutic approaches the dominant idea is that 'reality' is dependent on the opinions and interpretations of the people within that reality. So whereas the innovation diffusion theory stresses that the implementation of performance management occurs, simply because it is

a good functioning management form that can improve the organization, the theory of institutional isomorphism argues for more than one explanation for the adoption process.

I will look at the reality of the adoption process of performance management in South Africa from both perspectives to get a good overall view. The theories explain the same adoption process in very different ways. By studying the adoption process from both angles I will be able to provide a well-considered explanation for the motivations behind the adoption. Furthermore I will be able to see which theory provides a better explanation for an adoption process like this. The aim of this research is not only to explain the motives behind the adoption process, but also to find out which of the two theories is more useful to gain understanding in these kind of adoption processes in non-western countries. Are they better explained by a functional or a non-functional theory? From a scientific point of view it is interesting to compare these two theories and see which theory seems to correspond better with the reality of this particular case. The theories emphasize different aspects of the adoption process, but which aspects are more relevant in regard with the motivations behind the adoption of the people involved.

The scientific relevance of this research is to see how useful these theories are in explaining an adoption process of a western management form in a country like South Africa. Furthermore it is interesting to see if one of these theories provides new insights on the adoption process in South Africa that have not been paid attention to in earlier research.

1.4 Overview

After explaining the aim of this research and the main research questions I will continue now with giving a short overview on the following chapters.

In the next chapter, chapter 2, I will discuss the theories that are used in this research. I will first go into the subject of performance management itself and its link to the New Public Management movement in section 2.1. I will among other things discuss the positive and negative effects of performance management in the public sector given by other authors. In section 2.2 I will continue with explaining the theory on convergence of Pollitt (2002). After a short introduction on what convergence is I will deal with the reasons why convergence takes place and how it takes place. In the next section, 2.3, I will explain the theories of innovation diffusion and institutional isomorphism and how these theories explain the adoption process of performance management at the local governments in South Africa. I will end this section with formulating hypotheses about the adoption process of performance management by local governments in South Africa based on both theories.

In chapter 3 I will go into the matter of research methods and techniques. In section 3.1 I will first clarify how I will measure the theoretical assumptions empirically. I will formulate research variables and then I will conscientiously describe what I exactly mean by every term and how I will measure them. In the next section I will explain which research methods I will use and why I have chosen to use them. Finally, I will combine the research variables with the research methods in the last part and specify for each variable which interview- and content analysis questions I will use.

In chapter 4 I will describe the results I found in the empirical research. I will start in section 4.1 with the overall results. This will include a section about local governments in South Africa (4.1.1), a section on legislation on performance management in South Africa (4.1.2), and a section on performance management in South Africa (4.1.3). In section 4.2 I will continue

explaining the adoption process seen from the innovation diffusion theory. In section 4.3 I will explain the results from the perspective of the institutional isomorphism theory.

In chapter 5, the concluding chapter, I will answer the research questions. In section 5.1 I will describe how the organisations involved explain the adoption process. In section 5.2 I will discuss the empirical findings corresponding with the two theories. Then I will come back to the hypotheses that I formulated based on the theories in section 5.3. I will discuss them in the light of the empirical findings. Finally in section 5.4 I will answer the question which theory provides a better explanation for the adoption of performance management. Furthermore I will give some recommendations for further research in section 5.5.

2. THEORETICAL ANALYSIS

This chapter deals with the theoretical answers on the question why performance management is adopted in the local governments of South Africa. First I will explain the concepts of performance management and convergence in section 2.1 and 2.2. Then I will introduce two theories that explain the adoption process of new forms of management in different ways: the innovation diffusion theory and the theory on institutional isomorphism. I will go into the subject of both theories and their expectations on the South African case.

2.1 Performance Management

Performance management is a management form that strongly focuses on results, on the products and services of the public sector (Van Oosterom, 2002:1-2). The overall aim of performance management is to make an organization more efficient and effective. It does so by clarifying the relation between means and ends. The products and services that must be delivered should be related to the effects that these products and services are about to make in society. In order to do that first the objectives of an organization are defined. Then these objectives are translated into performance indicators and targets to be achieved. After that the management chooses actions and efforts to achieve the targets. Afterwards one can evaluate the performance using the performance indicators.

A term that is strongly related to performance management is performance measurement. In order to be able to manage organizations performance it must be measured. In that sense measurement is part of performance management. However performance management and performance measurement are often seen as the same thing. This is mostly caused by the fact that the models that are used for measurement are pretty powerful. Literature on performance management and performance measurement therefore shows hardly any differences. In this research I will use the word performance management, because I want to emphasize the fact that it is a new way of management, and more than simply measuring performance.

2.1.1 Administrative reform and New Public Management

Performance management is related to the rise of administrative reform and the popularity of New Public Management (Van Oosterom, 2002:2). In the 1980s increased economic decline, international competition, market liberalisation and developments in information technology made governments reconsider their competence. In most Western countries this resulted in administrative reforms. New trends in managing the public sector were introduced. These new trends are often referred to as New Public Management (Hood, 1991).

The main goals in these new management trends were to cut budgets and to increase the effectiveness and efficiency of government bureaucracy (Van Thiel & Leeuw, 2002: 268). To achieve these goals steering- and control mechanisms of the private domain were transferred into the public sector (Bordewijk, Klaassen, 2000). Preferably policy implementation should be left to the market and if that is not possible, to organizations operating in a quasi-market environment. In this way politicians could stick to their core-business which is developing policy.

This separation of policy making and policy administration is facilitated by contracts. In these contracts it is made clear what task has to be carried out and what the executive 'agent' will receive as a reward. The performance of the agent is expressed in performance indicators. In stead of input management result based forms of management are used, such as performance management.

New Public Management is a broad term. It covers a set of broad administrative doctrines which have dominated the bureaucratic reforms in many of the OECD countries from the late 1970s on. Though advocates of New Public Management discern different aspect of the doctrine Hood (1991:5) mentions seven features that appear in most of the discussions of New Public Management. These are the following:

1. 'Hands-on professional management' in the public sector;
2. Explicit standards and measures of performance;
3. Greater emphasis on output controls;
4. Shift to disaggregation of units in the public sector;
5. Shift to greater competition in the public sector;
6. Stress on private-sector styles of management practice; and
7. Stress on greater discipline and parsimony in resource use.

Performance management fits well within these ideas of Hood about New Public Management. Especially the features of greater emphasis on output controls and the stress on private-sector styles of management practice can be seen in performance management.

2.1.2 Performance management

As I stressed above performance management is a result based form of management. It focuses on performance instead of input. In order to manage by performance, products and services are identified as object of management. This takes place in several steps. First, the organizational objectives are defined. Then the output is defined, in other words the products and services that must be delivered to achieve the organizational objectives. This output is translated in output indicators. After that targets are set, in terms of the output indicators. After identifying the product and services, the management chooses actions and efforts to achieve the targets that are set. Thus the management steers on output. The performance is monitored using the performance indicators. If the actual performance differs from the targets appropriate remedial action is taken and new targets are set (Van Oosterom, 2002:10; Smith, 1995: 279; Leeuw & van Gils, 2000:5).

Performance management therefor rests upon the implicit presumptions that agencies have or should have a specific goal and that goals can be quantified (Heckman, Heinrich & Smith, 1997:389).

Besides the products and services as object of management other dimensions of performance management can be distinguished (Van Oosterom, 2002:4). A second dimension follows from the principal agent theory and is concerned with the different roles of actors in the system. The principal, who can be described as the leader of the system, for example the minister, and the agent, who is the one who follows the orders and executes them, are considered to have opposite interests. To manage these interest differences it is important that agreements are made on what should be done by the agents and what the agents will get as a reward to do that. These agreements are put in contracts. In a contract the output that should be delivered by the agent is

determined and the rewards for delivering this output are established as well. For performance management it is important that the principal clarifies to the agent how to deal with the information that is revealed through performance measurement. They must make agreement on that. These agreements are usually put in the contracts as well.

A third dimension of performance management is budgeting on performance. Budgets are directly related to individual performances. Payments are done according to the delivered performance. This stimulates a more efficient way of working.

The final dimension that I will discuss is the use of advanced management instruments. Steering on performance leads to more concern for quantity, quality and prices of products. Therefore more attention is paid to instruments that are concerned with these matters. Benchmarking, operational audits and risk management are examples of such instruments. Besides these advanced instruments human resource management is used a lot, because it can create incentives for people to work more efficiently (Leeuw & Van Gils, 2000:5).

By expressing the goals of an organization directly into products and services that must be delivered, and by budgeting on the individual performance, performance management aims to increase the efficiency and effectiveness of an organization. Next, I will discuss the positive and negative effects of performance management that have been described by different authors.

Positive effects

Performance management has been advocated to improve efficiency in government organizations. It deals with inefficiency caused by poorly defined goals or conflicting interests within an organization. Moreover performance management provides incentives for the bureaucrats to work more efficiently (Heckman, et al., 1997:389). Following Van der Knaap and Van Oosterom (1999:37) performance management leads to more efficiency in two ways. First, more efficiency can be achieved by determining the amounts and the quality of products and services to be delivered. In that way it is possible to monitor the development of the costs of those products and services over time. Secondly, more efficiency can be achieved by delegating management competencies. Prior experience has shown that managers, who get more responsibilities about the means that are used to accomplish their tasks, become more conscious about the costs which are made.

Performance management triggers people to really perform and not just formulate ambitions, as is the case with input management, or to focus on internal activities, as is the case with throughput management (De Bruijn, 2001:49). Defining and measuring products and services have a good influence on the public sector. Measurement leads to a certain transparency. It becomes clear which products and services are delivered and how this production develops over time. This transparency is important in the light of the legitimacy of the public organizations. Citizens can see what is done by the public organizations and how things are done.

Furthermore performance management can improve the relation between policy and administration. Often the administration is seen as a sort of blackbox through the eyes of the policy makers. This blackbox can be opened by showing performance (De Bruijn, 2001: 49).

Van der Knaap (2000: 246) also calls for the fact that performance management makes a government choose a direction: what is our position as government, what do we want to achieve and how are we going to do that?

Negative effects

There is more and more evidence that result oriented forms of management also have unintended or perverse effects (Van Thiel & Leeuw, 2002:268). De Bruijn (2001:50) describes several perverse effects. Performance management can lead to strategic behaviour. For instance, an organization increases the production of a certain good only because this production is measured and they will be rewarded for it and not because an increased production is needed. Secondly performance management can block innovation and ambitions. Particularly when performance measurement is linked to financial rewards there can be a strong incentive to focus on products that are relatively easy to make and generate a lot of money, the so called 'cash cows'.

Another phenomenon that is well-known is that organizations raise their performance by optimizing their inputs. For instance schools only select good students in order to show good performance rates. Organizations become less ambitious because of this; they need to put less effort to achieve a desirable output if they manipulate the quality or quantity of the input.

Thirdly performance management may obscure actual performance. When the director only sees the aggregated data about what happens in the primary process there is a risk that he will reconstruct his own causalities from it. Performance management can also kill the professional attitude in such a way that the focus can be too much on measurable and definable interests at the expense of the non-measurable matters. Smith (1995:284) refers to this as 'tunnelvision'.

Furthermore performance management can form a disincentive for cooperation, because it forces organizations to focus mainly on optimizing its own performance.

Finally, De Bruijn (2001) mentions that performance management may lead to punishment of performance. For instance, if an organization becomes more efficient, because of their focus on results, their budget for the next year may be lower. Or the efficiency gains of the successful unit are given to the poor performing division, in order to improve the functioning of this division.

Besides the afore-mentioned 'tunnelvision' Smith (1995:283) describes seven other unintended consequences of performance measurement. For example, managers focus too much on narrow local objectives at the expense of the objectives of the organization as a whole. Smith calls this 'suboptimization'. It can also happen that managers focus too much on short term targets at the expense of legitimate long term objectives, which Smith calls 'myopia'. Another unintended consequence is 'measure fixation', which can be defined as an emphasis on measuring success rather than the underlying objective. 'Misrepresentation' refers to the deliberate manipulation of data so that the reported behaviour differs from the actual behaviour. It can also occur that people manipulate their behaviour in order to secure strategic advantage. For example, managers deliberately do not improve too much in a production process in one year, so that the expectations and targets do not increase much in the next year. This is called 'gaming'. So where 'misrepresentation' is about distortions in reported behaviour, 'gaming' is about distortions in the actual behaviour. It can also happen that a controller, as a result of bounded rationality, systematically misinterprets the facts and therefore has another view on the delivered performances. As a result he can then send the wrong policy signals to the agent. Smith calls this 'misinterpretation'. Finally Smith describes 'ossification' which is an organizational paralysis brought about by a very rigid system of performance evaluation. By choosing performance indicators and targets in advance managers can ignore new threats and opportunities.

In sum, performance management is expected to improve the efficiency and transparency in government organizations, but can also have perverse effects, like strategic behaviour and tunnelvision.

2.2 Convergence

New forms of management, like performance management, have become popular all over the world. Not only in the developed countries, but also in the transitional and developing economies new forms of management of the public sector are introduced. Minogue (1998: 19) refers to it as a generic wave of reforms.

Researchers relate this phenomenon to convergence (Pollitt, 2002;472). Convergence literally means that lines bend towards a same point. In a more abstract sense it refers to the tendency of societies to become more alike. Following Wilensky (in: Minogue, Polidano & Hulme, 1998:63) convergence theory is ‘the idea that whatever their political economies, whatever their unique cultures and histories the “affluent” societies become more alike in both social structure and ideology’. In other words, countries with very different backgrounds develop similarities for one reason or another. The diffusion of performance management all over the world can be seen in the light of convergence; many countries with different histories and different needs seem to adopt this new form of management, and therefore become more alike. Bennett (1992:219) emphasizes that convergence should be seen as a process of *becoming* more alike. To know that countries are alike does not mean that there is convergence. Convergence is about moving from different positions towards a common point over time. Theoretically speaking it is temporal rather than spatial.

2.2.1 Why convergence of public management?

Why does this convergence take place? Why are new forms of management adopted in many different countries? Pollitt (2002) distinguishes a functionalist approach and a non-functionalist approach towards convergence. Following the functionalist approach some organisational forms are just better than others and therefore are adopted everywhere. Theorists in institutional economy tend to judge organisational reform by its utility maximization. The line of reasoning is that if one organisational form is more efficient than others, it will eventually win out and replace the others, provided there is room for competition. Contingency theorists, who also belong to the functionalist category, share this belief that a more efficient organisational form will prevail in time. Though they see efficiency in the light of adaption to specific environments. The argument for convergence of the New Public Management given by Osborne and Gaebler is also functional: the old way of organizing public tasks, ‘traditional bureaucracy’, does not work under presentday circumstances, therefore governments all over the world are changing their management system into a system that does work, ‘entrepreneurial government’ (Pollitt, 2002: 481-482). In this functional approach new forms of management, like performance management, are only adopted because they work well. There is a strong emphasis on results; increased efficiency and effectiveness.

The non-functionalist theories do not agree with the idea that functionalist necessities like efficiency or good environmental fit are always the drives behind change. They for instance see organizational reform as shaped by a ‘logic of appropriateness’, which implies that “action is often based more on identifying with the normatively appropriate behaviour than on calculating

the return expected from alternative choices” (March & Olsen, 1989: 22). Other non-functionalists argued for the importance of institutional path dependency, and considerations of legitimacy, symbolism and fashion (Pollitt, 2002: 482). DiMaggio and Powell (1991) constructed a theory about institutional isomorphism in which they identify three reasons for this ‘convergence’. First there is ‘coercive isomorphism’; an organization adopts a particular form as a result of formal or informal pressure caused by some other organization, to which it is subordinate, or by the expectations of the society, in which it is operating. Secondly there is ‘mimetic isomorphism’ where an organization copies innovations from elsewhere in order to deal with new demands on the organization. The drive behind this kind of isomorphism is uncertainty. Thirdly there is ‘normative isomorphism’ where an organization is influenced by norms and standards that exist among its personnel or among other organizations in its field.

The non-functionalist theories, which are also known as constructivist theories vary internally, but share the idea that the evolution of organizations cannot be explained solely in terms of efficiency, utility maximization, and contingencies.

In short, the non-functional and functional approaches argue for different drives behind the implementation of new forms of management. Where functionalists support the idea of ‘one best way of management’, non-functionalists give many different reasons for managerial reform, including the perception of falling behind on others, pressure of supranational organizations and dissatisfaction with the status quo. Reformers may hope or believe that the efficiency or effectiveness will improve, but from the non-functionalist view, this is not a necessary condition for convergence. Non-functionalists argue that legitimacy may be more important than maximizing efficiency and effectiveness.

2.2.2 How does convergence take place?

Different countries adopt new forms of management, but do they all adopt them in the same way? And to what extent are these new forms adopted? In other words, what can be said about how convergence takes place? Pollitt (1998) describes a four stages. In the first stage that he calls ‘discursive convergence’ more and more people start to talk and write about the same concepts, for example about performance budgeting. In the second stage, ‘decisional convergence’, the authorities publicly decide to adopt a particular organizational form or technique. In the third stage, ‘practice convergence’, public sector organizations begin to actually work in more similar ways. The last stage, ‘results convergence’, is when reforms produce their intended, and sometimes unintended, effects. In this stage outputs and outcomes of public sector organizations begin to converge. The stages do not necessarily have to follow each other. Convergence at one stage can be accompanied by growing divergence at other stages.

In sum, convergence can take place on several levels. When people only talk about the same concepts in different countries it can already be called convergence. So convergence is not only about the actual implementing and adopting of a new form of management or policy. This fits well into the ideas that public management reforms are multi-step processes which can take a long time (Pollitt, 1998:475). The processes start mostly with debating about and formulating of reform ideas. Then there must be a sufficient group of actors supporting these ideas to enact reform. If this is the case an official decision may be taken to implement reforms.

2.3 Innovation diffusion theory vs. institutional isomorphism

To examine the drives behind the introduction of performance management by local governments in South Africa, I will use two theories that are involved with adoption. This will be the theory about innovation diffusion (Rogers, 1995) and the theory about institutional isomorphism (DiMaggio & Powell, 1991). The innovation diffusion theory corresponds with the functional approach; it focuses on the functionality of the innovation. According to this theory the motivation behind an adoption process is the functional benefit of the innovation. The theory on institutional isomorphism puts adoption in a broader perspective and therefore fits better into the non-functional approach; it emphasizes other motivations than the functionality, for instance pressure from others.

I will continue with explaining the two theories and their possible explanations for the adoption of performance management by local governments in South Africa.

2.3.1 Innovation Diffusion Theory

The innovation diffusion theory (Rogers, 1995) is developed to explain how innovations spread throughout societies. It tries to provide understanding on how an innovation is adopted in a society. The four main concepts are the innovation, communication channels, time and the social system.

Communication channels

Communication channels refer to the means that are used to get a message transferred from one person to another. Mass media channels are for instance means that are often used to inform a broad audience about an innovation. Interpersonal channels are communicational channels between people. The more two people, who communicate with each other are alike the more effective the communication will be (Rogers, 1995: 19).

Innovation

An innovation is something that is perceived as new by a person or other unit of adoption. It does not necessarily imply that it is really something new. One can distinguish five characteristics of an innovation (Rogers, 1995:15).

The first characteristic is the 'relative advantage'. This is the degree to which an innovation is perceived as better than the current situation. The relative advantage is often expressed in terms of economical profitability, social prestige or other benefits. The nature of the innovation determines what kind of relative advantage is important for the adopters, although characteristics of the potential adopters have influence as well (Rogers, 1995:212). So in case of a change in management towards performance management, the drive is expected to be that performance management is a better management form than the one used before. Performance management aims to improve efficiency and effectiveness, so adopters will expect that the efficiency and effectiveness will increase by using it.

A second characteristic of an innovation is its 'compatibility'. Compatibility refers to the degree of consistency of an innovation with the existing norms and values, previously introduced ideas, and needs of potential adopters. The more compatible an innovation is, the less insecure the adopter will be about it, because he is able to give meaning to the innovation. The degree of compatibility will be lower if an innovation does not fit within the cultural values and beliefs of a society.

Past experiences also influence the degree of compatibility. Old ideas are often used as a framework to look upon new ideas. If the old ideas can not support the new ideas the chance of adoption will decrease.

Finally it is important that an innovation meets a felt need. It is possible that adopters first become aware of a new idea or of its effects and then recognize a need for this new idea. But a felt need must be there.

So performance management must be consistent with the values of the municipalities in South Africa and it must be corresponding with previous experiences. Besides that it is important that there is a need for performance management. Assuming that performance management is implemented to increase the efficiency and effectiveness there must indeed be a need to do so.

A third characteristic of an innovation is its 'complexity'. The complexity refers to how difficult an innovation is to understand and to use (Rogers, 1995: 16). Innovations that are easier to understand and use are adopted more rapidly. This also depends on previous experiences of an organization. When an organization is already used to work with more business like forms of management performance management does not seem so complex anymore and will probably be adopted more easily.

A fourth characteristic is 'trialability' (Rogers, 1995: 16). Trialability refers to the degree to which an innovation can be experimented with before it is fully adopted. Innovations that are divisible and can be tried out in different experiments are generally adopted more rapidly. Performance management is trialable (Van Oosterom, 2002:190). It is possible to test it on smaller units, before adopting it to the whole system.

The fifth characteristic is 'observability' (Rogers, 1995: 16). This is the degree to which the effects of an innovation are visible to others. If one can easily see the results of an innovation, the chance is bigger that someone is triggered to adopt it. The effects of performance management have been a popular object of study. Both positive and negative effects have been widely described (see above). So one can see examples of both the positive and the negative side of performance management depending on where one looks.

Time

Time is important to the decision to adopt, to the innovativeness of the adopter and to the rate of adoption.

The decision process is the process through which an individual goes from first knowledge about an innovation, to forming an attitude towards the innovation, to a decision to adopt or reject it, to the implementation and use of the innovation and finally to the confirmation of this decision. In the *knowledge stage* a decision-making unit becomes aware of the existence of an innovation and gains some understanding on how the innovation works. Knowing about an idea is not enough though. In the *persuasion stage* the decision making unit forms a favourable or unfavourable attitude toward the innovation. Then follows the *decision stage* where a decision-making unit will reject or adopt the new idea.

So to understand why the local governments decided to adopt performance management, I shall have to look what kind of knowledge local governments gained in the knowledge stage and how they became favourable towards this knowledge in the persuasion stage. Furthermore I have

to get more insight in the decision making. How long did it take? For what reasons did they finally decided to adopt it?

The first three stages are very interesting to study in order to understand the reasons why they have decided to adopt performance management. The fourth stage, the *implementation stage* is the stage in which the innovation is actually taking into use. During the *confirmation stage* evaluation takes place. A previous decision can be reversed, because of unwanted effects or conflicting opinions about the innovation.

Most local governments in South Africa are in the implementation stage now (see section 4.2.6). The only step left is the confirmation stage. In this stage the organization seeks reinforcement of the innovation decision it has already made or reverses an earlier made decision to adopt or reject an innovation.

If one decides to reject an innovation after having previously adopted it we speak about 'discontinuance' (Rogers, 1995: 182). There are two types of 'discontinuance': replacement and disenchantment. Replacement occurs when an idea is rejected in order to adopt a better idea that brushes it away. Disenchantment refers to a decision to reject an idea as a result of dissatisfaction with its performance. So whether performance management will be rejected or reinforced in the conformation stage depends on its performance. If its performance is perceived as good enough it will not be rejected.

The innovativeness of an adopter refers to the degree to which an adopter is relatively early in adopting an innovation compared to others. Rogers (1995:22) distinguishes five adopter categories: innovators, early adopters, early majority, late majority and laggards. Innovators have the highest level of innovativeness and laggards the lowest. Innovators are actively involved in seeking new ideas. They can cope with high uncertainty. The laggards, on the other hand, cannot cope with high uncertainty and instead of seeking innovations they fight them.

The degree of innovativeness is interesting for the question why local governments decide to adopt. An innovator has other drives to adopt than the late majority. Early adopters of organizational innovations are commonly driven by a desire to improve performance. As an innovation diffuses a certain point can be reached beyond which adoption provides legitimacy rather than improves performance (see below on institutional isomorphism). In order to understand why local governments have implemented performance management it is therefore interesting to know what kind of adopter a local government is. The model of performance management that they adopt will also differ if they are innovators or if they instead belong to the late majority. The model an innovator adopts is often strongly related and adopted to the adopters needs, whereas the model that the strong majority adopts is kind of institutionalized already in the society and cannot be changed very much.

Rate of adoption is the third way in which time plays a role according to the theory. The rate of adoption refers to the speed with which an innovation is adopted by the members of a social system (Rogers, 1995:22). The rate of adoption is usually measured by the amount of members of a social system that adopt the innovation in a given time period. This adopting occurs in a S-shaped curve. First a small group, the innovators, adopt the innovation. Then more and more people will adopt it and the curve becomes to climb. In the end the curve will become flatter again when there are not much individuals left who have not adopted it yet. Finally the curve will reach its asymptote and the diffusion is finished. See figure 1.

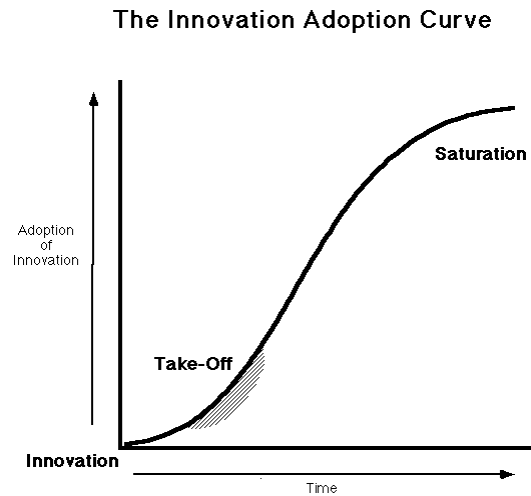


Figure 1. Innovation Adoption Curve (www.context.org).

The reasons for implementing performance management are probably different for the organizations early on than for organizations that are just following the crowd. I will return to this later on when I will formulate some expectations for the empirical research.

Social system

The fourth concept of the theory on diffusion of innovations I will discuss is the social system. A social system can be defined as a group of interrelated units that try to solve a common problem in order to reach a mutual goal (Rogers, 1995:23). The pattern of arrangements between the different units, also called the structure of the system, affects diffusion. The structure provides regularity and stability to the persons in a social system. This structure, which refers to both the formal and the informal structure, can facilitate, but also hinder the diffusion of an innovation, depending on the match between the structure and the innovation. If an innovation does not fit into a structure it is unlikely that it will diffuse easily. For example, introducing ad hoc management techniques in a hierarchical structured organisation will probably not work. But social structures are important as well. According to Blunt & Jones (1992:37) African managers are linked to extensive networks of social obligations. The characteristic African social system, with its emphasis on values of reciprocity and social exchange impinges directly on the working lives of African managers. Innovations should therefore be able to fit into this social system in order to succeed. The same can be said about system norms. If the innovation does not correspond with these norms, diffusion in that social system will be hard.

One can distinguish two special kinds of actors that are involved with the diffusion of innovations: opinion leaders and change agents. Opinion leaders are actors in an organization that are capable of influencing the behaviour of others in that organization in a desired way. They inform and give advice about innovations, and try to convince others to adopt it. Opinion leaders are informal leaders and distinguish themselves from others in three ways (Rogers, 1995:27). They are more exposed to external communication, they have a higher social status and they are somewhat more innovative.

Change agents try to influence clients' innovation-decisions in a direction that is considered desirable by a change agency. These change agencies are external to the system in

which the innovation diffusion takes place. Change agents use opinion leaders as their spokesmen in campaigns. Change agents are often professionals with a university degree.

It is important to know who the opinion leader and the change agent are in the adoption process of performance management to understand more about why it is adopted. E.g., if a political leader of the central government is the opinion leader the adoption can be done for mainly political reasons. Or if a management consultant from a private company is the change agent, the reasons for adopting performance management are probably managerial.

A social system has another important kind of influence on the diffusion of new ideas, namely on by whom the decision to reject or adopt is made. The decision to adopt can be made by an individual, or by the entire social system, or by an authority. Individual decision making is also called optional decision making and occurs independently of the decision of others in the system. A decision can also be made by the system as a whole. We then speak about collective decision-making (Rogers, 1995: 28). Authority decision making occurs when a relatively small group that possesses power, status and expertise in a system decides to adopt or reject a new idea. Collective and authority decisions are most common.

To understand why performance management is introduced at the local governments in South Africa it is important to know who has decided to adopt it.

Finally, a social system is involved in the consequences of an innovation. Change agents will usually expect that innovations will have desirable, direct and anticipated consequences. Often however, the innovation shows in reality some unanticipated, indirect and even undesirable consequences. This is partly caused by the fact the change agents are not able to predict the subjective perceptions of the innovation by the clients (Rogers, 1995: 31). If there are too many undesirable consequences one should expect the innovation to be rejected after all. So if performance management shows a lot of undesirable effects, like the unintended effects described by Smith (1995), it is expected to be rejected following this theory.

2.3.2 Theory of institutional isomorphism

The second theory I will use to explore the drives behind the implementation of performance management by local governments in South Africa is the theory of institutional isomorphism (DiMaggio, Powell, 1991). This theory emphasizes that convergence between organizations is not solely driven by economical reasons, but also by reasons like increasing the organisational legitimacy and symbolism. Next to economical fitness, social fitness is an important motivation for adoption. According to DiMaggio and Powell (1991:63-64) “structural change seems less and less driven by competition or by the need for efficiency. Instead, organizational change occurs as the result of processes that make organizations more similar without necessarily making them more efficient”. They argue that organizations become more similar because of structuration. Highly structured organizational fields create a such a strong context that individual efforts to deal with uncertain circumstances often leads to homogeneity in structure, culture and output.

They use the term 'isomorphism' for this process of homogeneity. Isomorphism is “a constraining process, that forces one unit in a population to resemble other units that face the same set of environmental conditions” (Hawley, in DiMaggio and Powell, 1991: 66). Institutional isomorphism refers to the process of isomorphism caused by institutional forces, like political power and legitimacy.

DiMaggio and Powell (1991:67) identify three mechanisms through which institutional isomorphism takes place. First ‘coercive isomorphism’; an organization adopts a particular form

because it is pressured formally or informally to do so by either another organization, upon which it is dependent, or by the cultural expectations of the society in which the organizations functions. This pressure can really be felt as a force, but also as persuasion or as an invitation to join in collaboration. Often a government forces organizations to change by introducing a new law.

Secondly there is 'mimetic isomorphism' which means that an organization decides to copy innovations going on somewhere else to be able to face its own uncertain circumstances. So not coercion is the motivation for change here, but uncertainty. Uncertainty may increase when the goals of an organization are for example ambiguous or when organizational technologies are poorly understood. To face uncertainty an organization may model itself on other organizations. The modelled organization may be unaware of the modelling. It can also occur that it does not even want to be copied, for example when it wants to keep its strategic position within a competitive structure. Modelling can happen unintentionally and indirectly through for instance employee transfer, or explicitly by for example consulting firms. A skilled labour force or a broad customer base may encourage mimetic isomorphism, because an organization then feels a stronger pressure to provide programs and services offered by other organizations (DiMaggio & Powell, 1991:70).

There seems to be a tendency among the organizations to model themselves on the same organizations; they all model the organizations that are perceived to be more legitimate or successful in their field. In other words there is only little variation in organizations that are selected to be modelled (DiMaggio & Powell, 1991: 70). Over time certain kinds of structural arrangements are the result of mimetic processes rather than of any concrete evidence that the models improve the efficiency. This is particularly true for the late adopters (see above on innovation diffusion theory).

Mimetic isomorphism corresponds with Bennetts (1992: 220) idea of emulation. The central characteristic of emulation is lesson drawing from evidence about a programme or programmes from elsewhere. This emulation is driven by a collective insecurity under conditions of policy innovation.

Thirdly there is 'normative isomorphism' where an organization is operating in a field that is heavily influenced by professional norms and standards. This third form of institutional isomorphism is mainly a result of professionalization. Professionalization can be defined as "the collective struggle of members of an occupation to define the conditions and methods of their work, to control "the production of producers" and to establish a cognitive base and legitimation for their occupational autonomy" (Larson and Collins, in DiMaggio and Powell, 1991: 70).

Professionalization is an important source for isomorphism in two ways (DiMaggio & Powell, 1991: 71). First, formal education makes professionals act in similar ways. In universities and professional training institutions organizational norms are developed among professional managers and their staff. People who have undergone the same education and have developed the same skills are likely to react in similar ways on certain situations they have to cope with in their professions.

Second, the growth of organizational networks supports homogeneity in the sense that new models diffuse easily in those networks and that organizations that are dependent of each other are more likely to become alike. Bennett (1992:225) refers to this as 'convergence through harmonization', which is driven by idea of interdependence. If several organizations in a network decide to adopt performance management to increase their efficiency, the others in the network are stimulated and maybe even pressured to do it as well.

As a result of professionalization there is a group of almost interchangeable individuals who occupy the same sort of professions in different organizations and who possess a similar orientation. Hiring individuals from firms within the same industry, recruiting people from a narrow range of training institutions or asking similar skill-level requirements for a job, will all increase the chance that isomorphism will occur.

In sum there are different pressures that cause institutional isomorphism. Each of these institutional isomorphic processes can be expected to take place in absence of evidence that a certain innovation increases internal organizational efficiency. Increased efficiency is from this perspective not a necessary condition for reform. Matters such as symbolism and organizational legitimacy are more important. This theory places therefore more emphasis on acting in accordance with norms and expectations than on maximizing the efficiency and effectiveness. Being similar to other organizations in the field can be a reward too. It can make it easier to transact with others, to attract good employees, and to be acknowledged as a legitimate and reputable organization.

Following the institutional isomorphism theory, local governments in South Africa would adopt performance management for reasons of legitimacy and symbolism, rather than for reasons of efficiency and effectiveness. In short one could say that local governments are either pressured to use performance management, or they model themselves on other organizations that use it, or they adopt it as a result of shared values of the people who work in them.

2.3.3 Theories compared

Both theories provide explanations for the adoption of performance management by local governments in South Africa. The innovation diffusion theory puts emphasis on the innovation itself, in this case performance management. It explains the importance of its relative advantage, i.e. an increase in effectiveness and efficiency. It also stresses the importance that there is a need for an innovation, so in case of the local governments in South Africa there must be the need to improve efficiency and effectiveness.

Furthermore it emphasizes the adoption process. It identifies different stages within this process, from knowledge stage to confirmation stage. In order to understand the drives behind the adoption process of performance management it is important to study the knowledge stage, the persuasion stage, and the decision stage. In other words the process from getting to know that performance management exists to the decision to adopt it. This corresponds with Pollitts stages of discursive convergence and decisional convergence, see section 2.2.2. By studying the implementation stage and the confirmation stage, one can find out whether it really matters whether the set goals are achieved by implementing performance management. Were the motivations really to increase the effectiveness and efficiency?

The theory also describes different sorts of adopters. Whereas early adopters are driven by a desire to improve performance, late adopters can be driven more by reasons of legitimacy. The rate of adoption also plays a role in that.

Finally, the theory emphasizes the social system in which the adoption process is taking place. Which actors play the role of change agent and opinion leader? And who took the decision to adopt? The theory also suggests that consequences of an innovation can be unintended, and even be undesirable, because one can never really predict how a social system will welcome an innovation. If an innovation only has undesirable effects one might expect that it will be rejected, because of the failing performance.

The theory does not give a simple answer on what is the drive behind the adoption of performance management, but in its overall argumentation it is functional of nature. An adoption takes place, because an innovation will make improvements in the current situation. In the South African case this will mean that performance management will make improvements in the management of the local governments. Considering the aim of performance management these improvements are probably expected to be an increase in effectiveness and efficiency. If the performance does not appear to be good enough, the innovation should be rejected.

The theory also provides some lines of argumentation that are less functional of nature. For instance, late adopters are often more driven by reasons of legitimacy. The way adoption takes place changes after a while; the innovation becomes more and more institutionalized. So the theory is not solely functional in its explanations, it has some non-functional influences as well.

The theory on institutional isomorphism is overall non-functional of nature. It explains that often innovations in management are not so much done for reasons of efficiency and effectiveness, but more for reasons of legitimacy and behaving according to the existing norms. The theory identifies three sorts of isomorphism; coercive, mimetic and normative isomorphism. The motivations behind the adoption of performance management according to this theory are either because an organization is pressured, or because an organization is insecure and models itself on another organization to face its uncertain circumstances, or because an organizations performance is shaped by the norms and beliefs of its environment. Though this theory is overall non-functional in its line of argument it does not deny the functional approach. For instance, when an organization models itself to another organization to face its current problems it often copies something from the other organization in the belief that it will work.

So the two theories are not complete opposites of each other. They can overlap and/or be each others compliment. While by nature one is more non-functional and the other is more functional they show some similarities. Both theories stress, for example, that for late adopters reasons of increasing the legitimacy becomes a more important drive for adoption. Furthermore, mimetic isomorphism, as described in the theory of institutional isomorphism, happens often in order to improve the performance of an organization. Mimetic isomorphism is driven by uncertainty; to deal with its uncertainty an organization model themselves on another organization that is perceived to be successful. So whereas the motivation is uncertainty, the goal of mimetic isomorphism is often to improve the performance. In that aspect, it is similar to the innovation diffusion theory.

The innovation diffusion also shows similarities with the theory of institutional isomorphism. The innovation diffusion theory identifies, for instance, gaining social status as a perceived relative advantage of an innovation, next to the nature of the innovation. Especially for later adopters status seeking can become an important motivation for adopting an innovation. This motivation is similar to the non-functional motivations behind an adoption of increasing legitimacy and social prestige.

Although there are similarities between the theories are fundamentally different in their basic ideas. One is based on a functional approach and therefor emphasizes the functionality of the innovation as the main motivation for adopting it. The other theory is based on a non-functional approach, and therefor emphasizes different reasons for adopting an innovation, but these reasons all have in common that they have nothing to do with the innovations' functionality.

I will use both theories to see the adoption process from different perspectives. In that way I hope to get a better overall view on the motivations behind the adoption process. The fact that the theories show some overlap is a good thing in the sense that they cover all possible explanations. By comparing the theoretical explanations with the current situation in South Africa, I will see whether the non-functional or the functional theory provides a better explanation for the adoption process. The one that provides a better explanation will be the one that corresponds best with the motives behind the adoption of performance management in practice. In the next chapter I will develop research variables for the empirical research. In order to compare the two theories with the empirical data, I will formulate hypotheses based on the theories in the next section.

2.3.4 Hypotheses based on the two theories

We have now discussed how the theories of innovation diffusion and of institutional isomorphism can explain why performance is implemented. From these theories certain expectations can be extracted about the most appropriate explanation for the decision to adopt performance management. Based on these expectations I have formulated eight hypotheses on the adoption process in the local governments in South Africa.

Following the innovation diffusion theory the following hypotheses are made:

- As there is a bigger need for improvement of effectiveness and efficiency, a local government will adopt performance management more for functional reasons.
- When performance management does not fulfil the expectations of local governments, they will decide to reject it.
- The more a local government belongs to the early adopters of performance management, the more functional their motives will be.
- The more local governments belong to the late adopters of performance management, the more non-functional their motives will be.
- When local governments continue using performance management even when the efficiency and effectiveness have not improved and there is not a high probability that this will happen in the future, the drives behind the adoption are non-functional.

The hypotheses based on the theory on institutional isomorphism are the following:

- When the decision to adopt is made by an organ to which the local government is subordinated there is to some degree coercive isomorphism.
- When local governments have copied the model of performance management to face their own uncertainty, there is to some degree mimetic isomorphism.
- When the motivators of the adoption process of performance management have the same professional backgrounds the probability that there is normative isomorphism is high.
- When the local governments are part of networks with strong interdependency and other organizations in the network use performance management, the probability that there is normative isomorphism is high.

These hypotheses will be studied in the cases of the Stellenbosch municipality, the Cape town municipality, the Overberg District municipality and several organizations involved with adopting performance management in local governments in South Africa. In the next chapter I will go further into the objects of research and the research methods I will use. Before, I want to

stress that I will not test the hypotheses. A real test is not possible with such a limited number of cases. Rather, I will use them as expedients to study the adoption process from both theoretical perspectives. This will help gaining understanding in which theory provides a better explanation for the South African case.

3. RESEARCH DESIGN

In the preceding chapter I have discussed theories that can help explain why performance management is adopted by local governments in South Africa. In this chapter I will operationalize the theoretical expectations into research variables, in order to study the drives behind the adoption empirically (section 3.1). In section 3.2 I will discuss which research methods I have used in the empirical research. Finally, in section 3.3, I will specify which method is used for which research variable and how I did this.

3.1 Defining research variables

My research question was: Which theory, the Innovation Diffusion theory or the theory of Institutional Isomorphism, provides a better explanation for the motives behind the adoption process of performance management by local governments in the Western Cape Province in South Africa? I will explain what I mean by the different concepts in this main question. ‘Innovation Diffusion theory’ and ‘theory of Institutional Isomorphism’ will be dealt with in the next section.

By adopting and adoption process I mean the activity of taking over something from another organization/country/actor. This can happen in different ways. I take the stages of convergence (Pollitt, 2002; 477), namely discursive, decisional, practice and results convergence as a directive. So adopting takes place if people start talking and writing about the same concepts as others, if an organization decides to use a particular organisational form or technique that is already used by another organization, if an organization begins to work like another organization and if an organization gets the same results as another organization.

‘Performance management’ refers to all the management forms that are called performance management by the people who work with it. This does not necessarily mean that all these forms are the same.

‘Local government’ means in this research the municipal organization of the local government. ‘Western Cape Province’ refers to the area of the Western Cape Province, as it is rendered in the South African formal bounding papers. This research is about the local governments within this area.

To find out ‘which theory provides a better explanation for the motives’ I will look which theory corresponds the most with the empirical findings. I will especially look at the deciding factor to decide to adopt performance management at the local governments, but also at other variables as discussed in the two theories. I will show below how I intend to do so.

3.1.1 Research variables

The theory of innovation diffusion and the theory of institutional isomorphism provide different explanatory variables for the adoption process of performance management at the local governments in South Africa. I will first describe the research variables for each of the two theories. Next I will present the operationalizations and methods I have used in the empirical research.

Innovation Diffusion Theory (IDT)

First, the relative advantage of the innovation; what did local governments perceive to be the relative advantage of performance management when they decide to adopt it?

Second, the needs; what were the needs of the local governments related to the innovation of performance management in the time that they decided to adopt performance management?

Furthermore, information gathering; how did they gain knowledge about performance management during the 'knowledge stage' of the decision-process? Fifth, favourable or not; in other words how did they become favourable towards performance management in the 'persuasion stage'. Then the decision making; it is important to know how the decision was made and by who it was made. Furthermore, what reasons they gave for adopting performance management in the local governments? Seventh, the implementation; how did the implementation take place? Furthermore, effectiveness; does the performance management fulfil the expectations of the local governments to reinforce it in the 'confirmation stage'? Besides that I need to know what kind of adopters can be identified, therefor 'early adopter or late adopter' is the ninth research variable. The research variables related to the social system are the following: opinion leader, change agent and consequences. In other words. who is the opinion leader? Who is the change agent? And were there any unanticipated, indirect and undesirable consequences?

Institutional Isomorphism Theory

The theory about institutional isomorphism provides the following research variable. Firstly, pressure: Did another organization pressure the local governments to adopt performance management? Secondly uncertainty, did the local governments face uncertainty? Third professional backgrounds, what are the professional backgrounds of the motivators of the adoption of performance management? At last networks: are the local governments part of networks?

In the following table the raised questions are listed according to the theories they belong to.

| |
|--|
| Innovation Diffusion Theory |
| <i>Innovation</i> What was perceived as the relative advantage of performance management when they decided to adopt it? What were the needs of the municipalities related to the innovation of performance management in the time that they decided to adopt performance management? |
| <i>Time</i> How did they gain knowledge about performance management? How did they become favourable towards performance management? How was the decision to adopt performance management made? What reasons did they give for adopting performance management? How did the implementation go? Does performance management fullfil the expectations of the local governments to reinforce it in the 'confirmation stage'? What kind of adopter can be identified among the local governments? |
| <i>Social system</i> Who is the opinion leader? Who is the change agent? Who decided to adopt? Where there any unanticipated, indirect and undesirable consequences? |
| Theory of Institutional isomorphism |
| <i>Coercive isomorphism</i> Did another organization pressure the local governments to adopt performance management? |
| <i>Mimetic isomorphism</i> |

| |
|--|
| Did the local governments face uncertainty? |
| <i>Normative isomorphism</i> |
| What are the professional backgrounds of the motivators of the adoption of performance management? |
| Are the local governments part of networks? |

3.1.2 Operationalizations

I will continue with explaining exactly what is meant by each variable in order to find answers to them at the local governments in South Africa.

Relative advantage

What was perceived as the relative advantage of performance management when they decided to adopt it?

The relative advantage is the advantage of performance management compared to the form of management that was used before at the local governments in South Africa. I will study the perceived relative advantage and not the real relative advantage, because it is the perceived relative advantage which is used when the decision to adopt is made.

Needs

What were the needs of the local governments of South Africa related to the innovation of performance management at the time that they decided to adopt performance management?

With needs I mean the issues that the municipality wanted to improve by using performance management.

Information gathering

How did local governments gain knowledge about performance management?

With 'gain' I mean becoming aware of performance management and finding out how it works. Knowledge I will see as information about performance management.

Favourable or not?

How did decision makers become favourable towards performance management?

The question will be put to the people involved with the decision-making process of performance management at the local governments of South Africa. Favourable can be indicated by the individual decision of a person to implement performance management.

Decision making

How was the decision to adopt performance management made?

The decision means the formal decision, as laid down in official documents.

What reasons did the organizations involved give for adopting performance management?

Reasons I will see as motivations or drives.

Who decided to adopt?

According to the theory I will make a distinction between an individual decision, a collective decision and a authority decision.

Implementation

How did the implementation go?

Implementation refers to the actual execution of the plans of performance management at the local government.

Effectiveness

Does performance management fulfil the expectations of the local governments in South Africa to reinforce it in the 'confirmation stage'.

This refers to the effectiveness of performance management. The effectiveness is measured by comparing the old situation with the new situation.

Early or late adopters?

What kind of adopters can be identified among the local governments?

With adopter I mean a municipality which has adopted performance management. Early adopters I will define as the first 30 percent of potential adopters of an innovation, so the first 30 percent of municipalities in South Africa that adopt performance management. Late adopters are the adopters who belong to the other 70 percent of the potential adopters.

Opinion leader

Who is the opinion leader?

The opinion leader is a leading person that informs people from inside the organization about an innovation and tries to change their opinion about it.

Change agent

Who is the change agent?

A change agent is an agent that works for a change agency and tries to influence a clients decision-process in a direction that is considered desirable by the change agency.

Consequences

Where there any unanticipated, indirect and undesirable consequences?

'Unanticipated' depends on whether the changes are recognized and intended by the members of a social system. Whether consequences are indirect depends on whether the changes to an individual or to a social system occur in immediate response to an innovation or as a second-order result of the direct consequences of an innovation. Undesirability depends on whether the effects of an innovation in a social system are functional or dysfunctional.

Pressure

Did another organization pressure the local governments to adopt performance management?

Pressure can mean enforcing, persuasion or stimulating.

Uncertainty

Did the local governments face uncertainty?

Uncertainty is caused by the newness of matters that the municipality has to deal with (Krug, 2003), for example newness of information, or newness of performance criteria?

Professional background

What are the professional backgrounds of the motivators of the adoption of performance management?

With professional background I mean the former work experience and education. Motivators refers to the persons that act as stimulators of an innovation.

Networks

Are the local governments part of networks?

Networks refer to cooperation or non-cooperation between interdependent actors (Kickert, Klijn, Koppenjan, 1997;9).

3.2 Methods

For this research about the adoption of performance management at local governments in the Western Cape of South Africa I have chosen to use a qualitative research type, because qualitative research gives the opportunity to gain a lot of knowledge from a topic that is relatively new, like performance management in local governments in South Africa. Not a lot of research has been done on it yet, and therefore it is important to use a research strategy that allows the researcher to really explore the topic. Qualitative research seems to be better for this purpose for different reasons (Zwanenburg, 2002). First, qualitative research is more flexible than quantitative research, because it is not so structured and it allows changes and adjustments, so that new gained knowledge can be used immediately. Moreover qualitative interview techniques are more open, so that interviews allow space for the interviewer to get into subjects that are exposed by the person who is interviewed, even if this subjects are not directly linked to the research topic.

3.2.1 Interview

I used different methods in this research. First, I made use of the method of interviewing. I did interviews with different key persons. A key person is someone who knows a lot about the topic of research or about a certain part of that and who is willing to share this knowledge with the researcher (Hakvoort, 1995:160). The key persons were selected without any form of sampling. Usually the key persons do not have direct contact with each other in ordinary life. Every interview stands on its own and gives in theory different information. The researcher prepares the questions in advance, but the questions can differ from key person to key person (Hakvoort, 1995:160).

I have chosen to work with key persons, because performance management in local governments is a new phenomenon and not a lot of people have knowledge about it yet; therefore I had to find the key persons who could give me accurate information. Moreover I chose to work with key persons, because many organizations are involved with the implementation of performance management at the local governments, like for instance provincial government, consultancy agencies and municipality support organizations. By working with key persons from all these organizations I could gain a lot of information from all kind of angles, which is useful to deepen the understanding of the adoption process of performance management in South Africa.

I interviewed four people who work at local governments in the Western Cape province. There are three different types of local governments in South Africa, therefore I have interviewed a key person in all the three types of local governments; Cape Town as metropolitan municipality,

Overberg District Municipality as district municipality and Stellenbosch as local municipality. I have chosen for Cape Town in particular, because it is an important big city in South Africa, with an enormous governmental organisation. It is interesting to see how they deal with performance management. Furthermore Cape Town has a reputation of being far ahead with the adoption of performance management in South Africa. I have chosen to do research at the Overberg District Municipality, because this municipality was assisted by the consultancy agency where I did my internship, during this research. Therefore I could see a lot of the development of their performance management system; I got insights from both the consultancy agency as the municipality. Moreover I could see how a consultancy can be involved in this adoption process of performance management. I choose Stellenbosch as a local government, because I did my internship in this municipality.

The key persons of these three local governments were the people who were in charge of the development of the performance management system. In Cape Town, this was the only person that was authorized to give information about their performance management system. In Stellenbosch and in Overberg these respondents were the people that I was appointed to by the other members of the municipality. Furthermore I interviewed an executive at the Overberg District Municipality in order to hear an opinion about working with performance management from an other type of actor. How does an executive feel about working with a new management system?

Next, I interviewed key persons at Weclogo (Western Cape Local Government Organization) and PIMSS (Planning and Implementation Management Support System) Overberg District. Both are support organizations for local governments. Weclogo is a support organization for all the municipalities in the Western Cape and a PIMSS focuses on one district municipality and the local municipalities within that district. Regarding performance management these organizations support local governments by giving training, information and funding. I interviewed these organizations, because they have quite some knowledge about what is going on in the municipalities that they support and therefore they could give insight in general problems and experiences of local governments with performance management. From both organizations I interviewed the person that was among other things responsible for supporting local governments with performance management.

For a better insight in the political strains I interviewed two people at the Provincial Government of the Western Cape. Provincial Government tries to support local governments in their development of a performance management system by organizing meetings and workshops. They also developed a manual on how to write a proper annually report. Provincial governments receive the annually performance reports of the local governments and based on the reports of all the different local governments within the province, report to central government. So Provincial government is formally involved in the performance management system of local governments as well. The respondents were people to who performance management was one of their job responsibilities.

Finally, I interviewed a consultant of a big private consultancy firm. This person I interviewed is the director of the public sector section of the consultancy and an expert on public management. He used to teach public management courses at the University of Stellenbosch. I interviewed him for his knowledge on the topic in general and for his role as consultant, because most of the local governments use consultants for the development of a performance management system. It is therefore interesting to see the topic from their perspective.

I made use of a qualitative way of interviewing, namely semi-structured interviewing. This means that the interviewer has a clear list of issues to be dealt with and questions to be answered, but this can happen in a flexible way. The order in which the topics are addressed is not fixed and the interviewer is prepared to let the interviewee develop ideas and speak more widely on issues that seem interesting for the research. In other words there is room for the interviewee to elaborate points of interest. The answers are open-ended (Denscombe, 1998: 113). Furthermore, the questions can differ from interview to interview (Hakvoort, 1996:136), which was an advantage for me, because I wanted to interview different key players about different topics.

Besides interviewing I used other methods as well. Using more methods for data collection is referred to as 'triangulation'. Triangulation is done to improve and deepen the information about the object of study. Triangulation can in the end lead to an improvement in the reliability and validity of the statements of the research (Hakvoort, 1995: 161).

3.2.2 Documents

The second method I used is content analysis of documents. Following Denscombe (1998:159) this has two aspects. First, it can provide background information which is used as a basis for a research project. Second, it can be a specific technique of data collection which offers itself as an alternative to questionnaires, interviews and observation. I used it in both ways. As a form of background study I mostly used it to gain insight in local governments in South Africa. To do this I studied policy documents, regulation and literature on local governments in South Africa.

As a technique on its own I analyzed mainly government publications. I did this to gain more knowledge about performance management and in specific about the regulation on performance management and the background of this regulation. I therefore studied all the regulations, policy documents and information guides regarding performance management at local governments.

Besides the documentary analysis on government publications I studied documents of a consultancy agency about models of performance management and I studied the Integrated Development Plan (IDP) of the Overberg District Municipality.

I used documentary analysis for different reasons. First, I wanted to study the policies and regulation of the government regarding performance management and this is best done by studying these documents. Second, documentary analysis permits studying processes occurring over long periods of time. Interviews and observation give information on the state of affairs at one point in time, while documentary analysis can provide information about a process over time. This was very important to gain understanding about the background of the adoption process of performance management in South Africa. Third, documentary analysis is unobtrusive, it has no effect on the subject being studied and that increases the reliability of the research (Babbie, 1998:318).

3.2.3 Observation

Thirdly, I used a form of participant observation. By working for three months at the University of Stellenbosch at the department of Public Management, which also includes a consultancy agency, called ConsultUs, I have been able to observe and talk to the consultants and experts on public management at work. I observed a training on performance management at a local government. Furthermore I observed a workshop, that I also helped organizing, on performance

management held for a variety of local governments. I attended a lecture on performance management in South Africa. My identity as a researcher was always openly recognized.

Observation has been a helpful data collection technique, because there is not a lot of knowledge yet about performance management in local governments in South Africa. Observation is a good expedient for research on new phenomena (Hakvoort, 1995: 142). Furthermore it was a good technique for me, a person from abroad, to learn as much as possible about the cultural and political context in South Africa. By being able to see how people work, to ask a lot of questions and to hear a lot of stories about, in particular, the situation of local governments in South Africa, I could gain more insight in the South African context.

Finally, observation was a good technique to get more insight in the work of consultants and their role in the adoption process of performance management. Observation is a good technique to use when there are different points of view on a matter. Clearly, consultants have a different point of view on performance management, as being experts, than executives at local governments. Furthermore, a consultant has two faces; one for the customer and one for the agency. It is therefore not easy to get a clear view on their point of view. Observation is a good technique to use in cases where opinions are not revealed so easily (Hakvoort, 1995: 142).

3.3 Making the research variables measurable

In the preceding sections I have operationalized the research variables and explained the research methods I used to do research. In this section I combine these two, by specifying for each variable what interview questions and what questions for document analysis I have used to measure it.

| Research variable | Interview question | Document question |
|-----------------------|--|---|
| Relative advantage | What improvements were expected of performance management? | |
| Needs | What did you try to achieve with performance management? What were the goals? | What were important issues on the agenda in the time that they decided to adopt performance management? |
| Information gathering | How did they come up with the idea of performance management at the local governments of South Africa? | |
| Favourable or not | What made you decide to adopt performance management? | |
| Decision making | How did the decision making take place? Who was involved? Did everybody agree? What were the motivations for adopting performance management? Did everybody have the same motives? Who made the final decision to adopt? Was this according to the official procedure? | What is written in the formal decision? By whom was the formal decision made? |
| Implementation | How did the implementation go? Were there any problems with changing the system into a performance management system? | |
| Effectiveness | Will you continue using | What does the evaluation report say |

| | | |
|--------------------------|--|--|
| | performance management? If so, why will you continue; does it meet expectations and/or do you expect more results? | about the effects and the operation of performance management? |
| Early and late adopters | Other municipalities use performance management as well? Are some municipalities further in their development than others. What is the position of your municipality in this regard? | Is there evidence that some local governments are further in the adoption process of performance management than others? |
| Opinion leader | Who took the initiative to adopt performance management? | |
| Change agent | Were there any organization, such as consultancies, university or association, involved in the process of adopting performance management? | |
| Consequences | Were there any corrections needed during the implementation-process? | What about the consequences of performance management in the evaluation reports? |
| Pressure | Was there any pressure, for instance legal or financial pressure, from other organizations to use performance management? | |
| Uncertainty | Did the municipality face any new matters that performance management was expected to help solve? | |
| Professional backgrounds | | Who were involved and what is their background? |
| Networks | Which interdependencies exist between local governments and other organizations? | |

The results from measuring these variables will be discussed in the next chapter.

4. RESULTS

In this chapter the results of the empirical research will be presented. The first section, section 4.1, will provide some background and general information about the adoption process of performance management at the local governments. It will contain information about local governments in South Africa. Moreover, it will supply information about the legislation on performance management in South Africa. Finally, this section will deal with the way performance management is used in local governments in South Africa.

In the next sections, the findings about the adoption process of performance management by local governments will be shown from the innovation diffusion theory (section 4.2) and the theory on institutional isomorphism (section 4.3) successively.

The data in this chapter are the results of interviews with representatives from different organizations involved with the adoption process and from studying policy documents, legislations and consultancy materials. Furthermore some findings are based on observations.

4.1 Local governments, legislation and performance management

In this section more insight will be given into the South African context, in which the adoption process of performance management takes place. The first part will explain the role of local governments in South Africa and their background. The second part sheds light upon the legal side of the adoption of performance management and points out all the legislation on performance management that is relevant for local governments. The third part shows how performance management is adopted by the local governments in South Africa.

4.1.1 Local governments in South Africa

Local governments are in a process of change and development in South Africa. From institutions that were creating and perpetuating local separation and inequity during the apartheid, they became institutions that play a developmental role in South Africa (White Paper on local government, 1998, section A:1). In the following I will discuss this transformation of local governments. I will start with the history of local governments and then turn to the current situation.

History of local governments

South Africa has a history of segregation. Even before the introduction of the apartheid in 1948 one could detect geographic, institutional and social separation at the local level (White Paper on local government, 1998, section A:1). However, during the apartheid this separation was instituted by law. The Group Areas Act, for instance, prescribed strict residential segregation and compulsory removal of black people to 'own' areas. Permanent residence in urban areas was restricted for the black African people through the pass-system. This spatial separation combined with a policy of 'own management for own areas', had the effect that thriving white municipalities hardly put any financial support to the disadvantaged black areas. A few attempts were made to introduce structures for 'own management' for the black areas. This was done partly to compensate for the restricted rights and partly to secure the segregation in order to keep the economic and political privileges of racial exclusion. None of the black 'municipalities' though had resources to make any real difference to the quality of life of their people.

In the 1980s communities started to mobilise against the apartheid in the local government system. It was mostly a protest against the declining social and economical conditions in the townships. The protesters most powerful weapon was to boycott rent payments and services fees and to stop consuming. In the late-eighties the government tried to settle these protests by sending resources to the collapsing townships, though with little effect. The local governments continued collapsing due to the boycotts and the resignations of local councillors, which happened under the initiative of mostly African National Congress (ANC) orientated leaders. The alarming situation of these local governments increased the pressure on national government and other municipalities. White municipalities began to realise that a new deal was needed and started negotiating with townships representatives. These crisis management structures form the basis of later local negotiations and the local government system as it is today.

The crisis in local government eventually led to the beginning of a national reform process in 1990. By the end of 1991 the ANC-orientated civics had formed the South African Civic Organization (Sanco). They started to discuss the restructuring of local government with the Minister of Local Government. In 1993 Sanco successfully persuaded the minister to establish a formal national Local Government Negotiating Forum (LGNF). The LGNF consisted half of statutory members, representatives of national, provincial and local government and half of non-statutory members, Sanco and the ANC. In the LGNF the future of the local government was debated (Cloete,1995).

In 1993 the Local Government Transition Act was developed. The Transition Act sketches a process of change. It describes three stages of transition, namely (White Paper on local government, 1998, section A:1):

- **The pre-interim phase**, which prescribed the establishment of local forums to negotiate the appointment of temporary Councils, which would govern until municipal elections would be held.
- **The interim phase**, beginning with municipal elections and lasting until a new local government system has been designed and legislated upon.
- **The final stage**, when a new local government system would be established.

Local government were reaching the final stage of the transition process at the moment of my research (2003).

Demarcation

Before 1993 South Africa consisted of approximately 1300 municipalities. Spatially, four provinces turned into 8 provinces and over 1300 municipalities were put together in less than 300 municipalities (www.demarcation.org.za). The reasons for this demarcation are that the situation before 1993 showed some major shortcomings. Some areas were really wealthy, while others could not even provide basic services like water and electricity. In the former black homelands millions of people had little or no access to basic services or to economic opportunities. Moreover cities and town were badly designed. The poorest lived furthest away from places of employment. Small rural towns did not serve the needs of the majority of people living on the land around them. A lot of municipalities faced financial difficulties.

Demarcation of provinces and municipalities was started to deal with these problems. By changing the boundaries the government tried to ensure integrated and developmental local governments. Section 151 of the Constitution stresses that the whole of the territory of the Republic must be covered by municipalities. All citizens of South African must be municipal citizens. This 'wall to wall' policy contrasted heavily with the fragmented and racial based local government that had existed under the Apartheid regime. During the local government elections for 1995-1996, the amount of municipalities was already reduced to 843.

In 1998 the Municipal Demarcation Act, No. 27 of 1998, was introduced. It gives criteria and procedures to determine municipal boundaries by an independent authority, namely the Municipal Demarcation Board. The board addressed remaining apartheid municipal boundaries and sought to align municipal boundaries with other government administrative boundaries. It has also tried to establish financially and administratively viable municipalities.

Structure

Local government is established in the Constitution as a distinctive sphere of government, interdependent and interrelated with national and provincial spheres of government. The Constitution provides for three categories of municipalities; metropolitan municipalities (category A), local municipalities (category B) and district areas or municipalities (category C). In the Local Government: Municipal Structures Act, 1998, criteria are described for determining when an area must have a category A municipality and for whether its municipalities fall into the B or C category.

There are six metropolitan municipalities, namely Tshwane, Johannesburg, Ekurhuleni, Ethekwini, Cape Town and Nelson Mandela (www.gov.za). Metropolitan councils have a single metropolitan budget, common property rating and service tariffs systems, and a single employer body. Metropolitan areas can have two types of executive systems: the mayoral executive system where legislative and executive authority is vested in the mayor, and the collective executive committee where these powers are vested in the executive committee. Metropolitan municipalities have some autonomous powers.

Currently, South Africa counts 231 local municipalities. Local municipalities are governed by single councils. They do not exercise autonomous powers. The local municipalities fall under the district municipalities. There are 47 district municipalities. The district municipalities are new institutions which are meant to facilitate the regional co-ordination of service delivery. There are no ward councillors on the district level, so accountability towards the citizens has been diminished. The way to divide powers and functions between the different types of municipalities is on some levels still debated.

Vision

After the Transition Act of 1993, in which a process of change is designed, The White Paper of Local Government was published in 1998. This Paper goes a step further than the Transition Act. It does not merely outline a process of change for local governments to get a more developmental role in society, it also provides tools and options for municipalities to use in their process of becoming more developmental. The approaches put forward in the paper create a framework in which municipalities can develop their own strategies for meeting local needs and promoting the social and economic development of communities (White Paper on Local government, 1998, section B).

The Paper stresses also that if municipalities do not develop their own strategies to meet community needs and improve citizens' quality of life, national government may have to adopt a more prescriptive approach towards municipal transformation.

Developmental local government is described as 'local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives' (White Paper on Local Government, 1998, section B:1). Four characteristics of developmental local government are distinguished. The first is maximizing social development and economic growth. The local government should take active steps to ensure better social and economic conditions, for instance by the provision of basic household infrastructure, which includes water and electricity. The second characteristic is integrating and coordinating. The local government must take care of the coordination between the institutions and agencies, like provincial governments, trade unions, and community groups that contribute to development, in order to avoid unnecessary inefficiency that can occur if different organization work on the same case without knowing that of each other, and other misunderstandings. The third characteristic is democratising development, empowering and redistributing, which is mainly about promoting participation within all the communities of the municipality, so that also the less advantaged groups can express themselves. The last characteristic is leading and learning and deals with the way local governments should work to achieve a sustainable economy and social capital.

To achieve improvements in local government, significant changes in the way the local governments work are required (White Paper on Local government, 1998, section B:3). The paper puts forward three interrelated approaches that can assist municipalities to become more developed. These approaches are:

- Integrated development planning and budgeting
- Performance management
- Working together with local citizens and partners

In the following part I will come back to these approaches, when I will be explaining the legislation on performance management.

4.1.2 Legislation

Local governments in South Africa were pressured by the national government to adopt performance management. They were officially enforced by law in 2000 to use performance management (Local Government Municipal System Act, 2000). In the following I will discuss the legislation on performance management in South Africa. I will start with the Municipal System Act, because that can be considered as the most important legislation on performance management for local governments.

Municipal system Act 2000

In the 'Local Government Municipal System Act, 2000' performance management is legally secured for local governments by the central government (Local Government Municipal System Act, 2000, chapter 6, 38).

A municipality must:

- a) establish a performance management system that is—
 - i. commensurate with its resources;
 - ii. best suited to its circumstances; and
 - iii. in line with the priorities, objectives, indicators and targets contained in its integrated development plan;
- b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and
- c) administer its affairs in an economical, effective, efficient and accountable manner.

Section 41 of this Act describes the core components of a performance management system. First of all a municipality must set appropriate key indicators. These key indicators must make it possible to measure performance related to the municipality's key priorities and the objectives set in the integrated development plan that every municipality has developed. Secondly a municipality must set measurable targets. Furthermore it must monitor performance and measure and review performance at least once a year. In case targets are not met it must take steps to improve performance. Finally, a municipality must establish a process of regular reporting to the council, other political structures, political office bearers and staff of the municipality and the public and appropriate organs of the state.

The system should be developed to function as an early warning system of under-performance so that it could be addressed by proactive and timely interventions.

A municipality must involve the local community in the development, implementation and review of the municipality's performance management system (section 42). The community must in particular be allowed to participate in the setting of appropriate key performance indicators and targets for the municipality.

The guidelines for a performance management system provided in the Municipal Systems Act, 2000, are complemented by the Performance Management System Regulations (2001).

Following this regulation a municipality must in order to develop a performance management system ensure that the system (Municipal Planning and Performance Management Regulation, 2001, chapter 3: section 7):

- complies with all the requirements set out in the Act;
- demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- clarifies the processes of implementing the system within the framework of the integrated development planning process;
- determines the frequency of reporting and the lines of accountability for performance;
- relates to the municipality's employee performance management processes; and
- provides for the procedure by which the system is linked to the municipality's integrated developmental planning processes.

Furthermore the Regulation provides guidelines for performance indicators and it prescribes seven general key performance indicators that local governments must take into consideration in

developing their own key performance indicators (Municipal Planning and Performance Management Regulation, 2001, chapter 3, section 10):

- a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- b) the percentage of households earning less than R1100 per month with access to free basic services;
- c) the percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- d) the number of jobs created through municipality's local, economic development initiatives including capital projects
- e) the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
- f) the percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
- g) financial viability with respect to debt coverage, outstanding debtors in relation to revenue and cost coverage.

The regulations state that a municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. A municipality's internal auditor must on a regular basis audit the performance measurement and submit quarterly reports of this to the municipal manager and the performance audit committee. This committee consist of three members, of which the majority may not be involved in the municipality as a councillor or as an employee. Its task is first of all reviewing the quarterly reports. Moreover it must review the municipality's performance management system, focussing on economy, efficiency, effectiveness and impact, and make recommendations to the council of that municipality. It must at least twice during a financial year submit an audit report to the municipal council concerned (Municipal Planning and Performance Management Regulation, 2001, chapter 3, section 14).

The Municipal Systems Act, 2000, complemented by the Municipal Planning and Performance Management Regulation, 2001, provides a comprehensive guideline to enable local authorities to establish and implement a Performance Management System (PMS) that would fulfil National Government's expectations of Performance Management in the public sector. To help municipalities in their adoption process the Department of Provincial and Local Government have published a guide, in which more information is given about how to develop and implement performance management. The process of developing a performance management system is explained by different steps in this guide and examples of objectives, indicators etc. are given. Furthermore the guide gives examples of models and tools that can be used by the local governments, for example the South African Excellence Model.

Earlier legislation

Although the Municipal System Act of 2000 provides the legislation about the performance management system the groundwork for performance management can be traced back to earlier legislation.

In the Constitution of the Republic of South Africa (1996:195) certain principles are described to which the public administration of South Africa should be governed by. These principles are as follows:

- The promotion and maintenance of a high standard of personal ethics;
- The efficient, economic and effective use of resources;
- Public administration must be development-oriented;
- Services must be provided impartially, fairly and equitably without bias;
- Public administration must be accountable; and
- Good human resource management and career development practices must be cultivated to maximise human potential.

Both the principles of the efficient, economic and effective use of resources and the one of an accountably public administration are in line with the basic ideas of performance management.

The White Paper on Transforming Public Service Delivery (Batho Pele White Paper, 1997) attempts to turn these principles into applicable legislation. It does so by introducing performance management as the main management form. It prescribes national and provincial departments to develop a Performance Management System (PMS) which would contain performance indicators for service delivery and the measurement of performance.

The tools and principles that are described in the Batho Pele White Paper are linked to local government in the White Paper on Local Government of 1998. This White Paper of 1998 proclaims the process of change from the inherited local government towards a more development orientated local government. The paper creates a framework and programme for this transformation. The following tools are identified for realising a developmental local government (White Paper of Local Government, 1998; section B, part 3):

- integrated development planning and budgeting;
- performance management; and
- partnerships with local citizens and partners

Integration development plans should enable municipalities to prioritise and strategically plan their activities and resources. Integration development planning is required by law for municipalities. It can be described as a process through which local governments are able to plan their developmental strategies on short, medium and long-term. Making an integrated development includes the following steps (White Paper on Local Government, 1998, section B:3.1):

- An assessment of the current social, economic and environmental reality in the municipal area - the current reality;
- A determination of community needs through close consultation;
- Developing a vision for development in the area;
- An audit of available resources, skills and capacities;
- A prioritisation of these needs in order of urgency and long-term importance;
- The development of integrated frameworks and goals to meet these needs;
- The formulation of strategies to achieve the goals within specific time frames;
- The implementation of projects and programmes to achieve key goals; and
- The use of monitoring tools to measure impact and performance.

Performance management is regarded as a tool to implement the plans. So the goals that are set in the Integration Development Plans (IDPs) are to be implemented using performance management. Performance management aims to improve the effectiveness and the efficiency of the local government.

Working together with local citizens and partners, the third tool, refers to the role of local government in building a local democracy. Municipalities should develop strategies and mechanisms to continuously engage with citizens, business and community groups (White Paper on Local Government, 1998, section B:3.3).

4.1.3 Performance management in local governments in South Africa

In South Africa performance management at local governments is directly related to the IDPs. In the IDP local governments describe what their strategy will be and what policy areas they will give more attention to in the next years. In the performance management systems of the local governments these goals of the IDP are used and made operational by translating them into objectives and targets. This link between IDP and performance management is unique for South Africa.

Furthermore, local governments develop a performance management system consistent with the legislation. As described above, there is quite an extensive legislation on performance management for local governments in South Africa. The local governments in South Africa obey these laws accurately. Often they take them as a guide on how to develop a performance management system.

In general local governments first identify what requirements there are needed for performance management in their current management. Then they identify stakeholders of the performance management system, for example citizens, partners, officials and councillors, and they clarify how these stakeholders can participate in developing a system. After, a performance management system is created. A performance management system is 'a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting will occur and be organised, while determining the roles of the different role-players' (DPLG, 2001). Next, the system should be adopted. First, objectives, indicators and targets should be developed based on the IDP and according to the legislation. Then the performance measurement and reporting should be clarified. The two performance measurement models that are used most by local governments are the Balanced Score Card Model and the Excellence Model.

The Balanced Score Card Model is developed by Robert Kaplan and David Norton (Harvard Business School) and it aims to assess the performance of an organization from different perspectives. The Scorecard provides a view of an organisation's overall performance. In this way everyone in the organization and all the stakeholders are able to see how their actions contribute to the achievement of the organisational goals. (see figure 2)

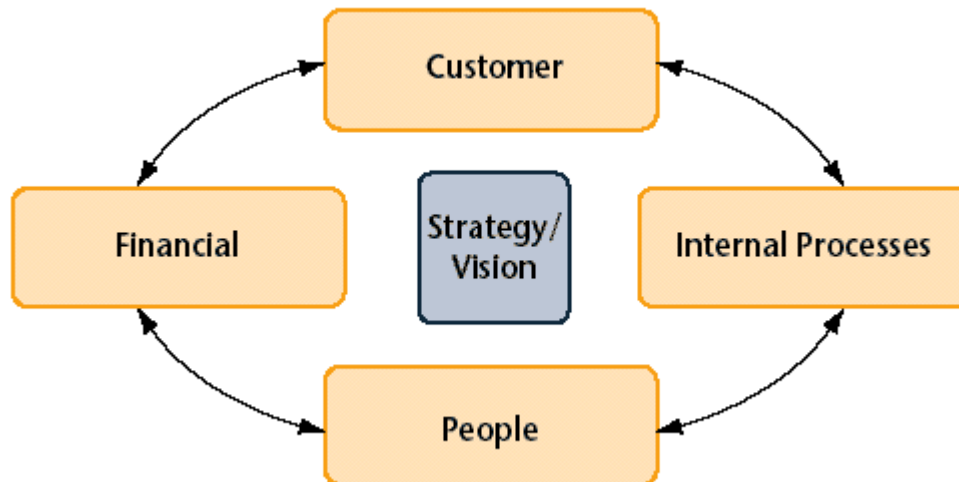


Figure 2. Balanced Score Card Model (www.scotland.gov.uk)

The Balanced Scorecard approach ensures that the municipality must:

- Link and balance the performance objectives in the planning process;
- Specify performance measures for organisational units (which may be a directorate, a department, a unit, etc.);
- Set quantifiable and measurable targets for organisational units; and
- Measure actual performance and hold organisational units accountable.

For example, in case of the Overberg District Municipality the following six perspectives are distinguished: Financial, Internal Processes, Community, Government, Innovation and Improvement and Customers.

Within the performance management system each project of the IDP is translated into input, output and outcome indicators. These indicators make it possible to actually measure performance. For every project there is also been made a link to the dimensions of the Balanced Scoreboard it relates to. This link is a conceptual link; it cannot be measured in numbers, percentages of amounts. It is there to show that the IDP projects are in line with the overall strategy of the organization.

The Excellence Model looks at different aspects of organisational performance. It shows that excellent Customer Results, People Results and Society Results are achieved through Leadership driving Policy and Strategy, Management of People, Partnership and Resources, and Processes, leading ultimately to excellence in Key Performance Results. (see figure 3)

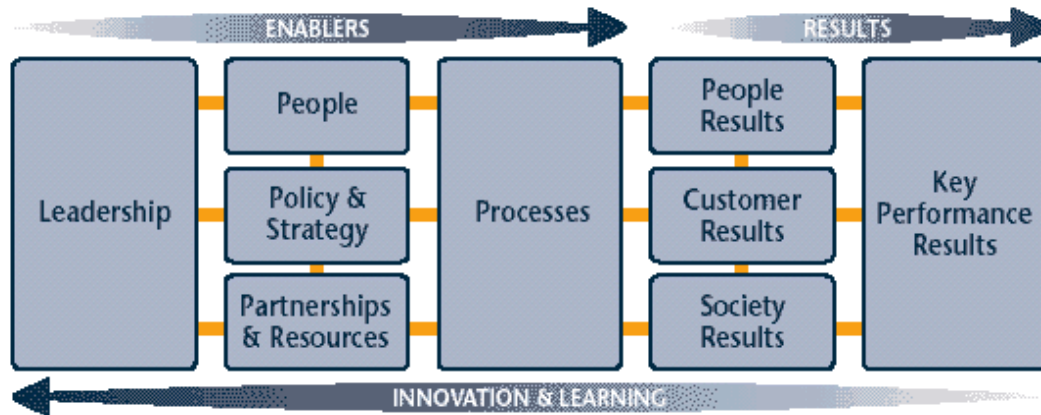


Figure 3. Excellence Model. (www.scotland.gov.uk)

The Excellence Model consists of nine criteria, divided into Enablers (the how's) and Results (the what's). The Enabler criteria deal with the organisations management; how it manages its staff and resources, how it plans its strategy and how it monitors and evaluates key processes. The organisation's Results refer to what the organization achieves. They comprise the level of satisfaction among the organisation's employees and customers, its impact on the wider community and key performance indicators.

After describing the two main performance measurement models in South Africa, I will now continue explaining how performance management systems in general are used by the local governments in South Africa in the light of the features I gave in section 2.1 about performance management.

Regarding the features of performance management that I have described in section 2.1 one could say that the objects of performance management in South Africa are not merely products and services. In South Africa performance management enhances a better functioning of local governments in general, with a strong focus on its developmental responsibilities. One could therefore say that in South Africa performance management has a broader object than only an improved service delivery.

Furthermore, one could say that South African local governments use contracts, but not in a high extent. In Stellenbosch Municipality, for example, only the directors of the departments have an annual contract according to which their performance is measured and rewarded, by the municipal manager, i.e. the principal. The targets and indicators for each department are developed by the departments themselves, but have to be approved by the council of the municipality. So the council is more the principal and the executives of the departments are the agents.

The third feature of performance management mentioned in section 2.1 is budgeting on performance. Budgets should be related directly to individual performance, so that payments are done corresponding to the delivered performance. People are stimulated to work efficient in this way. However, in the local governments in South Africa this budgeting on performance does not have a strong priority. In general, performance management is merely seen as a new way of managing and monitoring the activities and there is not a strong focus on the budgeting part of performance management. The Overberg District Municipality, for instance, will keep their traditional input budget system along side the new performance management system.

Regarding the last feature of performance management, the introduction of advanced management instruments, one could say that there is a strong focus on human resource management techniques in South Africa. These are often integrated within the performance management system. In Stellenbosch Municipality, for example, human resource management is included in the computer based management system. However it is questionable whether human resource management was introduced as a result of performance management; often it was already used before the introduction of performance management.

In sum, one could say that performance management in the local governments in South Africa is more seen as a management system for the organization as a whole than as an individual performance management system. The main focus is on developing indicators and targets for the policies of the municipalities and not so much on developing targets for individual performances. Not much attention is paid to budgeting on individual performance. Furthermore, performance management in South Africa is not only focussed on service delivery, but also on improving the effectiveness of the whole municipality and in that sense it is seen as an important developmental instrument.

Considering Pollits (2002) different stages of convergence as described in section 2.2.2, one could say that the adoption process has passed the decisional stage, in which the decision to adopt was taken, and is now in the practice stage; local governments are either developing a performance management system or implementing it. However, as I stressed above, they do not implement it exactly like most western countries. They use the term 'performance management' and the main ideas of performance management (discursive convergence), but adjusted it to their own circumstances. In other words, there is practice convergence, but only to a certain degree. The result convergence stage has not been achieved yet.

After determining the stage of convergence in the local governments in South Africa, it is time to gain understanding in why this particular convergence takes place. In section 2.2.1 I have described that convergence can be explained both from a functional and a non-functional perspective. Therefore I will continue explaining the adoption process of performance management by local governments in South Africa from theories from both these perspectives in the next two parts.

4.2 In the light of the innovation diffusion theory

In this part an empirical analysis of the adoption process of performance management by the local governments of the Western Cape province will be given from the perspective of the innovation diffusion theory. This will be done by discussing the findings on the research variables of the innovation diffusion theory, which were formulated in section 3.1.1.

4.2.1 Relative advantage

According to the White Paper on Local Government (1996: Section B, 3.2) performance management should be implemented to "ensure that plans are being implemented, that they are having the desired development impact, and that resources are being used efficiently." Key indicators have two purposes following this White Paper. First, they can help municipalities to know their policy sectors better and to plan more effectively. Second, indicators which measure

value-for-money in service delivery can provide valuable guidance for municipal organisational transformation. For if the community is involved in developing performance indicators a performance management system can also improve the accountability. Furthermore, by developing indicators in conjunction with internal stakeholders councillors will be able to develop a shared organisational vision. (White Paper on Local Government, 1996, B 3.2)

Different advantages of performance management were mentioned during the interviews. Most advantages are still purely theoretical, and therefore nothing more than expectations, simply because the implementation process of performance management has not advanced yet. One expected advantage of performance management is that it improves transparency. On an individual level measuring performance makes it clear what people do and in what ways they can improve their performance. On an organisational level performance management clarifies the objectives and activities. Moreover, performance management makes it clear how the money of the municipality is spent. This is felt as important in South Africa, because often there is not a lot of money to spend, so it is a necessity to spend it on the right things. Performance management does not only measure the outputs, but also the outcomes. In other words, it measures what is actually achieved in the society by implementing a policy and by funding it.

A second advantage of performance management that is mentioned during the interviews, is the improvement of the public accountability. Through performance measurement councillors get good reports on what is going on in the municipality which enables them to make policies that are needed most.

A third advantage is that it can make a municipality work more effective. The Stellenbosch Municipality works with focus areas, inspired by Norton and Kaplan (Harvard). The councillors identify focus areas, for example housing or primary education, within each department and the directors have to work on these focus areas. The result of this is that the directors work on the same things as the councillors want them to. In this way performance management has appeared to be very effective in Stellenbosch, according to their representative.

Though most of the people were enthusiastic about performance management, some comments were made as well. A spokesman of the Western Cape Local Government Association (Weclogo) mentioned, for instance, that performance management might be too sophisticated for certain municipalities in South Africa. The fact that councillors must evaluate managers on their contracts may, for instance, give problems because not all councillors are educated well; some cannot even read and write. He also calls upon the fact that not all Africans think in a capitalistic way, which makes it hard to implement a management system based on highly capitalistic countries. A lot of people, for instance, only plant the amount of food that they need to provide for their families and they do not make any effort to increase their harvest.

Most basic models and management structures for performance management are developed in western countries, like the Balanced Score Card Model of Norton and Kaplan. The problem with this is that Africa is not as developed as the western countries and therefore it is doubtful whether these models can be implemented easily in South Africa, according to Weclogo. South-Africa is in that sense twofold; one part is highly developed and within this part there is a great tendency to work with new and advanced models, but there is also a considerable part which is underdeveloped and for that part it is much harder to implement these models, because of a lack in know-how and resources.

4.2.2 Needs

The need for performance management according to the national government is to achieve a developmental local government. The White Paper on Local Government of 1996 outlines this vision of local governments becoming developmental local governments. Developmental local governments are needed to deal with the legacy of underdevelopment and poverty in the local areas in South Africa. The Paper identifies integrated developmental planning (IDP), performance management and community participation as crucial mechanisms to achieve a developmental local government. These mechanisms are supposed to reinforce each other and together bring change, transformation and an improved service delivery on local governments. Performance management is needed to implement the strategies that are developed within the IDP and to improve public service delivery.

According to the different organizations involved with the adoption process of performance management, there are different distinctions to make within the needs for performance management. The head of the public sector section of a big consultancy firm, identifies two kinds of needs for performance management. First there is the institutional need, which refers to the need of the municipality to be a well developed institution. Furthermore there is the need of the citizens within these municipalities. The needs of the citizens are at the moment mainly interpreted as the needs for basic services, like water, electricity, housing and roads. Sometimes these basic needs are referred to as 'hard issues'. To deal with both the institutional needs and citizen needs national government provides extensive funding. Performance management is forced upon all local governments to ensure that these needs are taken care of. Through performance management it is also possible to measure whether the funding has been rightly spent and whether it had any effect.

Besides the above mentioned 'hard issues' like water and electricity, 'soft issues' can be identified. Soft issues refer to the needs that are immaterial, for example needs for capacity building, job creation and creating entrepreneurial opportunities. The need for soft issues is substantial in South Africa, according to Weclogo and Price Waterhouse Coopers, but the government still pays less attention to them than to the 'hard issues'. Consequently, in a municipality that got a prize for the best way of spending the governments funding because everybody in that municipality had access to the basic needs, approximately 80 % of the population was still unemployed. The municipality hired companies from outside to make their electricity lines and waterpipes. After the money was spent, they had a good infra-structure, but still no jobs. It would have been better if the money had been used to create companies that could make these basic services, in their own municipality. In that way jobs would have been created, the economy would have been stimulated and the people would have got their basic needs.

So, following Weclogo and Price WaterHouse Coopers performance management should not only concentrate on the 'hard' development, but also on the 'soft' development in order to make a change in society.

The spokesman of Overberg District Municipality put forward that at his municipality the people only started thinking about performance management, after it was enforced by legislation. After studying it, they thought it made sense to use it though and they could see in what ways performance management could make some improvements. The same can be said for the City of Cape Town and for Stellenbosch Municipality. They started to recognize the advantages of performance management only after the legislation prescribed them to use it.

4.2.3 Information gathering

According to the Local Government Municipal System Act of 2000, all municipalities are to establish a performance management system that suits best with their own circumstances. Except for the national indicators that must be taken into consideration municipalities are free to choose whatever kind of performance management system they want to use. In order to inform the municipalities about different possibilities the national government organizes workshops and meetings, and the department of Local and Provincial Governments produces a guide, in which examples of different models are given.

For many municipalities it appeared to be a challenge to, according to the Act, come up with a performance management system. Some of them were still struggling with their Integrated Development Plan, which was prescribed in earlier legislation, when the System Act enforced them to develop a Performance Management System (PMS).

Many municipalities have asked consultancy agencies to assist them in developing a PMS. Consultancy agencies have tried to develop models of performance management that can be used by local governments and have tried to sell these models to the municipalities. Some municipalities left the development of a PMS completely to consultancy agencies. Other municipalities only used consultants to inform them of possibilities.

The two models that are used mostly by local governments are the Balanced Score Card Model of Norton and Kaplan (Harvard University) and the Service Excellence Model. These two models were given as an example in the information booklets of the Department of Local and Provincial Government on how to develop a performance management model. Municipalities were free to develop any system they wanted, but apparently many choose for one of these two examples. Probably they did this because there is a lot of information and research done on these models, according to a consultant. Cape Town, for instance, as part of a national pilot project, experimented together with two other municipalities in the Western Cape, with performance management systems. Six sub project teams, comprising approximately 45 members, researched and evaluated all methodologies and best practices, before piloting the Balanced Scorecard methodology and testing it. This pilot ran from February 2002 to August 2003.

Furthermore, packages were offered in which these models were used. Municipalities only use the models as a basis though and develop their own system from that, so the systems can still vary significantly between municipalities.

During the development of performance management systems many local governments took foreign systems as an example as well. Cape Town looked to the model of Charlotte, North Carolina, and to the experiences of the United Kingdom. In Stellenbosch they used the book of Norton and Kaplan about the Score Board Model and they studied the municipalities that are mentioned in the book, mainly by checking the internet sites.

Apart from the organized workshops by national government, local governments organize meetings as well. Stellenbosch Municipality, for instance, shares information with the other local municipalities in its District, Boland, about performance management and the IDPs. The University of Stellenbosch also facilitates a network of local governments, in which they share knowledge and experiences through newsletters and workshops. On 14 November 2003 a workshop was held for example on the implementation process of performance management. In

this workshop experts and representatives discussed problems and challenges that municipalities have to face within the implementation stage.

Although there is some communication between municipalities, they do not seem to really co-operate in developing a system. Every municipality does this on its own. The Spokesmen of PIMSS regrets this: “especially for the smaller municipalities that have less resources it would be in their benefit to work together.” It occurs now that within one district all the local governments use different types of performance management, like within the Overberg District, which makes sharing experiences hard. Furthermore most municipalities hire their own consultancy agency. Municipalities could save a lot of money by working more together.

The District of Central Karoo is an exception in this, according to the Provincial Government. Here they have an integrated performance management system between the District Municipality and the three local municipalities. The municipalities in this District have limited resources and therefore work together.

4.2.4 Favourable or not?

Performance management is prescribed by law, so local governments have to implement it, whether they are favourable towards it or not. In practice though, most people who are in charge of developing the performance management model for their municipality and who therefore study performance management theory get enthusiastic about it. They overall believe that performance management is a good management form that can make a lot of improvements in South Africa. It just needs to be implemented in the right way. Especially the fact that performance management emphasizes the measurement of the performance of the organizations as well as of individuals is seen as a great advantage. Several people at the municipalities mentioned that the South African local government needed a monitoring system.

Some small municipalities are not enthusiastic about performance management, because they do not have the resources to implement it, according to PIMSS. PIMSS also stressed the fact that it is of great importance that all the people at a municipality are favourable towards performance management, in order for the system to work.

The spokesman of Cape Town Municipality takes it a step further: “for performance management to work effectively, buy-in from all key role players, like politicians, officials, and partnerships, is required besides the legislative imperatives.” For the same reason they started to consult the councillors at an early stage in the development of the system in both the Overberg District Municipality and in the municipality of Stellenbosch.

4.2.5 Decision making

The decision to adopt performance management at the local level was made on the national level. In the White Paper on Local Government of 1996, performance management was already mentioned as being an effective management form. In 2000, performance management was enforced by the national government in the Local Government Municipal System Act. The theory on innovation diffusion distinguishes three sorts of decision making: optional (by individuals), collective (by the system as a whole) and authority decision making. In this case, the decision to adopt is made by the central government, so by an authority.

Within each local municipality they had to decide afterwards how to implement it. The decision how to implement, is made by the council of a municipality, so also an authority decision.

The executive committee or executive mayor is supposed to manage the development of the municipality's performance management system. This committee has to assign responsibilities in this regard to the municipal manager and it has to submit the proposed system to the municipal council for adoption (Local Government System Act, 2000: 39). In practice, the municipal manager is often seen as the one who is responsible for the performance management system. The municipal manager can delegate his responsibilities to a certain extent to another person in the municipality, as is the case at the Overberg District Municipality.

National government set the deadline for implementing performance management June 2002. This means that in all the local governments the performance management system should have been formally approved before June 2002. This is not the case. Many of the local governments did not meet the deadline. Some of them still have not finished the developing stage. In the Overberg District Municipality, for instance, they are still trying to finalize the system. The plans still have to be formally approved before they will start implementing.

In Stellenbosch they are in their second year of implementation now. The decision process went very smoothly according to their spokesman. The council and the executive committee welcomed performance management enthusiastically.

In Cape Town municipality they were already using performance management as being part of a national pilot, but formally adopted it in March 2003. Decision making in Cape Town is often a political struggle, because it is a big municipality which has a lot of resources, but also a lot of political tensions, according to their own spokesman and Weclogo.

The main reason that local governments adopt performance management is the Local Government Municipal System Act, in other words they adopt it because they have to according the law. None of the interviewed municipalities worked or was planning to work with performance management before the national governments plans about legislation on performance management came out. One of the department managers of the Overberg District Municipality mentioned international pressure as a motivation to adopt performance management. Organizations like the Worldbank want South Africa to spend its money more efficient, in order to realise more developmental plans without increasing the government expenditures, because the government spending is already too high for a developmental country. According to the Act, the drive behind adopting performance management is to ensure a developmental local government.

4.2.6 Implementation

Not all local governments have reached the implementation stage yet. Those who did implement it, experienced it in different ways. In Stellenbosch Municipality, for example, the implementation process went easily. Contracts were introduced for the directors on which they get evaluated every 6 months by the municipal manager. After each year they get a score. There are three scores that they can get: improvement required, met (good enough) or exceeded (very good). Furthermore the Performance Management system in Stellenbosch is facilitated by a computer system. This computer system is like a database that combines the items of strategic planning, financial budgeting, developing projects and evaluation. Each month the targets are produced by the computer system and the municipal manager can check with the help of that list whether these targets have been achieved. They are in their second year of implementation now.

Often municipalities face several problems during the implementation. First, there is the overall problem of a change in culture that is needed to implement performance management.

According to a representative of a big consultancy agency some people in local governments perceive performance management very negatively. They only see it as a lot of extra work. Smaller municipalities with a lack of resources tend to dislike the idea of performance management as well, because they cannot afford to develop it, following PIMSS. As a result of a lack of culture change performance management may be used in a wrong way. Some political leaders actually use performance management as a punishment system for the directors, according to a consultancy agency and a representative of the Overberg District Municipality.

Second, there are problems related to the municipalities' staffs. In Cape Town there were for example concerns about the relation between individual performance and organizational performance among the staff. In general, Provincial Government identifies problems with the division of responsibilities and tasks among the staff and the different departments. For example, should the corporate services department be responsible for the finances of the department or should finance fall under another unit? Clarifying these responsibilities becomes even more difficult for big municipalities, because there are so many structures and people to take into consideration.

Weclogo identifies the importance of a good relation between the councillors and the municipal manager. When they do not get along, which often happens when they belong to different political parties, the performance management system will probably not work effectively. The councillors are in charge of the evaluation of the municipal manager. Often there is a reward of an increase in salary for the municipal manager when the evaluation turns out positive.

The function of the municipal manager regarding the performance management system can be problematic too, according to Weclogo, because a municipal manager has much more tasks to fulfil than only managing the performance management system. His task of coordinating the performance management system can therefore become neglected.

A third problem is the political influence in South Africa. It is hard to maximize efficiency and effectiveness in a country where there is so much political pressure as in South Africa, according to Weclogo. If a municipal manager, for example, would really make an effort to make people pay for certain services, in order to make the system more efficient, these people would probably complain to the councillors. Then the municipal manager is asked to withdraw that policy again.

Furthermore the representative of Cape Town mentions that while the targets and indicators from the performance management system follow from the Integrated Development Plan (IDP) and the National Key Performance Indicators, they are politically driven and therefore directly influenced by the many political changes that are constantly going on in South Africa. For example, in July 2003 the IDP of Cape Town Municipality has changed because the ANC/NNP coalition took over from the DA. New indicators and targets were set.

A fourth problem is to come up with clear objectives and targets. This is important to make measurement possible. Some objectives, though, are hard to make measurable, like for example a decrease of poverty. Not all the municipalities possess the knowledge to develop good targets and objectives. Both Weclogo and the Provincial Government acknowledge this capacity problem.

A fifth problem is related to the budget. If the budget is not allowed to change in order to design a performance management system, the implementation of performance management will be really hard, according to a representative of the Overberg District Municipality.

During the workshop on performance management at the Belville Campus on the 14th of November 2003, Drakenstein Municipality, Overberg District Municipality, West Coast District Municipality, Xhariep Municipality and George Municipality identified several practical problems regarding the implementation of performance management. First of all problems with project management (IDP) were mentioned. Top- and middle management often do not know what project management implies and how to use it. Moreover the coordination between projects needs improvement. Managers are often focussed on their own projects and forget to inform other managers on what they do. In that way, knowledge and information is not transferred efficiently. Some representatives from the municipalities mentioned that they would prefer to use programme management in stead of project management, especially if there are big budgets involved.

Second, the role of national and provincial government was discussed. Some people suggested that the content of the national indicators should be reconsidered; there could be more emphasis on human development. Furthermore these indicators are considered to be too vague. The supporting role of provincial and national government is perceived as hardly existing by the local governments. The overall thought is that the Department of Local and Provincial Government (DPLG) just introduces a law and then expects local governments to implement it immediately. The municipalities are also afraid that the DPLG will change the legislation again, while they just have put so much effort in developing a PMS.

To stimulate municipalities to perform well, the Department of Local and Provincial government has established the VUNA award. This award will be given to the municipalities that perform the best, according to DPLG standards. Following a representative of a consultancy agency this award works an incentive for municipalities to cooperate in order to get better results.

4.2.7 Effectiveness and consequences

It is hard to say yet whether performance management as a management form has been effective, because it has hardly been implemented yet in local governments. And if it has been implemented already, it is still too early to determine its effectiveness. In Cape Town they are still re-aligning the strategic objectives at the moment. This must be done, before they are able to measure its effectiveness.

Performance management has been effective already though as an incentive to make people at municipalities reconsider their actions, according to Wecologo, the Overberg District Municipality and PIMSS. In order to set objectives and targets, for example, people have to think about what they are actually trying to achieve through their actions. The development of a performance management system has proven to be a learning process, which makes people see things from a different perspective. "It makes people sometimes get out of their tunnel, because they have to think now why they do things", according to the representative of PIMSS. One of the managers of the Overberg District Municipality mentioned that at his department the involvement of the community improved much during the process of developing a performance management system. At this department, i.e. the Health Department, they held assessments at clinics in order to come up with a good measuring system. Because the people of the clinics

became involved in the development of the system they became more favourable towards it and also towards the municipality itself.

According to Weclogo, performance management has already been effective in the way that it has laid the foundation for measuring performance.

It is too early to say whether performance management will be reinforced in the confirmation stage, simply because the municipalities are still in the implementation stage, or even in one of the stages before. All the municipalities expect however that they will continue using performance management for at least a few more years. They will use it as long as the law prescribes it, and they do not expect that the legislation regarding performance management will change dramatically within the next few years. Only the interviewed consultant is sceptical about the future of performance management. His experience with performance management at other levels of government is that they often put a lot of effort in it the first years, but then they loose interest, and the performance management system becomes neglected. The individual measurement stops already after 3 years, according to him: "Often performance management is implemented just to show the inspection that they did it, and afterwards it is not given any attention anymore".

4.2.8 Early and late adopters

Different adopters can be identified in the sense that some municipalities have started earlier with adopting performance management than others. Cape Town, for example, as being part of the national pilot belonged to the first group of adopters, the innovators, and is therefor relatively far ahead now in the adoption process. The Overberg District Municipality started the adoption process much later and is still only in the persuasion stage.

According to the representatives of the Provincial Government of the Western Cape some municipalities do much better than others. Here, the amount of resources of a municipality plays a role. Municipalities with limited resources often have difficulty in developing a performance management system. A municipality, for example, that hardly has enough staff and money to deal with basic service delivery, i.e. water and electricity, does have neither time nor money to spend on performance management.

Remarkable is that the late adopters still make up their own performance management system. They do not seem to use the systems that were already developed by other municipalities before. In that sense the innovation of performance management does not seem to have been fully institutionalized in a particular way in the society. Late adopters still have as much freedom as early adopters to implement it as they want to.

The Provincial Government of the Western Cape and organizations like PIMSS stimulate municipalities to use each others systems though. They do not want municipalities to reinvent the wheel all the time. For example, the Provincial Government provides local government that still have to start developing a system with six models from which they can choose, in order to speed up the adoption process.

4.2.9 Opinion leader

An opinion leader is a respected actor within a system who informs and advises other people of that system about an innovation and who tries to convince them to use it. The opinion leader is the pioneer of an innovation within an organization. In case of the adoption process of performance management at local governments two opinion leaders can be identified. First there is the national government, in particular the department of Local and Provincial Government, that fulfils the role of opinion leader on a macro-level. This department informs, advises, and stimulates local governments in all kind of ways; by organizing workshops, by handing out management guides and by rewarding the best working municipalities for their efforts. The Department of Local and Provincial Government informs municipalities in general. They do not give advice to local governments in particular.

The second opinion leader which can be identified is the opinion leader that informs and advises a municipality in particular, this opinion leader works on a micro-level. That role is often played by the municipal manager of the municipality. By law, the municipal manager receives certain responsibilities, regarding the development of performance management, from the executive committee or executive mayor. The municipal manager is in charge of the development of the performance management system; he tries to find the best way of doing this. Often a consultancy agency is asked for help. During the development of the system the municipal manager informs the people of the municipality about it and advises them how to use it. The municipal manager will also have to inform the councillors.

In some cases the municipal manager is supported by a department that is involved with the management of the municipality, as is the case in Stellenbosch. They have a small department for strategic management, which consist of four persons. This department is engaged in a cycle of strategic planning, developing the IDP, financial budgeting, development of projects and then back to strategy.

The municipal manager may delegate his task to develop a performance management system to someone else. In Overberg District Municipality this happened, because one of the employees is an expert on performance management. In big municipalities delegation occurs, because the task of developing a performance management system is too much work for the municipal manager. In Cape Town they have a Director Performance Management. The purpose of the Directorate is to develop, implement, monitor, promote and maintain the enabling framework for the City of Cape Town's Organisational Performance Management System (OPMS).

Besides these two main opinion leaders, the one at the national level and the one at the municipal level, one could also detect some opinion leaders that work in between these levels. Provincial government, for instance, also informs local municipalities about performance management and provides support for those who need it. The same can be said for organisations as Weclogo, SALGA and PIMSS, all organisations that try to assist and stimulate local governments as much as possible.

4.2.10 Change agent

Change agents try to influence their clients in a way that is considered desirable by their change agency. The difference between opinion leaders and change agents is that change agents do not belong to the organization that they assist in adopting an innovation. In case of the adoption of performance management at the local governments in South Africa, the change agents are the

consultants. Consultancy agencies can be hired by municipalities to assist them in developing a performance management system. The way the consultants assist the municipalities varies from one to another. Sometimes they only give information about what kind of models of performance management there are, as in the case of Stellenbosch, and sometimes they completely develop the performance management system for the municipality. Consultancy agencies try to develop and sell their own models and programmes. They often have made their own manuals on how to implement performance management as good as possible.

Most of the consultancy agencies are actually consultancy agencies for private organisations. The representative of Stellenbosch Municipality considers this to be a big problem. According to him the consultants do not have sufficient knowledge about how municipalities work to really help them. Most of the models they try to sell to local governments are meant for private organizations and will therefore not work at the municipalities, is his reasoning.

Following the representative of PIMSS, it would be better if local governments develop a system on their own, without any help from consultants. Then they would really know what they were doing and they would be able to develop a system that suits their circumstances best. According to her, local governments could have done it on their own, if they would have paid attention to it from the beginning on. By making their own system, local governments could have made it more manageable, and moreover more accountable. By setting targets and indicators with help of consultants that do not really know what is important in the municipality, the risk is that these targets and indicators do not represent the needs of the citizens and the municipality anymore.

The respondent of a big consultancy agency explains the big involvement of consultancy agencies in local government as a response to the transformation policy. According to him the central government has asked private organizations after 1994 to help with the transformation of South Africa.

4.3 In the light of the theory on institutional isomorphism

In this part the findings will be shown from the perspectives of the institutional isomorphism theory. In order to do that, the research variables of this theory, as are formulated in section 3.1.1, will each be discussed. I will only focus on the theoretical concepts and on additional empirical information. All facts from the previous section are considered to apply here as well.

4.3.1 Pressure

As stressed in section 4.1, local governments in South Africa were pressured by the national government to adopt performance management. The Local Government Municipal System Act of 2000 enforced local governments to implement performance management. This Act, complemented by the Municipal Planning and Performance Management Regulation of 2001, prescribes quite extensively how performance management should be implemented. For example, even a few key performance indicators are given that have to be implemented in the performance management systems of the local governments.

According to the organizations that were interviewed the main reason for adopting performance management was the above described System Act. The fact that none of the municipalities in the Western Cape Province was working with performance management before

they heard about the plans of the national government to prescribe performance management, strengthens this argument. Organisational change seems in this case a direct response to government mandate. Obviously, there is a substantial degree of formal pressure, which is a strong indicator for coercive isomorphism.

Besides the pressure of the national government, there is a completely different type of pressure important for this adoption process, namely the pressure of the society on the government to improve the situation in South Africa. There has been a strong pressure on the new government to make fundamental changes in the society and to deal with legacies of the apartheid regime. This pressure might have motivated national government to legislate performance management on local governments. Performance management is a new way of managing and therefor has a strong symbolic value of a new South Africa.

Furthermore pressure from international organizations, like the Worldbank, has been mentioned in the interviews as a drive behind the adoption of performance management.

4.3.2 Uncertainty

After the abolition of apartheid in 1993 the government faced the big challenge of transforming South Africa into a democratic country with equal chances for everybody. Local governments too had to be transformed from institutions that supported apartheid towards institutions that strive for equity and prosperity. For this purpose, the Local Government transition Act was developed in 1993, in which a process of change was planned. After three phases of change a new local government system was to be established, according to this Act. Local governments had to deal with completely new tasks and new circumstances and were therefor facing a lot of uncertainty. Among restructuring, demarcation, and Integrated Development Planning, performance management has been introduced at the local governments in order to deal with the uncertain circumstances that originated from the after apartheid era, and to accomplish a new developmental local government. According to the Provincial Government of the Western Cape, the motivations for the National Government to implement performance management in local governments were to improve the equity and service delivery.

So, one could see the legislation on performance management for local governments by the national government as a response on new and uncertain circumstances; a new local government had to be created.

A second kind of uncertainty can be detected in this adoption process, namely the uncertainty by local governments on how to use performance management. As I stressed above, most local governments only became familiar with performance management after the System Act enforced them to use it. Although they were prescribed to use it, most local governments did not know what performance management was or how to use it. There was a high degree of uncertainty on this matter, according to PIMSS and the consultants of ConsultUs.

Although the local governments faced uncertainty in this aspect, they did not start modelling themselves so much on others that were more ahead with implementing performance management. To deal with performance management, local governments often hired consultants from private consultancy agencies to help them to develop a performance management system. Hiring consultants became a real trend, according to the spokesman of PIMSS. Except for the marketing strategies of the consultancy agencies, this trend is probably caused by local governments copying each other. So not the systems themselves were copied, but the idea to hire a consultant to do the job was copied by local governments.

4.3.3 Professional backgrounds

As I stressed above most local governments use consultants to develop a performance management system. These consultants all work at similar consultancy agencies and have undergone the same kind of education in management schools, or other training institutes. Even if a consultant has another professional background, for instance a degree in engineering, he will be trained at the consultancy agency for the work as consultant. The result of the same professional backgrounds of the consultants is that they tend to deal with matters in the same way. There is strong evidence for this supposition in South Africa, because although most of the local governments hire their own consultants, with who they develop their own performance management system, the systems of the local governments turn out to be very similar. Most of the local governments end up with either the Balanced Score Card model or the Excellence model. Furthermore the systems are often quite advanced and full of new techniques and instruments like human resource management.

Since the legislation on IDPs and performance management many training institutes and programmes are created to teach the public functionaries how to use these tools. Especially management courses for municipal managers, directors and IDP coordinators are offered. Organizations like PIMSS and Weclogo offer these trainings and sometimes fund them. Consultancy agencies also offer a lot of training programmes. Due to these trainings, the professional backgrounds of the directors and other managers in local governments become more alike. They will probably deal similar on certain situations, because they learnt to do so in the trainings.

4.3.4 Networks

The networks that are relevant for normative isomorphism during the adoption process of performance management are the networks between local governments. Are local governments so interdependent on each other that they grow alike? The answer on that question is probably negative. There are networks between certain local governments. For example, the local governments of the Boland District meet on a monthly basis to keep each other updated. There are even examples of networks between local governments from different districts within the Western Cape province, for example the local government network, facilitated by the university of Stellenbosch. However, the interdependencies between these networks do not seem so strong. There are no signs that the local governments within these networks become more alike, because of the pressure derived from the networks.

5. CONCLUSIONS

In this chapter I will try to answer the question: “Which theory, the Innovation Diffusion theory or the theory of Institutional Isomorphism, provides a better explanation for the motives behind the adoption process of performance management by local governments in the Western Cape Province in South Africa?”. In order to do that I first describe how the organizations involved in the adoption of performance management by local governments in the Western Cape Province in South Africa explain the adoption process. What are the motivations behind the adoption according to them? This will be the content of section 5.1. Then, in section 5.2, I will set out how the theories on innovation diffusion theory and the theory on institutional isomorphism explain the adoption of performance management and how these explanations correspond with the adoption process in practice. In this section the focus will be on the adoption process as a whole and not only on the motivations behind it. In section 5.3 I will evaluate the hypotheses that I formulated in chapter 2. Finally, in section 5.4 I will discuss how the motivations given by the sources correspond with the theory and formulate an answer on the research question. Furthermore I will give some recommendations for further research on this topic in section 5.5.

5.1 Empirical explanations

In this section I will describe what explanations the organizations involved offer for the adoption of performance management by local governments in South Africa. In order to study the adoption process empirically, I have used several qualitative research methods, namely interviewing, data analysis and observation. I used qualitative research, because performance management is a relative new phenomenon in South Africa and qualitative research allows the researcher to really explore the topic. First, because qualitative research allows changes and adjustments during the research. Second, qualitative interview techniques are more open and help to achieve more in-depth interviews.

The organizations I have interviewed were Cape Town Municipality, Stellenbosch Municipality, Overberg District Municipality, Weclogo, PIMSS, Provincial Government of the Western Cape and Price Waterhouse Coopers.

Following the organizations involved the main reason that local governments adopt performance management in South Africa is because they have to by the law. In the Local Government Municipal System Act of 2000, performance management is legally enforced upon local governments by the central government. None of the interviewed municipalities worked or was planning to work with performance management, before the plans to enforce performance management legally for local governments were revealed by the central government. After these plans came out, the first municipalities, among which the city of Cape Town, began to study what performance management implied and started to think about how to develop a performance management system. They asked consultancy agencies to help them with implementing this new management form. Other municipalities followed and started studying performance management. In general, the municipalities became enthusiastic about performance management after studying it; they could see how performance management could make improvements in their organizations. So, the need for performance management was recognized only after it was prescribed by law.

According to the Local Government System Act of 2000, the motivation behind performance management is to ensure that developmental plans are realised in an efficient way. Performance management, together with Integrated Developing Planning and collaboration with citizens and partners should make municipalities more developmental (White Paper on Local Government, 1998, section B3). The vision of local governments becoming developmental institutions is already mentioned in the Transition Act of 1993 and further outlined in the White Paper on Local Government of 1998. Following this last Paper developmental local governments are needed to deal with the legacies of the Apartheid regime of underdevelopment and poverty in the local areas in South Africa. To improve the functioning of local governments, significant changes in their functioning were required (White Paper on Local Government, 1998:section B:3). The Paper identifies integrated developing planning, performance management and community participation as crucial instruments to make these changes. These instruments are supposed to reinforce each other and together bring transformation into local governments. So performance management is part of a great transformation plan to change the local governments that used to create and maintain racial segregation and inequity under Apartheid into institutions that strive after equity and development.

Another motivation given for the adoption of performance management by local governments in South Africa is international pressure. Organizations like the Worldbank support governmental policies in South Africa, but this has to happen without increasing the government expenditures, because these are already very high according to them. Therefore these organizations promote new ideas like performance management in developmental countries, to stimulate improvement in efficiency and effectiveness.

After describing which motivations were given for the adoption process in the empirical research in general, I will continue with discussing the assumptions of the two theories about the adoption and how these correspond with the adoption process in practice.

5.2 Theoretical explanations and how they correspond with the adoption process in practice.

The adoption process of performance management in South Africa can be seen in the light of convergence. All over the world countries are adopting certain new forms of public management. As a result of these reforms countries become more similar. Why does this convergence take place? Pollitt (2002:48) distinguishes a functional and a non-functional approach towards convergence. According to the functional approach convergence takes place because certain management forms are better than others and therefore adopted all over the world. The non-functionalist approach disapproves with the idea that change is always driven by functionalist imperatives of efficiency and effectiveness. They explain convergence among other things as a result of acting appropriately to the norms, path dependency, fashion and the need for legitimacy. Pollitt describes different stages of convergence. The adoption process of performance management in South Africa is in the 'practice' stage now, but only to a certain amount because the local governments overall use it in a different way than the theory on performance management prescribes.

Taking Pollitt's view as a model, I have chosen to study the motivations behind the adoption process of performance management by the local governments of the Western Cape province in

South Africa from both a functional as a non-functional perspective. The two perspectives argue for different motivations behind the adoption process. Whereas the functional perspective emphasizes the functionality of performance management as the motivation behind the adoption process, the non-functional perspective emphasizes motivations that are not related to the benefits of performance management itself but more to 'environmental' factors, like political power, institutional legitimacy and acting appropriate according to the norms of the environment.

As a functional theory I used the innovation diffusion theory, and as a non-functional theory I used the theory on institutional isomorphism. Besides explaining why the adoption process takes place, the aim of this research is to find out which of these two theories provides a better explanation for this adoption process. Are the motivations more functional or non-functional?

Before I will answer that question, I will first describe how both theories explain the adoption of performance management in the local governments of South Africa and how these explanations correspond with the adoption process in practice.

5.2.1 Innovation diffusion theory

The innovation diffusion theory (Roger, 1995) aims to explain how innovations are adopted and spread throughout a society. Its four main concepts are the innovation, communication channels, time and the social system. These concepts cover different aspects that are important in an adoption process of an innovation. To explain the motivations behind the adoption process of performance management by local governments in South Africa several of these aspects are more relevant.

Following the innovation diffusion theory performance management is adopted because it is expected to improve the management of the local governments. These improvements are related to the functionality of the innovation. In case of performance management the expected improvements are an increase in the effectiveness and efficiency of an organization.

In practice the perceived 'relative advantage' of performance management was also overall related to its functionality. According to the interviewees performance management is expected to improve the transparency by clarifying the objects, activities, outcomes and expenditures of the local governments, to improve the public accountability by delivering more accountable reports and to improve the effectiveness for example by introducing focus areas.

The advantage of performance management according to the legislation is that performance management ensures that plans are implemented, that developmental goals are achieved and that resources are used efficiently.

So the relative advantage of performance management according to the different sources corresponds with the relative advantage according to the innovation diffusion theory. They both stress that performance management will improve the efficiency and effectiveness, though this is seen in a developmental context following the Act.

One disadvantage of performance management that was mentioned was that it is too sophisticated for a country like South Africa. The models of performance management are based on highly developed countries and South Africa does not meet these standards. The lack of knowledge and resources in some municipalities can cause problems during the implementation of performance management.

Furthermore the innovation diffusion theory emphasizes the importance of a felt need for an innovation in an adoption process. According to the Act, the need for performance management was to ensure a developmental local government that can cope with the problems of poverty and underdevelopment in the local areas. Following the interviews the needs for performance management could refer both to the need of the municipality to be a well developed institution that is able to make improvements in the local areas, as to the needs of the citizens within the municipality for basic services and immaterial matters as job creation and entrepreneurial opportunities. However, in most cases these needs were only recognized after performance management was prescribed by law, because many local governments only then became familiar with it. Following the theory on innovation diffusion it is common that the needs of an innovation are not recognized until people get familiar with it (Rogers, 1995:228).

Moreover the theory provides insight into the process of information gathering about performance management by the local government. Apparently, most local governments brought on external consultancy agencies to assist them with the development of a performance management system. Some local governments looked at western examples.

The information gathering is followed by the persuasion stage, in which people become favourable towards an innovation or not. Performance management was prescribed by law and it had to be implemented whether people were favourable towards it or not. Often though the people who were in charge of it in the municipalities became inspired and enthusiastic about it. The people involved overall believe that performance management can make improvements in the local governments if it is implemented in the right way. A lot of people of the local governments, especially the directors and municipal managers, strongly believe in the functionality of performance management. Municipalities with limited resources are less enthusiastic about performance management, because they do not have the money, personnel or time to spend on the development of a performance management system. Performance management is also not one of their priorities. Smaller municipalities often have less resources than bigger ones.

The third stage in the adoption process is the decision stage according to the theory. The decision to adopt performance management was made by the central government, in other words by an authority. Afterwards the council of each municipality had to decide how to implement it. So this decision is also made by an authority. The fact that the decision to adopt was made by a governmental authority shows that political motives might have played a role in the decision process.

Then follows the implementation stage. Performance management should have been implemented by June 2002, according to the national government. This deadline has not been met by many local governments. Even the city of Cape Town, one of the early adopters of performance management, only adopted performance management formally in March 2003. Some local governments have not reached the implementation stage yet. Apparently, the adoption of performance management was more difficult than expected. Remarkable that it takes so long before a management form, that is to improve the implementation of policy plans, is implemented itself.

According to the sources, different problems can occur during the implementation stage of performance management. I will mention a few. Political leaders sometimes use the performance

management system as a punishment system for the directors. Some municipal managers neglect their responsibility on performance management, because they are too busy with their other tasks. Too little know-how can cause problems in developing a performance management system. Constant political changes can make a local government revise the indicators and targets all the time. Conflicts about the division of responsibilities can cause delays. These problems point out that the implementation of performance management is not always easy. Furthermore, these implementation problems can lead to a wrong use of performance management in a long run, see the negative effects described in section 2.1.2.

Another aspect of the innovation diffusion theory is the effectiveness of an innovation. Though one cannot judge yet about the effectiveness of performance management because it has only been implemented recently by most of the local governments, interviewees mentioned that performance management has been effective already as an incentive to make people reconsider the actions of the municipality. The development of performance management has proven to be a learning process, because the people who work at the municipalities have to think over their activities in order to develop indicators and set goals and targets. One interviewee mentioned that at his municipality they had involved the community in making the system, and this has improved the relation between the municipality and the community. So, performance management has already been effective in other ways than increasing the efficiency.

The local governments will continue using performance management as long as the law prescribes it. One interviewee was sceptical about the future of performance management. Based on his experience with performance management at other levels of government he predicted that after three years there will be hardly put any attention anymore to the performance management system. People will lose interest.

The innovation diffusion theory sheds light upon different adopters in the adoption process. According to the theory the early adopters are overall motivated by a desire to improve the organization, while late adopters can be motivated more by legitimacy. In South Africa some municipalities have started earlier with adopting performance management than others. Overall, the municipalities with a lot of resources, for example the city of Cape Town and the municipality of Stellenbosch, are better in adopting performance management, because they have the financial means and the personnel to do it. They become part of the early adopters therefore. Municipalities with limited resources often end up in the group of late adopters. Striking is that the late adopters still develop their own system. Municipalities in South Africa hardly seem to copy each others performance management systems. So performance management as an innovation does not really seem to institutionalize in the society. Late adopters are as free as early adopters in their choice on how to adopt it. This is not in correspondence with the theory on innovation diffusion.

The theory identifies opinion leaders in an adoption process. An opinion leader is an actor with a somewhat higher position in a system, who tries to influence the others in an organization to adopt an innovation. In South Africa two opinion leaders can be identified. On the macro level the Department of Local and Provincial Government (DPLG) fulfils this role. This department informs and stimulates local governments by organizing workshops, handing out manuals and by rewarding the best functioning municipalities for their efforts with the VUNA award. This opinion leadership is questionable though, because local governments perceive the supporting role of national government as hardly existing. Furthermore the local governments overall think

that DPLG is not aware of the fact that changes in local governments take a lot of effort. DPLG keeps on making new laws and expects the local governments to follow these automatically and without any problems.

The second opinion leader that can be identified is the municipal manager of each of the municipalities. The municipal manager is in charge of the performance management system and has to inform and convince people to use it. The municipal manager might be supported by a department or by experts within the municipality. Furthermore, one can detect some other opinion leaders in the Western Cape province, i.e. Provincial Government, Weclogo, SALGA and PIMSS.

National government might be considered as a political opinion leader, which means that political motives might underlie the adoption of performance management. On the other hand, the municipal manager is more likely to have managerial motives to support performance management being in charge of the management of the municipality.

Furthermore the theory identifies change agents. A change agent is an external actor who assist an organization with an adoption process. The change agents in the adoption process of performance management in South Africa are mainly the consultants from private consultancy agencies. They assist municipalities in different ways with the adoption of performance management. Sometimes they only inform about the possibilities, but other times they develop the whole performance management system for a municipality. The consultants focus only on the managerial aspect of performance management.

In sum, the theory on innovation diffusion emphasizes how the functionality of performance management plays an important role in the adoption process in South Africa. Overall, after studying it, the people of the local governments became very enthusiastic about performance management. They could see what improvements performance management could make. Even though performance management is not implemented yet by all municipalities and it is too early to make any judgements about its effectiveness, the people expect a lot of advantages of performance management. Moreover, interviewees mentioned that performance management already has been effective, because it made people think over their activities during the development of the system.

On the other hand, the deadline for implementation on June 2002 is not met by most of the municipalities, which points out that the adoption process was more difficult than expected. Furthermore, several implementation problems have been identified. Especially for municipalities with limited resources the adoption of performance management appeared to be hard. This seems sour, because these municipalities in particular, need a system that increases the efficient use of resources.

5.2.2 Theory on institutional isomorphism

Institutional isomorphism refers to the process of homogeneity of organizations caused by institutional forces as political power and legitimacy. Following the theory on institutional isomorphism (DiMaggio & Powell, 1991), organisational change is not so much driven by economical reasons like competition and the need for efficiency, but it occurs more as a result of processes of isomorphism stemming from the structuration of the organizational field. DiMaggio & Powell identify three forms in which institutional isomorphism can take place, coercive, mimetic and normative isomorphism. In each of these forms the drive behind organisational

change is different. Therefore the motivation for adopting performance management by the local governments of South Africa can be explained in different ways by this theory.

In case of coercive isomorphism, an organization is pressured formally or informally to change by another organization on which it is dependent or by the cultural expectations of the society in which it functions. The local governments of the Western Cape Province are formally pressured to adopt performance management by the national government. In the Local Government System Act of 2000 performance management is legally secured for local governments. The legislation prescribes quite extensively how performance management should be implemented.

The main motivation behind the adoption of performance management according to the organizations involved in this process was the above mentioned System Act, as described above in section 5.1. The adoption of performance management by the local government therefore seems a direct response to the formal pressure of the national government, embodied in the System Act. So one can say that coercive isomorphism has taken place.

Furthermore, there is pressure from the society on all levels of government to make fundamental changes and to deal with the legacies of the Apartheid regime. After the abolition of Apartheid the new government had to face the challenge of building up a new South Africa in which everybody is equal and should have the same opportunities. The expectations of the citizens on the government were high, and are still high today. This constant pressure from the people to create a different South Africa might have motivated the national government to legislate performance management. Performance management is relatively new and can therefore function as a symbol of a new South African local government. These high demands also point to coercive isomorphism.

Mimetic isomorphism is driven by uncertainty. An organization that is uncertain how to deal with problems or new challenges models itself on another organization that is perceived to be successful in order to face them. By studying the degree of uncertainty among the local governments in South Africa two kinds of uncertainty have been identified. First, mainly following the data analysis, a certain uncertainty can be detected caused by the transformation from Apartheid regime to a democratic South Africa. Local governments had to be transformed from institutions that supported racial segregation and separate residential areas to municipalities that play a developmental role in the society. In other words local governments were facing new aims and new tasks which caused a lot of uncertainty. Performance management, together with Integrated Developing Planning and community participation was introduced in the local governments to deal with this uncertainty, so that a new developmental local government could be accomplished. The adoption of performance management can be seen as a way to deal with the uncertainty of the local governments, in other words as a process of mimetic isomorphism.

Secondly, uncertainty within the adoption process has been pointed out during the research. A lot of local governments were insecure on how to use performance management. Although it was enforced by law, many local governments were not familiar with performance management. They did not know how to use it. To deal with this, local governments did not seem to model themselves on other organizations like the theory claims, but they hired consultancy agencies to help them. Hiring consultants became a trend among local governments. This trend could have been the result of a strong marketing campaign of the consultancies, but it is more likely that local governments copied each others behaviour of asking consultancies to help them. So in that sense, there might have been mimetic isomorphism.

Finally, normative isomorphism is caused by strong professional norms and standards in organizational fields. Professionalization is a source for isomorphism in two ways. First, formal education makes professionals act in similar ways. Second, the growth of organisational networks supports processes of isomorphism, because organizations that are dependent on each other are more likely to become alike and because new models diffuse easily in those networks.

Most municipalities used consultants to assist them with developing a performance management system. The consultants all work for similar consultancy agencies. Moreover the consultants probably have undergone the same kind of education, because these agencies all ask for similar skill-level requirements. As a result of these similar professional backgrounds, consultants probably deal with matters in similar ways. There is strong evidence for this in South Africa, because although almost all municipalities decided to make their own system and hire their own consultant to assist them, the systems they developed turned out to be very alike. Almost all municipalities use for instance the Balanced Score Board Model or the Excellence Model.

Except for the similar professional backgrounds of the consultants, similarities in professional backgrounds of employees of the local municipalities appear to exist. This happens as a result of the different training programmes on performance management and developing IDPs. Since the legislation on these new instruments, a lot of training programmes are developed and many local governments make use of that. Due to their common training, managers in local governments will probably deal in the same way with certain issues, because they learnt to do so.

Both the training programmes and the similar skills of the consultants cause normative isomorphism in the adoption process of performance management.

Networks can also stimulate this form of isomorphism. The networks of the local governments in South Africa do not seem so strong though. These networks exist more to inform each other, than to work together. The University of Stellenbosch, for example, facilitates a network of local governments, in which knowledge and experiences are shared through newsletters and workshops. On 14 November 2003, for instance, a workshop on the implementation of performance management was held. The interdependencies between the members are often not very strong. There is no evidence that local governments become alike, because they are part of a network.

In sum, the empirical findings show that all three kinds of isomorphism take place to some extent in the adoption process of performance management in South Africa. These findings referring to the processes of isomorphism point out that there are different motivations for the adoption of performance management in South Africa, and that the functionality of performance management as a management form is not the dominant motive.

5.3 Results of hypotheses

In the proceeding section we have seen that the theories show the adoption process from different sides. Whereas the innovation diffusion theory emphasizes the functionality of performance management and explains the adoption process itself extensively, the theory on institutional isomorphism focuses on different processes of isomorphism that can cause an adoption process. The empirical data corresponds with aspects of both theories. To get more insight in the extent of correspondence between the theories and the empirical data I will now evaluate the hypotheses

that I formulated in section 2.3.4. I will start with the hypotheses based on the innovation diffusion theory.

- As there is a bigger need for improvement of effectiveness and efficiency, a local government will adopt performance management more for functional reasons.

Although there is a need for an improvement of effectiveness and efficiency in the local governments, according to the organizations involved in the adoption, this was only recognized after performance management was enforced by law. According to the System Act there was a need for a management form that could accomplish a more effective and efficient implementation of plans in the local governments to ensure a more developmental local government.

So, there was a need to improve the effectiveness and efficiency, but mainly to realise a developmental local government. In other words, the motive was broader than just to improve the management of the local governments.

- When performance management does not fulfil the expectations of local governments, they will decide to reject it.

Performance management is not used long enough yet to determine its effectiveness. The organizations involved stressed that the local governments will continue using performance management as long as the law prescribes it. So, for local governments the law determines whether they will reject it or not and not its effectiveness.

- The more a local government belongs to the early adopters of performance management, the more functional their motives will be.

The main motive to adopt performance management for all local governments is the System Act. The determinant factor of being an early or a late adopter seem to be the amount of resources a municipality has. The more resources the earlier the adopter. The desire to improve the organization does not seem to play a role in this, so there is no evidence that early adopters have more functional motives.

- The more local governments belong to the late adopters of performance management, the more non-functional their motives will be.

Late adopters still make up their own system in the South African case. They do not tend to copy the systems of the early adopters. Therefore there is no reason to assume that late adopters are driven more by non-functional motives.

- When local governments continue using performance management when the efficiency and effectiveness have not improved and there is not a high probability that this will happen in the future, the drives behind the adoption are non-functional.

As I stressed above, most local governments have indicated that they would continue using performance management as long as the System Act prescribes it. So whether the efficiency and effectiveness improve or not, local governments keep the performance management system as

long as it is enforced by law. This supports the idea that the drives behind the adoption are non-functional.

I will now discuss the hypotheses based on the theory on institutional isomorphism.

- When the decision to adopt is made by an organ to which the local government is subordinated there is to some degree coercive isomorphism.

The decision to adopt is made by the national government and enforced on the local government through the System Act. So there is to some degree coercive isomorphism.

- When local governments have copied the model of performance management to face their own uncertainty, there is to some degree mimetic isomorphism.

Most local governments copied the model of the Balanced Score Card or Excellence model. Often they were influenced by consultants to use these models. These consultants were hired by the local governments to help them developing a performance management system, because the local governments were insecure how to do this. So one could say that mimetic isomorphism took place to some degree, though with a little intervention of consultants.

- When the motivators of the adoption process of performance management have the same professional backgrounds the probability that there is normative isomorphism is high.

The consultants that often acted as motivators of the adoption process of performance management have similar professional backgrounds, because consultancy agencies overall ask for the same skill requirements. Furthermore, the municipal managers and other people with responsibilities regarding the development of a performance management system in the municipalities were often sent to training programmes about performance management. Due to these training these people got similar skills in regard with performance management and therefore probably act similar in certain situations. In other words, the probability that there is normative isomorphism is high.

- When the local governments are part of networks with strong interdependency and other organizations in the network use performance management, the probability that there is normative isomorphism is high.

There are networks among the local governments, but the interdependencies between the members are not high, so there is no reason to assume that normative isomorphism takes place caused by the pressure of networks.

In the following table an oversight is given of the hypotheses and their results.

| Hypotheses | Result |
|---|---------------|
| As there is a bigger need for improvement of effectiveness and efficiency, a local government will adopt performance management more for functional reasons. | +/- |
| When performance management does not fulfil the expectations of local governments, they will decide to reject it. | - |
| The more a local government belongs to the early adopters of performance management, the more functional their motives will be. | - |
| The more local governments belong to the late adopters of performance management, the more non-functional their motives will be. | - |
| When local governments continue using performance management even when the efficiency and effectiveness have not improved and there is not a high probability that this will happen in the future, the drives behind the adoption are non-functional. | + |
| When the decision to adopt is made by an organ to which the local government is subordinated there is to some degree coercive isomorphism. | + |
| When local governments have copied the model of performance management to face their own uncertainty, there is to some degree mimetic isomorphism. | +/- |
| When the motivators of the adoption process of performance management have the same professional backgrounds the probability that there is normative isomorphism is high. | + |
| When the local governments are part of networks with strong interdependency and other organizations in the network use performance management, the probability that there is normative isomorphism is high. | - |

- + = 'supported'
- = 'refuted'
- +/- = 'partly supported'

In sum, the results of the hypotheses overall support the non-functional motives more than the functional motives. Moreover, the hypotheses based on the institutional isomorphism theory seem to be supported more than the hypotheses based on the innovation diffusion theory. So the theory of institutional isomorphism seems to correspond better with the empirical findings of the research on the adoption process of performance management in the local governments of South Africa.

5.4 Conclusion

In the above sections we have seen successively what the motives behind the adoption were according to the sources, how the two theories explain the adoption process and how these explanations correspond with the reality of the adoption of performance management in South Africa. Based on this I will now answer the final question: which theory provides a better explanation for the motives behind the adoption of performance management in the local governments of the Western Cape province in South Africa?

It is not easy to give an answer on this question. Both theories provide interesting insights in the adoption process of performance management. Furthermore both theories correspond with the adoption process in practice to a certain degree. In order to answer the final question I will look

specifically how the motives for adopting performance management given by the sources correspond with the theories.

First, the main reason behind the adoption of performance management, following the organizations involved, was the Local Government System Act, which enforced local governments to implement performance management. This is a strong indication for formal pressure from the national government on the local government to adopt performance management and thus points to coercive isomorphism. This indication is strengthened by the fact that none of the interviewed local governments used or was planning to use performance management before the plans of this legislation were revealed to them.

On the other hand, the motive behind performance management according to the System Act is to ensure that plans are implemented, that they have the desired developmental effect and that resources are used efficient. This motive can be seen as functional of nature, because it stresses that performance management should be implemented to increase the effectiveness and efficiency. This seems a contradiction. The Act both embodies the formal pressure to adopt performance management which refers to coercive isomorphism, and it claims to be motivated by the need to increase the effectiveness and efficiency which refers to functional motives. The explanation for this apparent contradiction is that the motive of pressure is given by the local governments and the motive of increasing the efficiency and effectiveness is given by the national government who made the Act.

The motivation of the national government covers more than only this though. The White Paper on Local Government of 1998 identifies performance management together with Integrated Developing Planning and collaboration with the community as crucial instruments to make the local governments more developmental. Developmental local governments are needed to deal with the legacies of the Apartheid regime, according to this Paper. The motive behind performance management following this reasoning is to ensure developmental local government. This motive can be interpreted in the light of mimetic isomorphism and coercive isomorphism. Following the assumptions of mimetic isomorphism performance management is adopted to deal with the uncertain situation of the local governments after the Apartheid era. Local governments had to be changed from institutions that supported and perpetuated Apartheid to local governments that strive for equity and development. In order to deal with this new and uncertain task of transformation the government decided to adopt performance management from the western countries. Following the assumptions of coercive isomorphism, performance management is adopted by the government to deal with the pressure of the society to create a new and improved South Africa after the Apartheid era. Performance management has a symbolic value in this aspect as being a new management form. So, the motivation of the national government can be explained as both functional and non-functional.

Another motivation given by the organizations involved in the adoption process is the international pressure. This motivation fits well into the theory of institutional isomorphism as coercive isomorphism; adoption as a result of pressure of another organization.

The motives, as described in section 5.1 overall seem to correspond better to the theory on institutional isomorphism. The results of the hypotheses that I formulated on the basis of the two theories also supported the non-functional motives more than the functional motives.

Taking into consideration that the motive of the local governments themselves is pressure, I conclude that the theory on institutional isomorphism provides a better explanation for the adoption of performance management by the local governments in South Africa, because in contrast to the innovation diffusion theory, it covers both the motivation of the local governments and of the national government. Baring in mind though that after the legislation was revealed a lot of people at the local governments began to see the functional benefits of performance management.

Though the theory on institutional isomorphism explains the motivations behind the adoption process better, it does not provide information on the course of the adoption. To get more insight in this the innovation diffusion theory seems more appropriate, because it identifies different stages within the adoption process.

5.5 Recommendations

In this research I have focussed on the local governments and the organizations locally involved with the adoption process to find out why they adopt performance management in local governments in South Africa. Soon I found out that the role of the national government was substantial in this adoption process especially in relation with the motives behind the adoption. For further research I would recommend to study the drives of the national government to legislate a management form like performance management. Based on the legislation, policy notes, and opinions of organizations locally involved I have done some suggestions on what the drives of the national government could be, but these drives should be studied better. For example, what is the role of international organizations as Worldbank in this adoption; was there significant international pressure? Furthermore, what was the influence of consultancy agencies in this matter, because they obviously profited from this legislation? Were they involved in the national decision making?

Second, I have found out that the motivations behind the adoption process of performance management by local governments in South Africa are well explained by the theory of institutional isomorphism, a non-functional theory. It would be interesting to see if this is also true for other adoption processes of western management forms in non-western countries. Are they overall better explained by non-functional motives? I therefor recommend more research on the motivations of adoption processes of western management forms in non-western countries in which the non-functional perspective is considered. This could shed light upon the amount of pressure or influence western countries have on non-western countries.

Third, in this research I interviewed mainly people who were in charge of developing a performance management system for a local government or who assisted others in doing this. This was caused by the fact that most local governments were still in the developing stage or were just starting to implement it, so there were only a few people really involved with performance management. As a result the selection of respondents might have been false. For further research I recommend to pay more attention to the executive personnel that has to work with performance management. They might have a different view on the matter.

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APPENDIX

This appendix contains a list of respondent and a list of questions.

List of respondents

Mr. Johan van Baallen, senior consultant at Price Waterhouse Coopers, head of public sector section.

Mr. Leon Fourie, Stellenbosch Municipality.

Mrs. Marlene Nieuwoudt, Cape Town Unicity, Director Performance Management.

Mr. M.P. du Plessis, Western Cape Local Governments Association (WECLOGO), Manager on Administration and Finance.

Mr. Henry Prins, Overberg District Municipality, manager corporate services.

Mrs. Joan Prins, Planning and Implementation Management Support Structure (PIMSS), head of PIMSS in the Overberg District Municipality.

Dr. Hans Steijn, Overberg district Municipality, manager of department of Health and Protection Service.

Mrs. Eda Visser, Provincial Government of the Western Cape.

Mr. P. van Wijk, Provincial Governments of the Western Cape.

List of interview questions

This list is an overview of all the questions I used during the interviews.

1. What is your role in the process of adopting performance management at your local government/ local governments?
2. How did they come up with the idea of performance management?
3. What circumstances was your municipality facing and what goals and improvements did you wanted to achieve by introducing performance management?/ What circumstances were municipalities facing and what goals and improvements did they wanted to achieve by introducing performance management?
4. Are there any organizations involved in the adoption process? If so, in what way?
5. How did the decision making take place?
6. What were the motivations for adopting performance management?
7. All the municipalities have to implement performance management; do municipalities interact about how to do it? Do some municipalities example themselves on others in this context? What is the role of the pilot-municipalities in this? What is the role of your agency in this?
8. How did the implementation go? What were the main challenges with turning the systems into performance management systems? Were there any problems during the implementation process?
9. Has performance management been effective and were there any corrections necessary?
10. Will the municipalities continue using performance management?
11. What were the motivations of the national government to enforce performance management on local governments?