

Contents

1. Introduction	2
1.1. The assessment of the Provincial Treasury: Western Cape’s management practices in terms of MPAT	2
1.2. Overview of the PT: WC	3
1.3. Methodology	3
2. Considering good management practice	4
2.1. Leading the way	5
2.2. Continuous need for change: Achieving a fit between optimized performance and organization	5
2.3. Roles: Knowledge- and experience-driven engagement	6
2.4. Corporate Service Centre: Towards corporate efficiency	7
3. Conclusion	9
Annexure 1: Interview Schedule	10

1. Introduction

The Department of Performance Monitoring and Evaluation (DPME), which is located within the Presidency of the Republic of South Africa is tasked, among others, with the monitoring of management performance in all government departments. For this purpose it developed the Management Performance Monitoring Tool (MPAT). This tool measures departmental compliance to regulated management practices as well as performance and innovation in this regard.

The tool sets specific compliance and performance standards against which departments assess themselves. These self-assessments are moderated by a panel of subject matter experts based on evidence provided by the departments in substantiating its self-assessment.

One of the key outcomes of the assessment process is the identification and documentation of good management practices.

1.1. The assessment of the Provincial Treasury: Western Cape's management practices in terms of MPAT

The DPME's assessment of the Provincial Treasury: Western Cape's (PT: WC or Treasury) performance in respect of management practices was largely not based on substantiating documentation (evidence). This was mainly due to a combination of evidence not being supplied, the required evidence not being readily available as well as challenges related to evidence management.

The high levels of compliance indicated by the PT: WC's own assessment placed a focus on the Treasury as a possible example of good practice.

The department indicated its compliance with 94% of the standards indicated in the MPAT. In this, it claimed to exceed 55% of the standards.

The PT: WC's reported high levels of compliance placed a focus on the department as a possible example of good practice. Although, there are many areas of possible good practice within the PT: WC, this case study places a particular emphasis on organizational design.

1.2. Overview of the PT: WC

The PT: WC plays a major role in achieving the desired social-economic and governance outcomes of the Western Cape by providing strategic financial leadership to the province and municipalities, supporting the Minister of Finance, Economic Development and Tourism and enhancing the availability of financial resources.

The PT: WC:

- Promotes the effective management of physical and financial assets, liabilities and supply chain systems
- Improves financial governance, budgeting, accountability and performance oriented financial management.
- Ensures accurate, transparent and full reflection of financial and associated transactions and processes.

1.3. Methodology

The approach followed in this study was to be as open-minded as possible. This necessitated less structure and more open-ended interrogation of information.

Following a desktop study of the evidence substantiating the department's MPAT self-assessment as well as the standards to which it was relevant, further background information was obtained from internet sources.

As a matter of protocol, interviews were arranged by the provincial Office of the Premier, with the object department nominating the interviewees (Please refer to Annexure 1: Interview Schedule).

Although vaguely thematic, the interview questions were unstructured. This was necessary to eliminate preconceptions about the department's performance and the possible conditions facilitating it.

The interviews were recorded to ensure the factual correctness and context of what was said. The findings were communicated to the department for verification and further contextualisation.

2. Considering good management practice

Unlike most government departments, the Provincial Treasury does not provide services directly to the public. Instead, it provides regulatory, management, administration and support services to other provincial government departments and municipalities.

The Treasury's services vary between provincial departments, whose financial management is governed by the Public Finance Management Act (PFMA) and municipalities, whose financial management is governed by the Municipal Finance Management Act (PFMA).

Contrary to provincial departments, municipalities have differentiated financial decision-making processes and financial management systems. In addition, municipalities show a large variation in financial management maturity. This requires the PT: WC to tailor services and solutions to the particular circumstances of each municipality.

In this, a client-orientation is essential. For many government departments, client orientation is a particular challenge because their client-base is relatively unknown (such as social programmes that are aimed at drug addicts) or inaccessible (such as counseling services aimed at battered women). The clients of the PT: WC is well-defined. Interventions aimed at its responsiveness in identifying client needs and linking it to customized solutions is thus relatively simple.

Operating within government, treasury mandates, strategies, policies are highly legislated, prescribed and structured. Flexibility and innovation is provided for in the unique set of practices requiring development or redress within specific departments or municipalities.

Traditionally, and due to its regulatory functions, treasuries are control-based institutions. It is a significant challenge to find the balance between the basis of control and a more flexible, decentralized and customer-oriented approach.

The need for balancing control and flexibility also impacts on the Treasury's culture in respect of moving from limited openness to change and rigorous, impersonal management attitudes.

Overall, the PT: WC has a corporate image typified by high performance and highly competent staff. Working in the treasury means that one has to be able to improve work processes through flexibility and innovation, while ensuring compliance to relevant financial management legislation.

2.1. Leading the way

The PT: WC's HOD has been involved in the senior management of the Treasury for approximately 20 years.

His style of leadership is calculated and empowering. He knows his staff, uses informal personal discussions to give direction, rather than a more formal or distant approach (memos, email etc.). His leadership style is perceived as transformational rather than transactional. He invests time and effort into creating a common understanding of his vision and/or decisions. This contributes to a high level of buy-in from staff members, to his strategic and managerial direction. His attention to detail; knowledge of the applicable legal, policy and procedural; practicality as well as persistence is considered invaluable to the functioning and success of the organization.

The HOD was one of the stabilizing factors in a 10-year period of political change and positioning in the Western Cape Provincial Government. One of the main attributes identified was his ability to absorb political imperatives and translate them into practice.

2.2. Continuous need for change: Achieving a fit between optimized performance and organization

The structure of the PT: WC has been in phased change since 2003. This change was due to the merger of the national finance and state expenditure functions at the national level and the cascading of the merger principles to provincial treasury level as well as the roll-out of the PFMA since 2000.

The resulting 2003 structure had limited success due to many of the new concepts and approaches not having been implemented in South Africa before. A decision was taken that the 2003 structure would be experimental and that phased improvements would be made as operational experience was gained.

The first phases catered for the review of the structure and adjustment of functions to improve delivery. The second phase included organizational as well as staff development and management; the review of posts for recruitment and retention purposes. The second phase commenced mid-2007.

The third phase restructuring was approved in 2010/11. It was necessary for the treasury to further dissect the PFMA requirements in order to unearth the true and sustainable improvements in financial management. This included considerations related to:

- Recommending and directing public resources;
- Deployment, management and use of government assets;
- Alignment of services with measured needs;
- Corporate governance;
- Financial management maturity;
- Capturing of all financial transactions;
- Capacitating and assisting municipalities; and
- Internal capacity

The corporatization of certain functions, such as the human resource management and administration, risk management as well as internal audit function, added to the changes and functional re-alignment of the phase 3 reconfiguration.

2.3. Roles: Knowledge- and experience-driven engagement

For more than 10 years, the HOD of the PT: WC has been instrumental in the total redesign of provincial treasuries on a conceptual as well as practical level. He had a vision of what the organization ought to do and how it needs to (re)organize itself to do so.

Although the Treasury's current design was informed by collaborative work done since 2000, the management of the PT: WC, and especially the HOD, was at

the conceptual forefront. In addition to this, the Treasury has, over the years of the implementation and amendment of its structure, gained in-depth knowledge of its deliverables, the boundaries of its working environment, as well as issues related to the organization of role, function and structure.

This growing knowledge and experience has informed, guided and, in fact, optimized their engagement with the centralized Organizational Development Unit (OD) in the Office of the Premier.

The organizational 'blueprint' was conceived and details thrashed out within the treasury. Structural-functional proposals were presented to OD to ensure that the proposed structure matches the functions, post levels and the required competencies. In all of this, OD also considers the legal requirements in respect of the structure, function and staff.

After intense deliberations on the details of the proposed organizational arrangements (between the treasury and OD) as well as the amendment thereof to ensure legal compliance, the PT: WC submitted the finalized proposal to the Minister for approval.

A major contributing factor to the efficient flow and success of the reorganization process is the basis from which both the treasury and OD fulfilled their respective roles. In a sense, the effective fulfillment of roles superseded the process.

2.4. Corporate Service Centre: Towards corporate efficiency

The treasury's main resource is the quality of its staff. As mentioned above, treasury is a dynamic environment which aims to balance control and innovation. It is for this reason that good HR strategies and policies are critical.

One of the main changes that the treasury and, in fact, all provincial departments in the Western Cape had to cater for and adjust to, was the centralization of its HR functions to the CSC. Mrs. Smit and Mrs. Julie were critical of the CSC. In their views the roll-out/implementation might have been

done differently. The logic of the centralization was mainly political (efficiency/costs reduction) and did not originate from optimal process design of departments. The treasury's and, especially, the HOD's ability to analyze and absorb the changes reduced the negative impact experienced by other provincial departments.

In its implementation the CSC seems to have underestimated the complexity and the volume of the HR services and processes. One of the main disadvantages of centralization is generalization. Generic HR services are only appropriate for departments with generic HR needs. Such departments are, however, few and far between.

As part of its roll-out and establishment, the CSC is endeavoring to monitor and amend/improve its service. It initiated a formal platform to discuss its performance at the level of HOD. Here, amongst others, the treasury engaged with the CSC in respect of its roll-out in order to manage the consequences of the change on the treasury. Through these engagements, a high-level relationship developed, increasing the treasury's access to CSC services in terms of quality assurance and responsiveness. This is seen as a distinct advantage, as the feedback mechanism via the Client Relations Unit does not work well.

In the formal regulation of the relationship between service provider and 'client', the CSC and the PT: WC has entered into a Service Level Agreement (SLA). Currently, the SLA is limited and not reviewed regularly. It is considered 'a work in progress'. The treasury is in regular contact with the CSC to ensure that the services provided are adequate in terms of range, quality and timing.

In principle, the CSC's management of HR can work, but given the challenges being experienced, needs to be re-organized / -aligned. It requires better skills as well as improved and standardized procedures. A concern was raised regarding the ability of the CSC to improve as the organization is viewed as not necessarily have the most knowledgeable and skilled staff. The reason for this might be that, when HR staff was nominated for redeployments to the CSC, some

departments retained their best staff, choosing to use them elsewhere in the department.

It is the opinion of Ms. Smit and Julie, that the CSC should undergo a thorough evaluation, which includes specific needs and expectations of client departments.

3. Conclusion

The strong leadership and commitment to this leadership is instrumental in the Western Cape Provincial Treasury's advances in particularly its organizational development.

The changes that facilitated the treasury's progressive re-organization were immense. The involvement of the PT: WC HOD in the conceptualization and the Treasury in the implementation thereof, had a significant impact on the treasury's ability to effectively facilitate future re-organization and, thereby, enabling organizational development. The contribution by the OD unit requires special mention as well. The success in fulfilling their respective roles to the same end is commendable.

Annexure 1: Interview Schedule

Interview PT: WC – 19th July 2012 (12:00 – 14:30)

Name of official	Department	Contact details
Ms. Annemarie Smit	Provincial Treasury: Western Cape –Director: (Strategic Management)	Telephone: +27(0)21 483 2554 E-mail: asmit@westerncape.gov.za
Ms. Ruzelle Julie	Provincial Treasury: Western Cape	Telephone: +27(0)21 483 3868 E-mail: rjulie@westerncape.gov.za
Prof.dr. Marc Vermeulen	Tilburg University – Academic Director Strategy, Innovation and Governance	Telephone: +31 (0)13 466 8540 Mobile 1: +27(0)78 357 1653 Mobile 2: +31(0)65 370 7700 E-mail: m.vermeulen@uvt.nl
Mr. Charles Goodwin	Department of Performance Monitoring and Evaluation – Deputy Director: Institutional Performance Monitoring	Telephone: +27(0)308 1574 Mobile: +27(0)84 220 2702 E-mail: charlesg@po.gov.za