

# **A comparison of the best method to utilise when implementing an organisational design project in local government**

by

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## **Declaration**

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## Abstract

Both a district municipality and a local municipality in the Western Cape province initiated an organisational review and design project. These projects were initiated to optimise the organisational structure and ensure alignment with the municipalities' mandate, strategies and resources in order to improve service delivery and stabilise the organisational structure for a few years. The researcher was involved with both of these projects and therefore had the opportunity to explore the best process to follow for an organisational review and design project to ensure optimisation, stability and sustainability of the organisational structure.

The aim of the research was to establish which method utilised by the two municipalities to review their respective organisational structures resulted in the optimisation, stability and sustainability of the organisational structure. The research objectives were to define the organisational review and design concept, illustrate organisational structure concepts, explain the different methods followed by the two municipalities and explore the stability and sustainability of the organisational structures after the implementation process.

The research on the best method to follow, as perceived by the researcher, during the project implementation process was conducted by analysing information collected, the processes followed during the project implementation and the impact thereafter. The best method refers to the process that was followed that allowed optimisation, stability and sustainability of the organisational structure after the organisational review project was implemented. The two projects were analysed by observing the processes that were followed throughout the project lifecycle. These processes included the planning of the organisational review project, the methodology utilised, the change management methodology utilised, project implementation methods, project timeframes, project closure and the impact of the organisational review project implementation after one year.

The methodology utilised by the district municipality was a formal process applying project management principles, with guidance and advice from an external service provider. The methodology utilised by the local municipality was an informal internal process without utilising an external service provider or applying formal project management principles and processes.

The main findings of the research provide municipalities with guidelines on which method to follow to ensure the optimisation, stability and sustainability of the organisational structure over a period. An optimal, stable and sustainable organisational structure that aligns with organisational strategies allows the organisation to improve planning relating to budgeting and resources over a period. This should improve service delivery and ultimately lead to the creation of a stable and sustainable organisation. The overall recommendation is that a formal organisational review and design project and process would achieve a better result than an informal process.

## Opsomming

'n Organisasoriese evaluerings- en ontwerpprojek is deur sowel 'n distriksmunisipaliteit as 'n plaaslike munisipaliteit in die Wes-Kaap-provinsie van stapel gestuur ten einde die organisatoriese struktuur te optimaliseer en ooreenstemming met die munisipaliteite se mandaat, strategieë en hulpbronne te verseker om dienslewering te verbeter en die organisatoriese struktuur vir 'n paar jaar te stabiliseer. Die navorser was by albei projekte betrokke en het dus die geleentheid gehad om die beste proses te ondersoek wat vir 'n organisatoriese evaluerings- en ontwerpproses gevolg moet word om optimalisering, stabiliteit en volhoubaarheid van die organisatoriese struktuur te verseker.

Die doel van die navorsing was om te bepaal watter metode wat deur die twee munisipaliteite gebruik is om hul onderskeie organisatoriese strukture te evalueer tot die optimalisering, stabiliteit en volhoubaarheid van organisatoriese struktuur gelei het. Die navorsingsdoelstellings was om die konsep van organisatoriese evaluering en ontwerp te definieer, konsepte van organisatoriese struktuur te bespreek, die verskillende metodes wat deur die twee munisipaliteite gevolg is, te verduidelik, en die stabiliteit en volhoubaarheid van die organisatoriese strukture na afloop van die implementeringsproses te ondersoek.

Die navorsing oor die beste metode, soos deur die navorser waargeneem, tydens die projekimplementeringsproses is uitgevoer deur versamelde inligting, die prosesse wat tydens projekimplementering gevolg is en die impak daarvan te ontleed. Die beste metode verwys na die proses wat gevolg is wat optimalisering, stabiliteit en volhoubaarheid van organisatoriese struktuur in die hand gewerk het ná implementering van die organisatoriese evalueringsproses. Die twee projekte is ontleed deur die prosesse waar te neem wat deur die lewensiklus van die projekte gevolg is. Hierdie prosesse het ingesluit die beplanning van die organisatoriese evalueringsprojek, die metodologie wat gebruik is, die veranderingsbestuursmetodologie gebruik, die projekimplementeringsmetodes, die projektydraamwerke, projekafsluiting en die impak van die organisatoriese evalueringsprojek ná een jaar.

Die metodologie wat deur die distriksmunisipaliteit gebruik is, was 'n formele proses waarin bestuursbeginsels toegepas is, met leiding en advies van 'n eksterne diensverskaffer. Die metodologie wat deur die plaaslike munisipaliteit gebruik is, was 'n informele interne proses sonder die gebruik van 'n eksterne diensverskaffer of toepassing van formele projekbestuursbeginsels en -prosesse.

Die hoofbevindinge van die navorsing bied leiding aan munisipaliteite oor die metode wat gevolg moet word om die optimalisering, stabiliteit en volhoubaarheid van organisatoriese struktuur oor 'n tydperk te verseker. 'n Optimale, stabiele en volhoubare organisatoriese struktuur in ooreenstemming met organisatoriese strategieë stel die organisasie in staat om beplanning rakende begroting en hulpbronne oor 'n tydperk te verbeter. Dit behoort dienslewering te verbeter en uiteindelik tot die skepping van 'n stabiele en volhoubare organisasie te lei. Die algehele aanbeveling is dat 'n formele organisatoriese evaluerings- en ontwerpprojek en -proses 'n beter resultaat lewer as 'n informele proses.

## **Acknowledgments**

I want to acknowledge the municipal staff who provided me with insight and feedback during the implementation of the respective projects and who were willing to share the results and impact of the projects. I also want to acknowledge my supervisor and thank him for all his input and guidance.

I hope the findings in this thesis will allow municipalities to consider following the recommendations when embarking on an organisational review and design project.

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## **List of abbreviations**

BTO	Budget and Treasury Office
EMT	Executive management team
HR	Human resources
IDP	Integrated Development Plan
LLF	Local Labour Forum
MFMA	Municipal Finance Management Act

## Glossary

Benefit	An advantage or profit gained from something
Internal stakeholder	The staff in the organisation, council, management and staff of the district municipality
External stakeholder	The community in the area of jurisdiction of the district municipality
Legislation	Legal framework
Organisation	An organised group of people with a particular purpose
Organisational design	The deliberate process of configuring structures, processes, reward systems and people practices to create an effective organisation capable of achieving strategy implementation
Organisational review	An in-depth analysis of current organisational functioning compared with needed resources

# Chapter 1: Introduction

## 1.1 Introduction

This chapter introduces the research topic, the problem statement and the research objectives of the study. The research particularly focused on a comparison of the methods utilised during the organisational review and design projects in a district and a local municipality as well as the impact on the optimisation, stability and sustainability of the organisational structure after the implementation of the respective organisational review and design projects.

## 1.2 Background and rationale

The methods utilised for the organisational review and design projects at a district and a local municipality were observed, critically analysed and compared in this study to identify the method that would be more appropriate for ensuring optimisation, stability and sustainability of the organisational structure.

In order to confirm the recommendations made on which method to follow when embarking on an organisational review and design project, the researcher considered several concepts. These concepts are discussed in the thesis and include organisational review and design methodologies, organisational structures, change management and project management.

In a municipal environment, organisational review and design have certain features. Municipalities are legally obligated to provide services to the public in their jurisdictional area, as mandated by the Constitution.

The Constitution of the Republic of South Africa 1996, Schedule 4a and 5b (RSA, 1996) conceptualises the mandate of municipalities. South Africa's municipalities are arranged and structured in a unique manner. As directed by the Constitution, the Local Government: Municipal Structures Act (No. 117 of 1998) stipulates the criteria for determining when an area must have a Category A municipality (metropolitan municipalities) and when municipalities fall into categories B (local municipalities) or C (district municipalities) (RSA, 1996). The types of municipalities are clarified and defined further in Chapter 3.

The Municipal Structures Act Section 33 (RSA, 1998) states as follows:

Municipal objectives

- (1) A municipal council must strive within its capacity to achieve the objectives set out in section 152 of the Constitution.
- (2) A municipal council must annually review-
  - (a) the needs of the community;
  - (b) its priorities to meet those needs;
  - (c) its processes for involving the community;
  - (d) its organisational and delivery mechanisms for meeting the needs of the community; and
  - (e) its overall performance in achieving the objectives referred to in subsection (1).
- (3) A municipal council must develop mechanisms to consult the community and community organisations in performing its functions and exercising its powers.

The Municipal Systems Act (No. 32 of 2000), Chapter 2, Section 6, states that the organisation, or rather a municipality, must optimally design its structure in order to realise its statutory mandates (RSA, 2000). Ensuring that the organisational structure is optimally designed will result in bringing benefits not only to the organisation, but also to the council, its staff and the public, as it will result in optimal service delivery. If an organisational structure is not stable and changes frequently, it could have a negative effect on the organisational morale, resource planning, financial planning, service delivery and ultimately the public.

The background, problem statement, objectives and layout of the research are discussed in the next sections of the introductory chapter.

### **1.3 Background of the research**

The research focused on a comparison of the organisational review and design projects in two municipalities situated in the Western Cape. The identities of the municipalities are not provided in this thesis, as comments in the research may be perceived as biased and in order to protect the credibility of the researcher due to her involvement with both municipalities during their review and design of the organisational structures.

Case studies are discussed in Chapter 4 of the thesis. The first case study focused on a district municipality. The district municipality's organisational structure was previously reviewed and designed in 2012 without any consultation with or participation by staff members and relevant stakeholders. The Municipal Structures Act (No. 117 of 1998), Chapter 3, Section 20, requires that the municipality must review its organisational structure to ensure that it aligns with the organisation's mandate and Integrated Development Plan (IDP) (RSA, 1998). Therefore, the municipality embarked on the organisational review and design project, which was finalised in 2017, utilising an external service provider to provide guidance and advice on the process.

The second case study focused on a local municipality which organisational structure was previously reviewed and designed in 2012, utilising an external service provider to manage the review and design process and consult with staff. The municipality commenced with an organisational review and design project, which was finalised in 2017, by utilising an internal process without the advice and guidance of an external service provider.

The research objectives focused on which method to follow for the achievement of a stable and sustainable organisational structure after concluding the implementation of an organisational review and design project. Several concepts were identified to ensure that the researcher considered all critical success factors in providing recommendations. These concepts are organisational review and design methodologies, organisational structures, change management and project management.

With regard to the above, it is therefore important to explain the high-level roll-out process of each of the projects and how they were managed to achieve optimisation, stability and sustainability of the organisational structure after the projects were implemented.

The process for the district municipality commenced with a project scoping session, followed by a project introduction session with Council and the Local Labour Forum (LLF) and several communication sessions with staff members. The second round of communication sessions with the staff was conducted in the form of roadshows at various workplaces and departmental group sessions, which gave staff the opportunity to comment on the previously approved 2012 structure. Staff were given the opportunity to comment on the gaps and challenges in the structure and the comments were documented in a findings report. In addition, a voluntary project questionnaire was developed and distributed at each session for completion by staff to ensure that they had a full opportunity to comment not only on the structure, but also on how they perceived the project consultation and implementation process. The questionnaire

included, among others, two questions that focused on the value or benefit added aspect, which is interpreted as benefits during and after the project implementation. The municipal manager gave permission to the researcher to utilise the two questions for the research. The data provided in the questionnaire were captured on an Excel spreadsheet and analysed for inclusion in the findings report

After the previous mentioned processes were followed and the relevant information was gathered, the approved structure of the municipality and relevant documentation were analysed, gaps were identified and information was documented in the form of a findings report. An analyses of the finding report followed and the report were utilised with benchmarking methods to design a new optimal structure for the district municipality. The district municipality followed the normal approval processes in municipalities to obtain approval from Council to implement the newly designed structure. Once approved by Council, the new structure was presented to management and staff and afterwards implemented through a placement process following the placement policy of the district municipality. To date, the structure of the district municipality is stable and no major changes was made to the structure.

The local municipality followed an alternate process. The project was not formally scoped, formal project management principles were not followed and no gap analysis was conducted. The local municipality commenced with analysing the reviewed organisational strategy (IDP) against the current approved structure. The executive management team (EMT) met to discuss the updates in the organisational strategy and was given time to review the current approved structure from 2012 and come up with a recommendation on how to align the structure with the updated strategy. The EMT then discussed the current structure and IDP alignment with the next level of managers, whereafter the recommended changes to the organisational structure were proposed to the municipal manager and the manager of organisational efficiency for further analysis and review. The manager of organisational efficiency then made a final recommendation to the municipal manager and the EMT, whereafter the affected staff were consulted and the process to obtain Council approval was followed. In the case of the local municipality, only executive managers and the next line of managers reporting to the executive manager partake in input into the structure and recommendation process. The structure was successfully implemented; however, several adjustments were made during the following year. The amendments to the organisational structure were made and the adjusted structure was resubmitted to Council for approval in May 2018. Additional changes were still under recommendation and the structure was still not stabilised at the time of this study (2019).

#### **1.4 Problem statement of the research**

The organisational structure of the district municipality was reviewed, designed and approved in 2012, without any consultation. This was done without proper participation initiatives, and the process was undertaken by the municipal manager and senior staff members.

In 2013, a new municipal manager was appointed and when examining the 2012 structure of the municipality, he realised that the 2012 structure did not properly align with the strategy of the municipality (IDP), and therefore a review of the organisational structure was essential. An application to fund a project for reviewing the 2012 structure was submitted to the provincial Department of Local Government, which approved the application and assisted the municipality with funds to commence with a formal organisational review and design project.

In the case of the local municipality, the organisational structure was reviewed and approved in 2012 with support from an external service provider who followed a formal methodology and process to review and design the organisational structure. The new municipal manager was appointed in 2017 and the five-year organisational strategy (IDP) was reviewed and updated. The organisational structure therefore also needed to be reviewed to align with the reviewed five-year IDP in terms of the Municipal Structures Act (No. 117 of 1998).

The aim of the research was to establish which of the review and design processes followed by the two municipalities was the most appropriate and effective process to follow to ultimately ensure optimisation, stability and sustainability of the organisational structure.

#### **1.5 The objectives of the research**

The objectives of the research were to:

- define organisational review and design methodology concepts;
- illustrate organisational structure concepts;
- explain concepts of change management;
- explain concepts of project management;
- explore the processes followed by the two municipalities to develop and implement an organisational review and design project;
- explore the stability and sustainability of the structure and the impact of the two projects on the organisations after the implementation of an organisational review and design project; and

- provide recommendations on which methodology will ensure the stability and sustainability of the organisational structure and the organisation itself when embarking on an organisational review and design project.

## **1.6 The research methodology and framework**

The research aimed to establish which method followed would be more appropriate for bringing stability and sustainability to local and district municipalities' organisational structures.

The research included empirical and non-empirical studies. Empirical studies allow for ethnographic case study research, which also include secondary data analysis, conversational analysis, sampling as well as observation. Non-empirical studies focus on a literature review.

The next sections explain the data collection methodology followed for this study.

## **1.7 Data collection tools, method, conversational analysis and sampling**

The research question was exploratory and descriptive. Tools that were utilised were interview sessions, a questionnaire and observations.

Interviews with relevant stakeholders were conducted to identify gaps in the organisational structure in order to improve the design process of the structure. Questions were also posed to relevant stakeholders after the organisational structure designed project was implemented to establish the success of the project implementation. Closed- and open-ended questions were utilised to inform the findings and recommendations, and form part of the conversational analysis.

To provide more information relating to the research, two questions that were included in a questionnaire to municipal staff during an organisational review and design project implementation were also analysed to assist with relevant recommendations made.

The next section explains the limitations of the research.

## **1.8 Limitations**

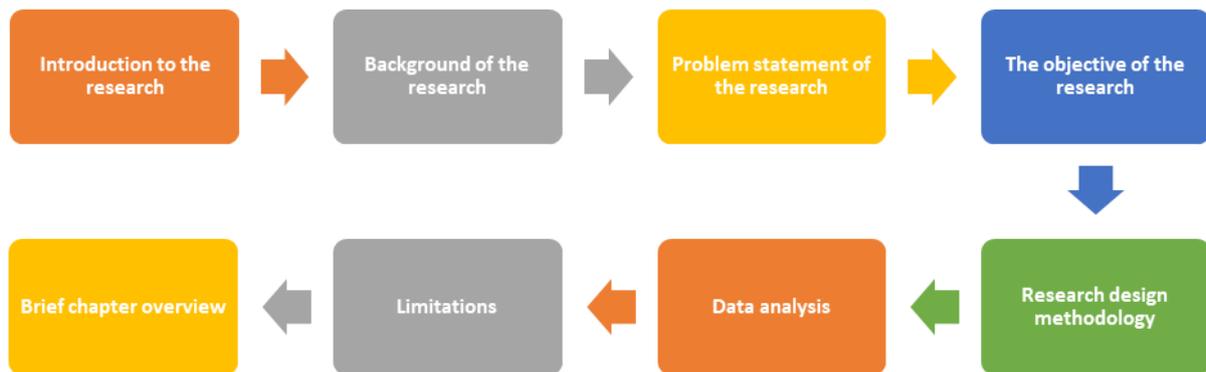
It is important to reflect on the aims and objectives that were set out at the start of the research, in order to evaluate whether or not the initial direction set for the research had been followed. The research is based on the perceptions of the researcher during and after the implementation

of the respective projects mentioned in the case study of the research and this is a limitation to the research.

## 1.9 Chapter overview

### Chapter 1

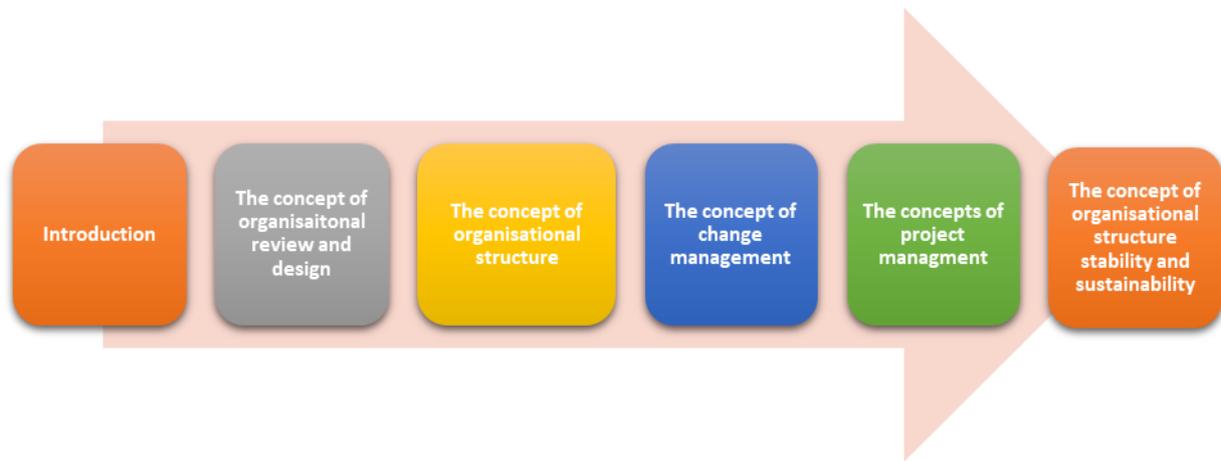
Chapter 1 introduced the research topic, the problem statement and the objectives of the research study. The research particularly focused on two organisational review and design projects and the approaches that were followed to determine which approach ensures optimisation, stability and sustainability of the organisational structure. This chapter also focused on explaining in more detail the research design and methodology, which included case studies, secondary data analysis, conversational analysis as well as sampling. The figure below illustrate the flow of Chapter 1.



**Figure 1.1: Illustration of the content in Chapter 1**

### Chapter 2

This chapter contains the literature review. The literature review focused on the concepts used in the thesis. These are illustrated in Figure 1.2 below.



**Figure 1.2: Illustration of the content in Chapter 2**

### Chapter 3

This chapter focuses on explaining in more detail some of the legislation, policies, processes and procedures that need to be considered when reviewing and designing structures of municipalities. These are listed below:

- Constitution of the Republic of South Africa, 1996
- Municipal Structures Act (No. 117 of 1998)
- Municipal Systems Act (No. 32 of 2000)
- White Paper on Local Government, 1998
- Transforming Public Service Delivery White Paper (Batho Pele White Paper), 1997
- Municipal Finance Management Act (No. 56 of 2003) (MFMA)
- Local Government: Municipal Property Rates Act (No. 6 of 2004)
- IDPs
- Labour Relations Act (No. 66 of 1995)
- Basic Conditions of Employment Act (No. 75 of 1997)
- Institutional arrangements.

### Chapter 4

This chapter presents the case studies that were utilised in the research and explains the processes utilised in each municipality for a review and design project

## **Chapter 5**

This chapter provides details of the research findings and analysis related to the organisational review and design projects of the two municipalities.

## **Chapter 6**

This chapter summarises the research and conclude the thesis.

### **1.10 Summary**

This chapter explained the layout of the thesis with a short explanation of each chapter. The research explored the best process to follow for an organisational review and design project to ensure the optimisation, stability and sustainability of the organisational structure in alignment with the organisational strategy.

Due to the researcher's involvement with both municipalities and confidentiality involved with the working relationship, the identities of the relevant municipalities are not disclosed in the research, as it might have an impact on future relations with the respective organisations. Although relevant stakeholders gave the researcher consent to utilise information gathered during the organisational review and design projects, the researcher felt that it would be best practice and ethical not to mention the names of the respective municipalities in this research.

The next chapter contains the literature review, which includes defining organisational review methodology concepts, illustrating organisational structure concepts and explaining concepts of change management, concepts of project management and the approaches followed by the municipalities that were studied by the researcher.

## **Chapter 2: Organisational review and design project methodologies and concepts**

### **2.1 Introduction**

This chapter introduces the literature on concepts that need to be understood when embarking on organisational review and design projects. It also gives context to the objectives of this research. This chapter defines organisational review and design methodology concepts, illustrates organisational structure concepts and explains the concepts of change management and project management.

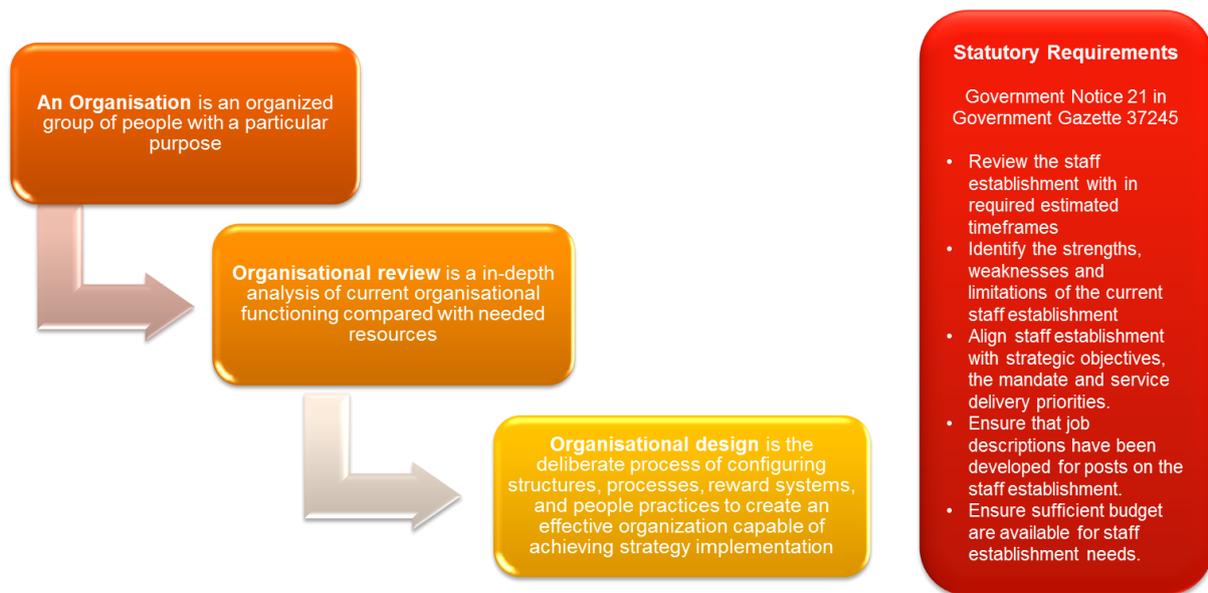
### **2.2 The concept of organisational review and design**

It is the researcher's belief that organisational design is a step-by-step process that identifies functional aspects of work flow, procedures and systems, and rearrange them to fit current business realities and goals. The concept of designing organisational structure focuses on the integration of people with functional processes, systems and technology. A well-designed organisational structure aligns with the purpose or strategy of the organisation, which will meet the strategic objectives and ensure effective and efficient service delivery (Begbie, 2019).

The question remains, "What is a standard process for organisational design?" In industry, there is a recommended standard process for organisational restructuring. According to Robbins and Barnwell (2006:8), "organisational design involves constructing and changing the organisational structure to achieve the organisational goals".

Clarke (1996:14, 62) states that there is need for managers to define the purpose of the organisation when the organisation needs to deal with change. The purpose of the organisation will influence the structural layout of the organisation and bring about change.

Figure 2.1 explains the variables of an organisational review and design process generally accepted in local government organisational review and design processes, namely organisation, review and design.



**Figure 2.1: Illustration of the principles of organisational review and design (PwC, 2015:5)**

The first block in Figure 2.1 provides a short explanation of an organisation. An organisation is an organised group of people with a particular purpose. McNamra (2015:1) proposes that “an organisation is a person or a group of people intentionally organized to accomplish an overall, common goal or set of goals”. In municipalities or the public sector in general, groups of people are organised into functions to work together to provide services to the community. These functions can typically be the financial function, the engineering function, the town planning function, etc. The people grouped under these functions will have the relevant expertise and skills relating to these functions.

The second block in Figure 2.1 provides a short explanation of an organisational review and design, which is a detailed analysis of how the organisation is currently functioning compared with the resources needed to perform the functions. The Kinharvie Institute (2015:1) states that an organisational review is “useful for improving structures and processes”. In the public sector, organisational structures must align with the strategic objectives of the organisation. These objectives are reflected in a five-year IDP. The structure must ensure that the people who need to deliver the services are optimally clustered into functions in order to deliver services to the community and to ensure their needs are met.

The third block in Figure 2.1 provides a brief explanation of organisational design. The Center for Organizational Design (2012:1), stated that “organizational design is a step-by-step methodology which identifies dysfunctional aspects of workflow, procedures, structures and

systems”. The analysis of workflow, processes and procedures is crucial to understanding the organisation and how functions are integrated to deliver services before an optimum organisational structure can be designed.

The fourth block in Figure 2.1 provides a short explanation of the statutory requirements municipalities. Statutory requirements must be considered when the structure is reviewed and designed during the organisational review and design projects in local government.

Table 2.1 contains review and design principles provided by the Department of Cooperative Governance and Traditional Affairs (2016).

**Table 2.1: Review and design principles (Department of Cooperative Governance and Traditional Affairs, 2016)**

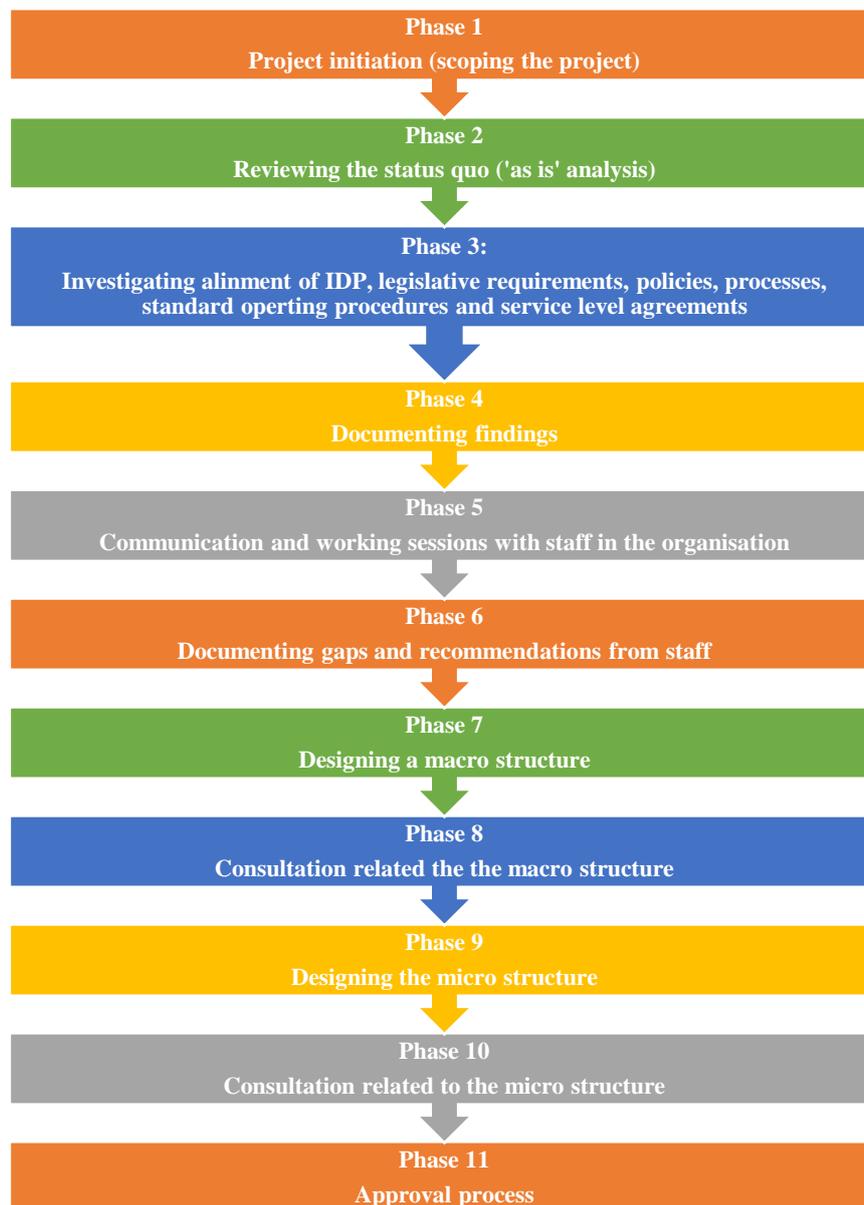
No.	Design principle	Description
1.	Constitutional values of public administration	The values and principles in Chapter 10 of the Constitution should inform organisational design. This means that organisational design should promote fair and equitable service delivery, efficient and effective use of resources, transparency and accountability.
2.	Focus on strategic priorities	Organisational design should be informed by and responsive to the strategic priorities of the three spheres of government.
3.	Optimal alignment (structure must ensure alignment with instruments of governance)	<ul style="list-style-type: none"> <li>To ensure optimal alignment there should be a focus on the whole of the system of governance, planning and budget cycle alignment.</li> </ul>
4.	Structure must support focus on citizens' needs	<ul style="list-style-type: none"> <li>People First (Batho Pele): Organisations should be designed with the users and beneficiaries of services in mind, taking into account the various types of citizens and how to meet their different needs. As far as possible, all roles should include opportunities for interaction with service recipients.</li> </ul>
5.	Optimal coordination (structure must support integrated working methods)	The purpose of each team and its contribution to the overall organisational objectives must be clear. Silo behaviour should be discouraged.
6.	Required level of integration (structure must provide flexibility for individuals to expand their skills)	Roles should be designed so that staff have the flexibility to cover other roles within the same team where required. The structure should be design for critical mass in respect of resource utilisation.
7.	Clear allocation of responsibilities	High-level responsibilities, key outputs of each role and key interdependencies should be clearly defined.
8.	Foster learning and innovation	Organisational design should foster learning and innovation, particularly in service delivery. This means that organisational structures should enhance internal and external communication.

Organisational review and design should be a step-by-step methodology. A list of principles is captured below as well as an illustration in Figure 2.4 of an approach that could be followed by municipalities to implement organisational review and design projects.

When developing the organisational structure, senior leaders should:

- agree to take ultimate accountability for the success of the organisational review and design project and processes;
- develop and communicate project and to everyone in the organisation;
- establish a project charter and change management plan to guide the process;
- make resources available to implement the project plan and processes;
- create a clear vision, service delivery model and business strategy for;
- clarify the service delivery model and macro-organisational design;
- gain commitment and support from key stakeholders and keep them informed of the project implementation progress;
- be involved in communication and information sessions throughout the project implementation;
- ensure that a staff are involved throughout the project implementation; and
- ensure that the new designed micro structure is affordable.

Figure 2.2, also explains an approach for an organisational structural review and design project that can be utilised by organisations. This is also a phased approach.



**Figure 2.2: Illustration of an approach for an organisational structural review and design project (The figure is designed by the researcher)**

The next section will describe the concept of organisational structure.

### **2.3 The concept of organisational structure**

It is very important to recognise what an organisation is before discussing organisational structures and organisational review and design project processes. Brown and Moberg (1980:91), state that “organisations are permanent social entities that are characterised by the ability to continue existing and operating even while changing top managers”. This means that

the focus and functions of organisations can change over a period of time while the organisations continue operating.

Greenwald (2008:6) defines an organisation as “a body of individuals working under a defined system of rules, assignments, procedures, and relationships designed to achieve identified objectives and goals”. This definition clarifies why organisational structures are so important to ensure that all the systems, procedures and relationships are linked in a systematic manner to achieve objectives and goals that have an impact on the organisation’s existence and sustainability.

There are many definitions for ‘organisational structure’. An organisational toolkit designed by the Department of Public Service and Administration provides several definitions of organisational structures. Some of these definitions are as follows (DPSA, 2008:2):

A useful way of viewing organisational structure is to see it as the configuration of the organisation so that it can achieve its goals.

An organisational structure defines how work or tasks are organised and allocated. The structure can be used to standardise work or to create specialised functions.

An organisational structure defines positions in the organisation and the relationship between these positions. In doing so, organisational structure defines the particular position of the decision making and authority in organisations.

Organisational structure creates a framework for order and for the coordination of the myriad of tasks that are carried out in the organisation.

The organisational structure is a vehicle through which managers can plan, organise, direct and control the activities of the organisation.

The organisational structure is the end result of the process of organisational design. In other words, organisational design is the process of structuring or restructuring an organisation.

Robbins and Barnwell (2006:7) describe an organisational structure as “how tasks are to be allocated, areas of responsibility and authority, patterns that will be followed. We define an organisation’s structure as having three components: complexity, formalization, and centralization”. Friend (2015:1) describes an organisational structure as “Organisational structure is a system used to define a hierarchy within an organisation. It identifies each job, its function and where it reports to within the organisation.” This is corroborated by Lawton and

Rose (1991:50), who state that “most local government organisations are designed according to the functions they perform”.

According to the above definitions of organisations and organisational structures, organisational structure is an important feature in determining the success or failure of an organisation in achieving its objectives and goals. It must also be noted that the impact of changes in an organisation’s administrative and political structures will also have an impact on the organisation’s success and sustainability.

According to Flynn (1993:164–165), the concept of reorganisation of local government became popular in the 1970s, as it was assumed that restructuring local government would assist in the improvement of service delivery. He states that analyses of the performance issues of local government need to be taken into account and that there is more that can impact on organisational performance than an organisational structure that is either relevant or irrelevant. It is therefore also recommended to analyse the organisation’s performance results when embarking on an organisational review and design project.

In researching definitions of structures, it also becomes evident that there are different types of structures. According to Robbins and Barnwell (2006:112–126), the simple structure type is low in complexity, has little formalisation, and has authority centralised in a single person. The simple structure type is regarded as an advantage in terms of its flexibility and adaptability. It can, however, also be risky, and Mintzberg (1979:312) says that it “hinges on the health and whims of one individual”. He also explains that structural change is not always easy with the simple structure type, as the leader of the organisation may resist it, as it usually affects the leader more than other members of staff.

Another structural type is the professional bureaucracy. This structure type characteristics consist of by vertical and horizontal decentralisation, which includes high standardisation of skills. Professionals are given significant control over work delivered due to dependency on their skills and expertise. According to Mintzberg (1979:349), the professional bureaucracy type structure is popular, as it is very independent and democratic. He however cautions against the inflexibility of this structure type, which is one of its main disadvantages. Robbins and Barnwell (2006:122) recommend this structure for organisations with a complex and stable environments.

Another configuration is the divisional form of structure that is characterised by limited vertical decentralisation. This structure type focuses on standardisation of outputs, however it is

dependent on markets, resulting in grouping units that are mainly independent of one another. Mintzberg (1979:381) states that this type of structure is quite popular in the public and institutional sectors. Robbins and Barnwell (2006:125) maintain that this type of structure is suitable for most organisations as long as the environment of the organisation remains stable.

Another type of structure is the adhocracy. This structure is characterised by selective decentralisation, with an equally adjusted prime coordinating mechanism. Robbins and Barnwell (2006:131) explain this structure as follows: “The adhocracy is a decentralised form which is characterised by high horizontal differentiation, low vertical differentiation, low formalization, intensive coordination, and great flexibility of responsiveness.”

The work of Lawton and Rose (1991:51) is very valuable in providing an understanding of organisations and what they are as well as what organisational structures are. In addition, how important it is to regularly review structures to improve productivity and performance of the organisations. The theory of Lawton and Rose indirectly cautions against assuming that organisational structures are adequate to give information on organisations without a further need for the enquirer to request additional information. According to Lawton and Rose (1991:51), one of the most significant realities to remember is that organisational structures do not provide us with everything we need to know about an organisation.

Numerous possibilities of organisational structures exist, and each possibility tends to influence organisations differently. It is important to consider a structure that is too limiting and would not allow organisational diversity and creativity. The structure should follow strategy so that the structure can be designed in such a manner to ensure optimal organisational performance in accordance with agreed results and outcomes.

Hilliard (1995:57–58) argues that there are two main types of organisational forms, namely the pyramidal or steeped structure and the flattened pyramidal structure form. According to Hilliard (1995:57–58), the flattened pyramidal structure has a few levels of hierarchy with more generalisation and fewer specialisations of tasks, functions and work.

Craythorne (1993:253) argues that South Africa’s local government, typically have flat organisational structures with various or many departments, or more pyramidal-type structure with a fewer departments. Craythorne (1993:253) is of the view that a flat organisational structure allows for specialisation. In addition it also allows for improved communication between the specialists and the chief executive officer.

On the other hand, according to Hilliard (1995:9), the steeped pyramidal structure is characterised by many levels of authority in the hierarchy as well as the usual large amount of specialisation. Hilliard (1995:9) also argues that most public sector organisations are characterised by the steeped pyramidal structure. These structures tend to have employees specialising in specific fields and these organisations find it difficult to adjust to change. In addition, he claims that these structures can be costly, and that it is time-consuming to take decisions and this could hinder the productivity of the organisation. Hilliard (1995:9) also explains that public sector organisations typically struggles with the challenges and complexity of change management and improving productivity.

Both the arguments of Craythorne and Hilliard are very valid; however, public sector organisational structural designs can become complicated, especially in terms of ensuring that functions are grouped in a manner that aligns with not only the IDP, but also legislative requirements. It is therefore also important to ensure that all the relevant Acts that inform functional service delivery are identified and taken into consideration when designing the structure.

Craythorne (1993:255) reasons as follows:

If an organisation is allowed to grow in a haphazard, unplanned and uncoordinated manner, the flow of work will be confused, resources will be wasted, it will be difficult to control costs, and service standards are likely to be unsatisfactory because of bad planning or lack of planning, and it will create uncertainty.

He further deliberates on the terminology used in structures of municipalities and states (Craythorne, 1993:255):

In general, a department is a single independent specialised unit, although where the pyramidal form is used, it may also be a collection of different specialities. In this case, branches, divisions and sections may and often are subdivisions within a department, but not always so, sometimes detached smaller units are called divisions or sections.

He also explains the matters regarding the span of control and explains that control is one of the critical issues that need to be considered when creating an effective and efficient organisational structure. Craythorne (1993:255) explains the importance of job analysis in creating organisational structures as well as the need to review organisational structures from time to time. Proper analysis and regular review of an organisational structure are also relevant to the public sector, as required in the Municipal Structures Act (No. 117 of 1998), Chapter 3.

The next section introduces the change management concept

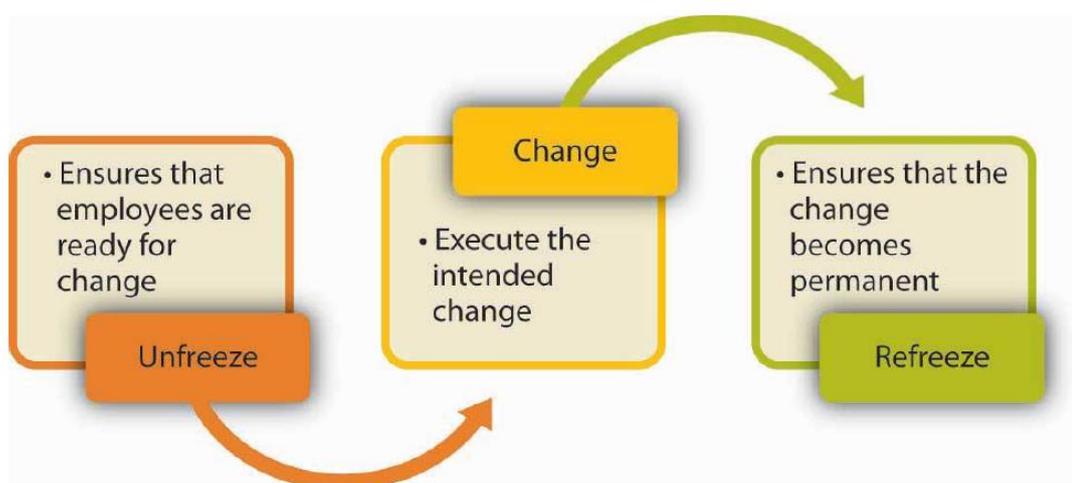
## 2.4 The concept of change management

A very important issue for organisations operating in a dynamic environment such as the public sector is the management of change. This can be because of changes in political leadership, organisational structure, strategies, policies and many other factors. The researcher worked as a consultant in the public and private sector and observed that change management plays a very important role when implementing projects, programmes and initiatives. These may be formal or informal change management processes.

Scholars have many opinions on organisational change; some of these opinions are described below.

According to Buono and Kerber, (2008) organisational change may occur due to a number of internal and external environmental factors. The external factors include political, economic, social and technological interventions, whereas internal factors are an organisation's management policies, management styles, procedures, systems, and employee attitudes (Buono and Kerber, 2008:99–118). Burk (2011:1) gives another view: "Organizations change all the time each and every day. The change that occurs in organizations is, for the most part, unplanned and gradual."

Lewin (2014) developed a model in the 1950s that assist with understanding in organisations. This model is still applicable today. Figure 2.3 below illustrates the model.



**Figure 2.3: Illustration of Lewin's Change Management Model (Mind Tools, 2014)**

The model is known as Unfreeze – Change – Refreeze, and signifies to the three-stage process of change. The name of the model was created with the thinking of ice blocks transforming into new shapes. You first need to unfreeze the ice block, pour the liquid into a new shape and then refreeze the ice block. The model is based on preparing the employees in the organisation for change, executing the change and normalising or controlling the change in the organisation. This model can be very helpful when embarking on an organisational structure review and design project. First, you can introduce the project to the staff, then design the structure, then implement the structure and monitor the success of the implementation.

Hammer and Champy (1995:7) comment on organisational change as follows: “Change is frightening, exciting, challenging, stimulating – take your pick. Most significantly though, change is here to stay, and if you don’t cope with it, it is going to walk all over you.”

The implementation of change is also deliberated by many scholars, and some of these are mentioned below.

According to Nadler (1982:37–45), “implementing a change involves moving an organization to some desired future state”. Nadler (1982:37–45) further states as follows:

Organizational change is effectively managed when: (1) The organization is moved from the current state to the future state. (2) The functioning of the organization in the future state meets expectation, i.e. it works as planned. (3) The transition is accomplished without undue cost to the organization. (4) The transition is accomplished without undue cost to individual organizational members.

Robbins and Barnwell (2006:373) explain:

Not all organisational change is the same. Some changes alter the very nature of the organisation. Other changes may be minor and confined to one department or only part of a department. It follows that the way in which change is managed depends on the type, origin, and magnitude of the drivers of change.

The question, therefore, is how to manage the implementation process of projects, programmes and initiatives to maximise the chances that the change will be effective and efficient. In this research, the focus was on change methodologies utilised during organisational review and design projects in two different types of municipalities.

Change resistance is normally due to fear. When organisations embark on structural review and design processes, staff normally fear job change or even retrenchments. In the projects that were

utilised as case studies for this research, the change process included communication to staff that the organisational review and design project will not result in retrenchments, but rather realignment of the structure and its functions with the organisation's strategies. Additional challenges arise with this approach, as there might be staff placed in positions for which they are not suitable, and this could create further challenges in the future.

According to Coetzee (1998:23–29), the message should be clear in the communication strategy for change. The message should include the purpose of the change and why it is necessary, the current situation in the company, the picture of what will be dealt with, a step-by-step plan on how it will be dealt with and the roles and responsibilities of the people involved (Coetzee, 1998:23–29).

There are many change management methodologies that could be utilised; however, communication forms a key element of all change interventions to keep stakeholders fully and constantly informed about the vision and related activities and consequences of a new project. Several mediums of communication can be utilised, for example, meetings, workshops, discussion sessions, electronic mediums, pamphlets, etc. Good communication and change management strategies should lead to buy-in and commitment of all stakeholders internally and externally affected by the changes proposed and implemented.

The next section presents the concept of project management, which is essential to understand when embarking on an organisational review and design project and its implementation processes.

## **2.5 The concept of project management**

According to the Project Management Institute (2000:6), project management is the use of knowledge, skills, tools and techniques to plan and design activities that will meet project requirements. Project management has become essential in all organisations to achieve objectives. This is confirmed by Cooke-Davies and Arzymanow (2003:38–40), explaining that the demand for project management has increased as the number of projects increased in a broad range of industries.

The Cambridge Dictionary (2015) defines a project as “a piece of planned work or an activity which is finished over a period of time and intended to achieve a particular aim” or “a study of a particular subject done over a period of time, especially by students”. According to Atkinson (1999:337-338), there have been several attempts to define project management. In the

researcher's opinion and practical experience, most of the efforts to define project management result in more or less the same outcome.

In a study conducted by Hyväri (2006:36), success factors relating to project management were tabled and discussed. The table below, table 2.2, indicates these success factors.

**Table 2.2: Illustration of success factors in project management (Hyväri, 2006:36)**

<b>The project</b>	<b>The project team</b>	<b>The project manager</b>
1) Clear goals/objectives	1) Commitment	1) Commitment
2) End-user commitment	2) Communication	2) Ability to coordinate
3) Adequate funds/resources	3) Technical background	3) Effective leadership
4) Realistic schedule	4) Effective monitoring and giving feedback	4) Competence
5) Having a clerk boundary	5) Trouble-shooting	5) Situational management
6) Dependencies between activities of the project network	6) Other scope known by members	6) Ability to delegate authority
7) Project lifecycle		7) Management of changes
8) Urgency		8) Having relevant past experience
		9) Effective conflict resolution

Project management has not just become a buzz word in organisations, but the way in which organisations improve their performance. Project management has also been embraced by the public sector and especially municipalities, where special project management units are established to manage not only capital projects, but also operational projects. Project management has also been embedded in the way people work and how they deliver their work.

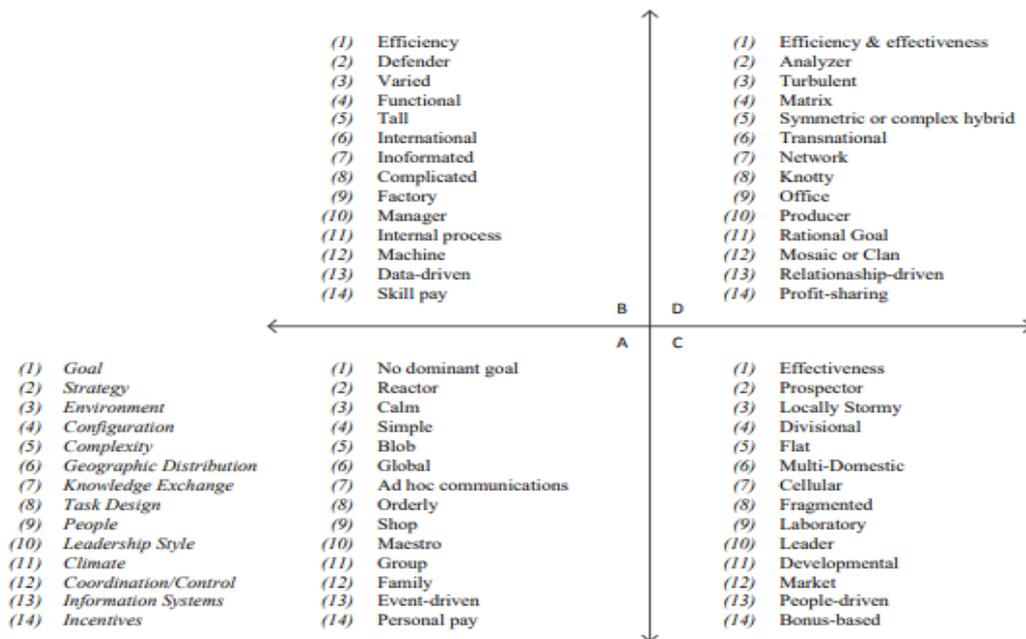
When embarking on an organisational review and design project, it is important to follow project management principles in order to ensure that the project is implemented within the set timeframes, budget and quality measures. Most organisational review and design projects are managed with formal project plans or at least some sort of monitoring plan to ensure that goals are met.

The next section introduces the concept of organisational structure stability and sustainability, which is important to understand in order to explain which organisational review and design project approach utilised for the implementation of an organisational review and design project will have a stable and sustainable impact on the organisational structure.

## 2.6 The concept of organisational structure stability and sustainability

Organisational design focuses on shaping the organisation's structures and processes to achieve its strategies. Changes for organisation design do not happen overnight, as it is a process that takes place over time.

Among the organisational design components that have to be addressed to achieve optimisation, stability and sustainability, are the design of the work processes. Burton, DeSanctis and Obel (2011:467) present a 14-element model for the design of an organisation. This model is illustrated in Figure 2.4.



**Figure 2.4: Illustration of the 14-element model for the design of an organisation (Burton et al., 2011:70)**

Figure 2.4 lists 14 contingencies in the model (goal, strategy, environment, configuration, etc.). All 14 contingencies are placed in two-by-two dimensions. These dimensions represent the information processing demands or capacities of the contingencies. For instance, organisations that are pursuing a defender strategy (Quadrant B) will usually have few products and little product innovation, but at the same time high process innovation. This type of organisation entails low task uncertainty, where decision making is usually more centralised (e.g. a manager leadership style, cf. Quadrant B), as the information processing demands will not overload the

information processing capacity of the executive. For an organisation to be in a fit position, it is necessary to have all contingencies situated within the same quadrant.

It could be argued that a stable and sustainable organisation has to be located in the B and D quadrants of the design space as per the above figure. Organisations located in Quadrant B will be focusing on compliance, while organisations in Quadrant D have the possibility to move beyond compliance. In the researcher's experience, municipalities are therefore more located in Quadrant B, as they are restricted by compliance.

Moving towards a stable, sustainable organisational design requires that organisations must strive to break down resistance to change. In the situation of municipalities, where there is a strong focus on compliance, stable and sustainable design could become a challenge.

The case studies of the organisational review and design projects in the local and district municipalities identified how stability and sustainability were addressed in the newly designed structures approved in 2017.

## **2.7 Summary**

A number of concepts that are taken into account to understand an organisational review and design project are explained in literature.

This study did not only focus on the preferred outcome of the organisational review and design projects, but also on the stability and sustainability of the organisational structure over a period after the organisational review and design projects had been concluded.

The next chapter focuses on the legislation, policies, processes and procedures that needs to be analysed when embarking on an organisational review and design project in local government.

## **Chapter 3: Legislation, policy, processes and procedures**

### **3.1 Introduction**

This chapter reviews the policies in place in local government relating to structures as well as policies, procedures and frameworks available in the district and the local municipality in which the research was conducted.

### **3.2 Orientation**

The legislative aspects related to the differences in municipalities were also important to study, as these may also impact on the design of the structure. A ‘municipality’ is defined in the Municipal Structures Act (No. 117 of 1998), Chapter 2, Section 2, as “an organ of state within the local sphere of government consisting of political structures, office bearers and administration of the municipality, a geographic area and the community of the municipality” (RSA, 1998). At the time of the study there were 278 municipalities in South Africa, which were divided into three categories.

The first category, known as the metropolitan municipalities, is referred to as Category A and consisted of eight metropolitan municipalities at the time of the study. The next category, known as local municipalities, referred to as Category B, consisted of 226 local municipalities at the time of the study. The third category, known as district municipalities, referred to as Category C, consisted of 44 district municipalities at the time of the study. As indicated previously, each municipal category has a clear mandate that is stated in the Constitution of South Africa and additional applicable legislation (RSA, 1996).

In this research, the focus was on a district and a local municipality. The mandate of local municipalities is to provide basic services to the community. These can be classified as water and sanitation, electricity, waste management, roads and stormwater services. The completed list was published in 1996: Schedule 4 and 5 of the Constitution of South Africa. The mandate of district municipalities is to ensure coordination of development plans in its jurisdictional area. The mandate of district municipalities is published in the Constitution. The role of the district municipality is very important as they need to link the coordination and communication between national and provincial government and local municipalities (Community Law Centre, 2007:16).

The Municipal Systems Act (No. 32 of 2000) provides municipalities with guidance relating to systems that must be in place to provide adequate services. Sections 23 and 24 of Chapter 5 prescribe that municipalities need to adopt a developmental way of doing business to ensure effective service delivery.

These guidelines assist municipalities to realise which functions are needed and how the functions must integrate with one another in order to provide guidance when designing an organisational structure that will align with the IDP to ensure service delivery.

### **3.3 Organisational review and design legislative requirements in local government**

There are legislative requirements that municipalities must consider, which include the categorisation of municipalities, the establishment of municipalities, the composition of municipalities, the functional services municipalities must provide to the community and structures, which include a review and design of municipal structures.

The Constitution provides clarity on the functions that must be performed by the different categories of municipalities. The reporting lines and clustering of functions are not defined in the regulations; however, the regulations require that the functions must be clustered in such a way that they align with the strategic objectives and IDP of the municipality. The regulations also do not indicate the number of posts or staff needed to perform these functions. Each municipality must plan on how it will achieve its strategic objectives and how the functional structure and people in the structure must be grouped to deliver services and achieve the strategic objectives of the municipality. They must also decide on the number of people needed, depending on how many community members they must provide services to and what skills the people they employed must possess in order to deliver services to the community.

Below is a presentation of approximately 20 pieces of legislation, which may be either explicit or implicit in their text. They are as follows

- Constitution of the Republic of South Africa, 1996
- Disaster Management Act (No. 57 of 2002)
- Housing Act (No. 107 of 1997)
- Intergovernmental Fiscal Relations Act (No. 97 of 1997)
- Intergovernmental Relations Framework Act (No. 13 of 2005)
- Local Government: Municipal Demarcation Act (No. 27 of 1998)
- Local Government: MFMA

- Local Government: Municipal Property Rates Act (No. 6 of 2004)
- Local Government: Municipal Structures Act (No. 117 of 1998)
- Local Government: Municipal Systems Act (No. 32 of 2000)
- Local Government: Municipal Systems Act (No. 32 of 2000)
- Local Government: Regulations on appointment and conditions of employment of senior managers, 17 January 2014
- National Environmental Act (No. 107 of 1998)
- National Health Act (No. 61 of 2003)
- Promotion of Access to Information Act (No. 2 of 2000)
- Promotion of Administrative Justice Act (No. 3 of 2000)
- Promotion of Equality and Prevention of Unfair Discrimination Act (No. 4 of 2000)
- Spatial Planning and Land Use Management Act (No. 16 of 2013)
- Water Services Act (No. 108 of 1997).

To understand how municipalities are formed and how the district and local municipalities are structured to comply with legislative requirements to deliver services, the relevant legislation is explained in the next section.

### **3.3.1 The Constitution**

The Constitution of the Republic of South Africa provides the legal foundation of the existence of the Republic of South Africa and sets out the rights and duties of the citizens. It also defines the structure of government. The Constitution was drawn up by the Parliament elected in 1994. The Constitution contains the most important rules of South Africa's political system and protects the rights of the people in South Africa and their obligations. The Constitution of the Republic of South Africa (1996) mandates local government to provide a democratic and accountable government for local communities, to ensure the provision of services to communities in a sustainable manner, to promote social and economic development, to promote a safe and healthy environment and to encourage the involvement of communities and community organisations in the matters of local government (RSA, 1996).

The Constitution of the Republic of South Africa, 1996, in schedules 4 and 5 (RSA, 1996), conceptualises the mandate of municipalities. South Africa's municipalities are arranged and structured in a unique manner. As directed by the Constitution, the Local Government Municipal Structures Act (No. 117 of 1998) contains criteria for determining when an area must

have a Category A municipality (metropolitan) or a Category B (local) or Category C (district) municipality (RSA, 1996).

The Constitution stipulates as follows (RSA, 1996):

The national government, subject to section 44, and the provincial governments have the legislative and executive authority to see to the effective performance by municipalities of their functions in respect of matters listed in Schedules 4 and 5, by regulating the exercise by municipalities of their executive authority referred to in section 156(1).

Section 41(1) of the Constitution stipulates that all spheres of government and all organs of state within each sphere must not assume any power of function except those conferred on them in terms of the 1996 Constitution. The Constitution itself defines the autonomy of each sphere.

This study focused on a district municipality and a local municipality. The mandates of a district and a local municipality are set out in the Constitution and are explained in the next sections.

Section 153 of the Constitution recognises that municipalities are a distinctive and autonomous sphere of government. This section provides inter alia that a municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community.

Section 155 focuses on the establishment of municipalities and the categories, as previously mentioned in the research.

Section 156 focuses on the powers and functions of municipalities. Local government matters are listed in Part B of Schedule 4 and Part B of Schedule 5 of the Constitution. The following local government matters are set out in the Constitution, Schedule 4: Functional areas of concurrent national and provincial legislative competence the Constitution, Part B:

- Air pollution
- Building regulations
- Childcare facilities
- Electricity and gas reticulation
- Firefighting services
- Local tourism
- Municipal airports
- Municipal planning
- Municipal health services

- Municipal public transport
- Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law
- Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto
- Stormwater management systems in built-up areas
- Trading regulations
- Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems.

The following local government matters are set out in the Constitution, Schedule 5: Functional areas of exclusive provincial legislative competence, Part B:

- Beaches and amusement facilities
- Billboards and the display of advertisements in public places
- Cemeteries, funeral parlours and crematoria
- Cleansing
- Control of public nuisances
- Control of undertakings that sell liquor to the public
- Facilities for the accommodation, care and burial of animals
- Fencing and fences
- Licensing of dogs
- Licensing and control of undertakings that sell food to the public
- Local amenities
- Local sports facilities
- Markets
- Municipal abattoirs
- Municipal parks and recreation
- Municipal roads
- Noise pollution
- Pounds
- Public places
- Refuse removal, refuse dumps and solid waste disposal
- Street trading

- Street lighting
- Traffic and parking.

The above-mentioned matters, where applicable to the specific category of municipality, must be included in the municipal strategy of the municipality and must be effected in the municipal organisational structure to make sure that services delivery commence in alignment with the Constitution and its mandate.

There is currently insufficient guidance to municipalities related to the forming of the organisational structure. The Municipal Structures Act (No. 117 of 1998) currently provides some guidance to municipalities relating to establishing an organisational structure. The section below discusses the Municipal Structures Act, which should be utilised by municipalities when reviewing and designing their organisational structure.

### **3.3.2 Municipal Structures Act (No. 117 of 1998)**

The Municipal Structures Act explains that the legal nature of municipalities in relation with cooperative government. It also clarifies the rights and responsibilities of the municipal council, municipal administration and local communities.

Before a municipal functional structure is designed, it is important to understand the overall integration between national government, provincial government, municipal categories, political structure and administrative structures. Therefore, it is important to analyse the Municipal Structures Act to ensure that all aspects have been considered before designing the municipal organisational functional structure. The section below explains, the focus areas of the Act.

Chapter 1 of the Municipal Structures Act (No. 117 of 1998) explains the categories and types of municipalities. As explained in Section 3.1, these categories are defined as Category A (metropolitan municipalities), Category B (local municipalities) and Category C (district municipalities) (RSA, 1996). In this chapter of the Act, it is further explained that Category A municipalities are urban areas that have a high population density; areas where there is an strong movement of people, goods and services; areas where there are intense development; and areas with multiple industrial areas and business districts (RSA, 1996). The Act also further explains that these areas must have a centre of economic activity with a complex and diverse economy. Further, integrated development planning must be desirable and these areas must have strong interdependent social and economic linkages between their integral units.

The areas that do not comply with the previous mentioned are areas that must have municipalities of both category C and B. The areas are determined by the Demarcation Board by applying the criteria as set out in Section 2 of the Municipal Structures Act. The Demarcation Board determines whether an area must have a single Category A municipality or a Category C and Category B municipality. The boundaries of these areas are also determined by the Demarcation Board. Chapter 1 of the Act explains how the Demarcation Board will determine the categories and who the stakeholders in the process are, as well as the types of municipalities and systems of each of these (RSA, 1996).

Chapter 2 of the Municipal Structures Act explains how municipalities are established. When reviewing and designing the organisational structure of the municipality, the reviewer or designer of the structure must understand how the specific municipality was established and what type of municipality it is. Understanding the boundaries of the municipal area and what services need to be delivered in these areas is of utmost importance when designing the organisational structure in order to ensure that all functions and support functions are included in the structure to provide optimal services.

Chapter 3 of the Municipal Structures Act explains the composition, membership, operation and dissolution of municipalities. The reviewer or designer of the structure must understand the specific municipal membership composition and how it operates in order to ensure that all relevant support functions are in place to support the members. For example, the municipality must have a support function in place for the political office. This function is normally incorporated into the Corporate Services Directorate or Department.

Chapter 4 of the Municipal Structures Act sets the rules for the internal structures and functions of municipalities. This is important to understand before reviewing and designing the organisational functional structure. Section 42 focuses on the formation of executive committees in municipalities and which municipalities may establish executive committees. Section 43 focuses on the composition of executive committees.

Chapter 5 of the Municipal Structures Act focuses on the municipal functions and powers. It is important to understand these functions and powers in order to ensure that the relevant posts to support the implementation of these powers and functions are included in the organisational functional structure. Identifying areas in the municipal organisational structure where certain functions can be grouped that provide shared services between the two categories of municipalities is very important when designing the structure of the municipality.

Chapter 6 of the Municipal Structures Act focuses on miscellaneous matters relating to exemption from certain provisions of the Act, regulations, applications of the Act and transitional arrangements, amendments and the short title of the Act.

The Act focuses on the overall political and administrative functions, but does not indicate specifically how municipalities must be functionally structured. There is currently not enough guidance to municipalities in how to form the municipal organisational structure. The Municipal Systems Act (No. 32 of 2000) is currently the main guide to municipalities relating to forming the organisational structure. The section below discusses the Municipal Systems Act and focuses on particular sections that should be used by municipalities when reviewing and designing their organisational structure.

### **3.3.3 The Municipal Systems Act (No. 32 of 2000)**

The Municipal Systems Act (No. 32 of 2000) is a guideline for municipalities to consider when reviewing and designing their organisational structure, in particular sections 4, 6 and 51.

The Municipal Systems Act provides legislation to enable municipalities to provide essential and other services to communities in order to uplift their communities. The Act also outlines the legal nature of a municipality and explains the executive and legislative powers of municipalities.

When designing the functional organisational structure of a municipality, it is important to take the content of the Act into account to ensure that the relevant functions and posts needed to implement the relevant legislative requirements are included in the functional organisational structure.

Chapter 1 of the Municipal Systems Act provides information relating to the interpretation of the Act. Chapter 2 of the Municipal Systems Act focuses on the legal rights and duties of municipalities. Section 2 focuses on the legal nature of municipalities, explaining what a municipality is and consists of. Section 3 focuses on cooperative government and the linkage to the Constitution. Cooperation between local government organisations can also influence decisions taken on how to organise the functional organisational structure of a municipality. Shared services should be considered in terms of how municipalities can share resources among themselves to optimise service delivery and usage of resources. These shared services must be identified to avoid duplication of functions. Section 4 focuses on the rights and responsibilities of municipal councils. The organisational structure should include the relevant support

functions to ensure that the rights and responsibilities of the municipal council can be implemented with the relevant support available. Section 5 focuses on the rights and responsibilities of members of the community and what contribution the community can make to service delivery in the municipality. The functional structure of the municipality must make provision for functions to ensure that the community has access to relevant information to assist with their role in contributing. Section 6 focuses on the duties of the municipality.

Chapter 2, Section 6 states that the municipality must optimally design its structure in order to realise its statutory mandates (RSA, 2000). The functions to address the statutory mandate functions, must be included in the functional organisational structure, which will typically be the IDP and risk management and performance management functions. Section 6 focuses on the exercising of rights and performance of duties linked to sections 4, 5, 6 of the Municipal Structures Act, subject to the Constitution and other applicable legislation.

Chapter 3 of the Municipal Systems Act focuses on municipal functions and powers. Section 8 explains that the municipality has all the functions and powers in terms of the Constitution and Chapter 5 of the Municipal Systems Act. It further indicates that a municipality has the right to do anything reasonably and legally necessary to ensure that its functions perform effectively and its powers are utilised effectively. Consideration must be given to including a monitoring function in the functional organisational structure of a municipality to ensure that the powers and functions are implemented and monitored. Sections 9 and 10 focus on the assignment of functions to municipalities. Section 11 focuses on the executive and legislative authority of a municipality and how it must be exercised and linked to Section 59. Sections 12, 13 and 14 focus on the legislative procedures and the process of drafting by-laws that need to be followed. The organisational functional structure must include the functions to ensure that the applicable by-laws are developed, reviewed and monitored in the municipality.

Chapter 4 of the Municipal Systems Act focuses on community participation processes and the requirements of what is expected of municipalities in this regard. This function is normally included in the function that manages the IDP and performance management of the municipality.

Chapter 5 of the Municipal Systems Act focuses on the integrated development planning of municipalities. The IDP function normally resides in the office of the municipal manager, and the business unit will focus on the development, implementation and monitoring of the IDP objectives and initiatives as well as the municipality's performance. This is typically a business

unit that will be formed to ensure legislative compliance of the municipality. Chapter 5, sections 23 and 24 prescribe that municipalities need to adopt a developmental way of conducting business to ensure effective service delivery. This relates to the functional organisational structure. It is advisable that business processes are taken into account to ensure that all the functions and business units deliver the municipal mandate and that strategic objectives are included in the organisational functional structure.

Chapter 6 of the Municipal Systems Act focuses on performance management in municipalities. The business unit that manages and facilitates this function is normally incorporated with the IDP business unit, which reports directly to the municipal manager.

Chapter 7 of the Municipal Systems Act focuses on local public administration and human resources (HR). This is an important chapter of the Act that must be considered when designing the functional organisational structure of a municipality. The HR function in the organisational structure normally resides in the corporate services business unit and includes all the relevant areas related to the HR functions that need to be in place in a municipality. Section 50 prescribes the basic values and principles governing local public administration. Section 51 focuses on organising the administration and financial capacity of municipalities in a manner that will enable the provision of services to achieve the needs of the community and the municipality's strategic objectives. The MFMA must also be analysed to ensure that all the relevant financial functions are included in the financial business unit of the functional organisational structure. Section 51 deals with the organisation of municipal administrations. The main focus of this section is as follows:

The municipality should:

- be responsive to the needs of the local community;
- facilitate a culture of public service and accountability among its staff;
- be performance-oriented and focused on the developmental duties as required by sections 152 and 153 of the Constitution;
- aligning managers and other staff members roles and responsibilities with the priorities of the municipality's IDP;
- facilitate collaboration between the political office-bearers, the administration and the local community;
- perform its functions through administrative units and mechanism that is operationally effective;

- allocate clear responsibilities for the management and provide direction on how to manage these administrative units and mechanisms;
- delegate responsibility to the most applicable level within the administration; and
- involve staff in management decisions as far as possible.

Section 52 focuses on labour legislation and consistent application of the code of conduct or other relevant regulations. This function resides under the HR business unit in the functional organisational structure. Section 55 focuses on what is expected from municipal managers as the heads of the administration. The relevant support functions to assist the municipal manager to deliver on the relevant expectations need to be included in the functional organisational structure.

Section 59 focuses on delegations and prescribes that a municipal council must develop a system of delegations to maximise administrative and operational efficiency. Monitoring and evaluation must also be put in place as control measures. The system of delegation in a municipality must be analysed and reviewed when reviewing and designing the organisational structure to ensure that all checks and balances are in place and to enhance processes and workflow in the organisation.

Section 66 focuses on the staff establishment, job descriptions, remuneration and mechanisms to frequently evaluate and review the staff establishment, remuneration and conditions of service. Each post on the functional organisational structure must be allocated to a function and business unit in the organisational structure. The job description will prescribe what the post must do in order to ensure that the strategic objectives and mandate of the municipality are achieved.

Section 67 focuses on HR development in accordance with the Employment Equity Act, 2008, prescribing that municipalities must develop and adopt appropriate procedures and systems to ensure fair, transparent, effective and efficient personnel administration. Section 68 focuses on capacity building. It is important to analyse this when reviewing and designing organisational structure to ensure that the HR capacity is built to enable the municipality to perform its functions and practice its powers.

Sections 69 and 70 refer to the code of conduct as contained in Schedule 2 of the Act, which is applicable to all staff members. Section 71 prescribes that the municipality must comply with the bargaining council agreement and any collective agreement. The labour relations function

is normally part of HR in the corporate services business unit. Section 72 refers to the regulations and guidelines relating to Chapter 7.

Chapter 8 of the Municipal Systems Act focuses on municipal services. Section 73 focuses on the general duties of municipalities. This section prescribes that the municipality must give effect to the provisions of the Constitution. The Constitution also indicates the different services that must be provided by district and local municipalities.

Section 74 focuses on the tariff policy. The structure must make provision for this function in order to ensure that the items prescribed in the Act can be implemented and managed. The MFMA must also be analysed in order to ensure that the relevant functions that must deal with financial matters, and in particular the implementation of the tariff policy, are included in the functional organisational structure of the municipality.

Section 75 focuses on the by-laws that must give effect to policy in municipalities. This section indicates that by-laws will differ between categories of municipalities. It is important to ensure that the functional organisational structure caters for relevant posts to ensure that these by-laws are developed, reviewed, implemented and monitored.

Sections 76 and 77 focus on the mechanisms for the provision of services by municipalities and when these mechanisms need to be reviewed. These mechanisms need to be identified to ensure that relevant functions and posts for service delivery are included in the functional organisational structure. Section 78 focuses on the criteria and processes for deciding on the above-mentioned mechanism. Section 79 focuses on the provision of services by municipalities through internal mechanisms. This section prescribes that the municipality must allocate sufficient human, financial and other resources to provide proper services in accordance with the requirements of the Act. If services increase, the municipality must ensure that the organisational structure caters for relevant resources to provide the service in an effective and efficient manner. The MFMA and relevant financial policies should be analysed to ensure that all relevant functions and posts are included in the functional organisational structure of the municipality.

Section 80 focuses on the provision of services through service delivery arrangements with external mechanisms, which include public-private partnerships. This must be taken into account when designing an organisational structure to ensure that there are no duplications of functions relating to internal and external responsibilities or outsourcing arrangements and agreements. Section 81 focuses on the responsibilities of the municipality when providing

services through service delivery agreements with external mechanisms. As mentioned before, it is important to identify where service delivery agreements are in place to ensure that no duplication of functions occurs when designing the organisational structure.

Section 82 of the Act focuses on municipal entities. If a municipality provides services through a municipal entity, this needs to be taken into account when designing the organisational structure to avoid duplication of functions and to ensure that relevant support functions are in place relating to these services.

Section 83 focuses on competitive bidding and the selection process of acquiring a service provider to provide services to the municipality. When these services are acquired, municipalities must ensure that functions in the organisational structure and functions delivered by the service provider are not duplications and that the relevant support functions are included in the functional organisational structure of the municipality.

Section 84 focuses on negotiation and agreement with a prospective service provider. If the skills and capacity relating to the services that will be provided by the external party do not exist in the municipality, the municipality must include a section in the contract with the services provider to ensure that skills are transferred to the relevant staff members in the municipality.

Chapter 9 of the Municipal Systems Act focuses on credit control and debt collection. It is important to analyse this chapter and the MFMA to identify the regulatory functions that need to be included in the organisational structure to ensure that the municipality complies with the regulations.

Section 95 prescribes to municipalities how customer care and management must be established relating to credit control and debt collection. A credit control and debt collection function must be established and incorporated into the financial business unit in the functional organisational structure. The credit control and debt collection policy must also be taken into consideration when the functions are incorporated into the structure.

Section 96 focuses on the debt collection responsibility of municipalities and prescribes that municipalities must develop a credit control and debt collection policy in alignment with the tariff policy and the Act. Section 97 prescribes the content that must be included in the policy. Section 98 focuses on the by-law giving effect to the credit control and debt collection policy of the municipality. The relevant support function to develop, review, implement and monitor

the by-laws needs to be incorporated into the functional organisational structure. Section 99 focuses on the supervisory authority that must implement the credit control and debt collection policy. It is important to identify the responsibilities and workflow of this function to ensure that the relevant posts with the relevant delegations and authorities are included in the functional organisational structure.

Sections 100 and 101 focus on what is expected of the implementing authority of the credit control and debt collection policy of the municipality and the rights of access to the municipal property to enforce implementation. Section 102 relates to the payment of amounts outstanding by a person. Section 103 relates to the payment of amounts outstanding that are due by the employee. Section 104 focuses on the regulations and guidelines relating to Chapter 9 of the Act.

Chapter 10 of the Municipal Systems Act focuses on provincial and national monitoring and standard setting relating to municipalities. The relevant support functions to ensure compliance with legislative requirements relating to reporting to provincial and national government must be incorporated into the functional organisational structure.

Chapter 11 of the Municipal Systems Act focuses on legal matters for municipalities. Chapter 12 of the Act focuses on miscellaneous matters relating to offences and penalties in Section 119, the making of regulations and guidelines in Section 120, the amendments of legislation in Section 121, transitional arrangements of written agreements in Section 122, the phasing in of certain provisions of the Act in Section 123 and the short title and commencement of the Act in Section 124.

In summary, the Municipal Systems Act provides municipalities with rules relating to systems that must be in place to provide adequate services. These rules assist municipalities to realise which functions are needed and how the functions must integrate with one another, forming the organisational structure that must align with the organisational strategies or sector plans and the IDP to ensure service delivery.

In many South African municipalities, basic organisational and developmental issues have not been addressed. An example of this is the relationship between municipal head offices and outlying offices, the creation of cooperative mechanisms among municipal departments and improving municipalities' public relations within their communities. The White Paper on Local Government, 1998 addresses some of these questions, and this is explained in the section below.

### **3.3.4 White Paper on Local Government, 1998**

A white paper can be described as a report or guide with authority that assists users in understanding complex issues, solving problems and making decisions relating to the issues.

The White Paper on Local Government of 9 March 1998, within the framework of the Constitution, forms the basis for a new developmental local government system. The White Paper on Local Government, 1998 expands on the Batho Pele vision and states that developmental local government will be achieved through integrated development planning, budgeting, performance management and working together with local citizens and partners. It must be noted that the Municipal Structures Act of 1998 and the Municipal Systems Act of 2000 are the two parts of legislation that give effect to the White Paper.

Section A of the White Paper focuses on the current situation and offers an outline of the current local government system. It also discusses the strengths and weaknesses of the diverse models of transitional municipalities created under the Local Government Transition Act. It provides an opinion on the need for systems of metropolitan government that ensure that metropolitan councils have sufficient powers to fulfil their intended role. It also provides an opinion on the need for flexibility in local government systems outside of metropolitan areas to accommodate the different settlement types (ranging from large secondary cities to smaller populated rural areas) that fall within the district council system. Section 2.3 states that many municipal administrations are still characterised by hierarchical line departments, poor coordination between line departments and authoritarian management practices. When designing the organisational structure, this must be taken into account and it must be investigated whether a flat organisational structure, a line and staff organisational structure or a matrix organisational structure is applicable and best suited for the relevant municipality.

Section B focuses on a developmental local government approach and the responsibility of municipalities to work together with local communities to find sustainable ways for meeting their needs and to improve the quality of the lives of the community. It also discusses the characteristics of developmental local government as set out in a series of developmental outcomes. It proposes several tools that can be used to assist municipalities to become more developmental. These tools are the integrated development planning and budgeting tools, the performance management tools and working together with local citizens and partners. The White Paper discusses these tools and explains what they are, as well as the steps to follow for implementation. Relating to what is required of municipalities, this section also highlights the

four concepts that must be incorporated into budget processes, as defined in the MFMA. These are:

- developing a strategy and clear objectives for a particular area;
- developing action plans and budgets for these areas;
- compiling institutional plans; and
- compiling financial plans.

Section C focuses on cooperative government. It provides the roles and responsibilities of national and provincial government with respect to local government. It explains the current national policies and programmes that will have a direct impact on local government. It also proposes ways in which national and provincial government can work with local government to improve the effectiveness of all spheres of government. The functional organisational structure of a municipality must take the cooperative government roles into account to ensure that the relevant support functions are provided for in the functional organisational structure.

Section D focuses on institutional systems. It discusses the municipal institutions, which include the metropolitan government, the district government and the local municipalities. It also discusses the relationship between traditional leadership and rural local government and the demarcation of boundaries for new municipal institutions. It is important to understand the institutional system and what is expected of municipalities to ensure that all relevant support functions are provided for in the functional organisational structure.

Section E focuses on the political systems. It deliberates on the importance of strong political leaders for developmental local government. It also scrutinises the political and electoral systems for new local government systems. Section 2.1 indicates that the municipal councils should delegate executive powers in a manner that facilitates timeous and efficient decision making and allows for the sound management and oversight of the municipal administration. When designing the organisational structure it is therefore important to review the delegations and ensure that delegations and the organisational structure align with one another and promote effective and efficient decision making, and to identify the roles, responsibilities and accountability in each function.

Section F focuses on the administrative system. It examines the local government administration and identifies the needs for changes to the existing administrative organisation. It also identifies the operations of municipalities and outlines a set of principles and alternative options for more effective service delivery. In addition, it also states that there is a need for

sound labour relations practices in local government and discusses the roles and responsibilities of national government in assisting municipalities in the transformation process. Section 2.2 suggests delivery mechanisms municipalities could consider. These are the building of existing capacity, corporatisation, public partnerships, partnerships with community-based organisations and non-governmental organisations, contracting out, leases and concessions (public–private partnerships) and transfer of ownership (privatisation). Relating to the building of existing capacity, municipalities should evaluate what current skills, capacity and potential they have in the existing administration before acquiring more resources. This is important to analyse when designing the functional organisational structure. Municipalities should strive to do more with less and design the functional organisational structure in such a way as to accommodate this. It is also advisable to look at job enhancement and combine functions for better service delivery. Empowerment of management and staff is also a very important aspect to consider when focusing on doing more with less. Decentralisation of operational management can also be considered to promote self-managed work teams. Section 3 focuses on the core administrative capacities to support development. It is suggested that municipalities need at least three sets of capacity to fulfil the needs to support development. These are strategic capacity, integration capacity and community orientation. Relating to strategic capacity, municipalities must prioritise existing resources and medium- to long-term objectives for better results. This must also be taken into account when reviewing and designing the functional organisational structure of the municipality. Integrated capacity must also be considered to identify where resources can be shared and savings on resource needs can be made. This can substantially influence the way municipalities work and can bring about savings on posts in the organisational structure of a municipality. The functional organisational structure must also align with the community orientation aspect and ensure that front-line posts that interact with the communities have been provided for in the functional organisational structure. Section 5 focuses on labour relations issues. Key issues need to be addressed, including ensuring greater flexibility in the retraining and redeployment of staff in order to enable a distribution of administrative resources, introducing a more customer- and performance-oriented service system, ensuring that wage negotiations and conditions of services support fair and equitable labour practices without undermining the need to prioritise service delivery and improving the level of accountability and commitment to deliver services within the municipality. If this can be achieved, the design of the functional organisational structure can focus on doing more with less, which will have a major positive financial impact on the municipality. Section 7 concludes

that the municipal administrative systems need to transform in order to support improved service delivery and that each municipality should develop an institutional plan that outlines the transformation programme of the municipality.

Section G focuses on municipal finance. It summarises the current situation and proposes a framework for a new municipal financial system. This includes the revenue instruments and policies of municipalities, the intergovernmental transfer of municipalities and leveraging additional investment in municipal infrastructure. This section also states that a new framework for municipal finance that supports the developmental role of local government should address:

- the root causes of the financial problems faced by municipalities;
- the balancing of programmes for poverty eradication and equity with strategies to enhance growth, job creation and competitiveness;
- the empowerment of municipalities to fulfil their constitutional mandate; and
- accommodating the differences between municipalities.

Section H focuses on the transformation process and provides an outline of the transformation process, which aims to create the space for municipalities to work with local communities in fulfilling a sustainable development role.

The White Paper on Local Government, 1998 provides very useful information relating to organisational structure review and design processes. The White Paper also adequately aligns with Batho Pele principles, which are discussed in the next section.

### **3.3.5 Transforming Public Service Delivery White Paper (Batho Pele White Paper), 1997**

The Batho Pele White Paper, 1997 focuses on the requirement of government relating to a performance-driven government. Government, which includes national, provincial and local government departments, must develop a performance management system that includes the setting of service delivery indicators and the measurement of performance, taking into account the Batho Pele principles.

These principles are as follows:

- **Consultation:** The consultation principle allows for consultation between the public and government institutions.

- **Service standards:** The service standards principle relates to the publishing of service standards of existing services and new services to the public. The standards should include the level and quality of service the public can expect.
- **Access:** The access principle allows for all citizens to have equal access to the services to which they are entitled.
- **Courtesy:** The courtesy principle informs the public that they should be treated with courtesy and consideration.
- **Information:** The information principle relates to the information provided by the public services, which should be accurate, and the information to which the citizens are entitled.
- **Openness and transparency:** The openness and transparency principle entitles citizens to the right to know how national and provincial departments are run, how much they cost and who is in charge.
- **Redress:** The redress principle relates to the mechanisms that must be in place to record any public dissatisfaction. The public has the right to report dissatisfaction of service delivery and must be offered a positive response, an apology, a full explanation and a speedy and effective remedy.
- **Value for money:** The value for money principle relates to the economical and efficient services that need to be provided to the public in order to give the best possible value for money.

When designing the functional organisational structure, the relevant support functions must be included to ensure compliance with the above-mentioned principles.

### **3.3.6 Municipal Finance Management Act (No. 56 of 2003)**

The MFMA was published to ensure that municipalities manage and control their finances in a sustainable, responsible and accountable manor. As a result, the Municipal Budget and Reporting Regulations, 2009 were announced to enable the practical and realistic implementation of budget practices by establishing uniform standards, norms and other requirements for ensuring accountability, transparency and appropriate lines of responsibility in the budgeting and reporting processes.

Local government needs to be accountable to the people it serves. This means that it needs to spend money to the benefit of the community and that the community should participate in deciding how the money should be spent. Local government has to be transparent. This means

that it has to make its financial information available to the community by making income and expenditure statements available to all and reporting regularly to the community. This information should be accurate and easy to understand.

In terms of Section 5(3) of the MFMA, provincial treasuries are obliged to assist, guide and monitor municipalities in terms of compliance with its regulations. The core function of the BTO is to ensure sound financial management and to assist the municipal manager and other senior managers in controlling their budgets and ensuring the efficient application of financial resources in the rendering of services to the community. The status of financial management within municipalities is therefore directly linked to the functioning of the BTO. This must be taken into account when reviewing and designing the functional organisational structure of a municipality to ensure that all the required functions as indicated in the MFMA are included in the functional organisational structure. This is further discussed in Section 81(1) (e) of the MFMA, where it states that the following functions must exist in the municipal structure to comply with the MFMA:

- Budgeting
- Accounting
- Analysis
- Financial reporting
- Cash management
- Debt management
- Supply chain management
- Financial management.

The MFMA has a supervisory role with the following purposes:

- Determining new municipal boundaries
- Allowing for the staff establishment to provide permanent and fixed-term posts
- Outlining the process to follow in developing the staff establishment, which includes a summary of:
  - the mandate and service delivery priorities of the municipality and how the proposed staff establishment addresses these; and
  - the proposed posts that are envisaged to materially change, change to a limited or non-material degree, be abolished and not be affected by the change

- Ensuring job descriptions, duties, functions, competency requirements and responsibilities according to which one or more posts of the same grade are established, including the grading or relative size and value of a job
- Detailing the financial implications of the changes, including, but not limited to, the outcomes of job evaluation processes, remuneration costs for senior managers and costs for relocation, new facilities and equipment, if applicable
- Securing sound and sustainable management of the financial affairs of the municipality
- Establishing treasury norms and standards for the local spheres of government.

The MFMA directs local government to:

- regulate financial management in municipalities;
- manage all revenue, expenditure, assets and liabilities of municipalities and municipal entities economically, efficiently and effectively;
- determine the responsibility of officials and councillors entrusted with the local sphere of financial management; and
- provide for other financial matters concerning municipalities.

Section 5 of the MFMA stipulates the objectives of the Act as promoting sound financial governance by clarifying the roles and responsibilities of Council and officials, ensuring a strategic approach to budgeting, modernising financial management and promoting sustainable local government.

Section 77 of the MFMA stipulates that the top management of the municipality's administration should consist of the accounting officer and financial officials. Section 80 of the Act provides that every municipality must have a BTO, which consists of the chief financial officer and financial officials. Section 81 of the Act stipulates the roles of the chief financial officer as the official who is administratively in charge of the BTO.

The MFMA requires a municipality to strive within its financial and administrative capacity to achieve its social and economic objectives. The Act also further requires the accounting officer of a municipality to be responsible for managing the financial administration and to take reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically and that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented so as to provide services to the people. The Act also stipulates that a municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community and to promote social and economic

development. In addition, sections 94 to 100 of the Act set out the municipal manager's role in the budget process, who must also act as the accounting officer, to inter alia assist the mayor by providing administrative support, resources and the necessary information to prepare a budget.

Sections 165 and 166 of the Act require a municipality to establish an internal audit unit and audit committee to inter alia deal with matters relating to accounting procedures, policies and practices.

Chapter 5, Part 2 relates to the administration, and provides an outline of the top management structure, which must provide for an accounting officer, chief financial officer, senior managers who will be responsible for the managing of relevant votes and other senior officials designated by the accounting officer. It also indicates that the top management team must assist the accounting officer in managing and coordinating the financial administration of the municipality.

Chapter 9 of the Act relates to the municipal BTOs. It provides a framework for the establishment of a BTO, which must consist of a chief financial officer, relevant officials to assist the chief financial officer and any other persons that need to assist these officials in providing relevant support to the chief financial officer and relevant officials. This can be utilised as a framework when designing the financial function in the organisational structure.

Chapter 14 of the Act relates to the internal audit unit that must be established in the municipality. This unit must prepare a risk-based audit plan and an internal audit programme for each financial year and provide relevant advice to the accounting officer and senior management.

All the above-mentioned points must be taken into account when reviewing and designing the functional organisational structure in order to ensure that all the relevant functions are provided for to ensure compliance and good governance.

The IDP is the plan that encapsulates the municipal strategy and the implementation thereof. This is discussed in the next section.

### **3.3.7 The Integrated Development Plan of a municipality**

The IDP is a method used to plan future development in municipal areas. It can also be defined as the municipal strategy.

Integrated development planning is a method of planning that involves the municipality and its citizens in identifying short-, medium- and long-term goals and solutions to achieve these goals. All municipalities must produce an IDP. Projects and programmes to achieve the goals are incorporated into the IDP. It is therefore important to analyse the strategy of the municipality to ensure that the organisational structure of the municipality provides for the functions, people and skills to deliver on the projects and programmes as well as the mandate to provide services, as set out in the Constitution.

### **3.3.8 Labour Relations Act (No. 66 of 1995)**

The Labour Relations Act (No. 66 of 1995) regulates the organisational rights of trade unions and promotes and facilitates collective bargaining in the workplace and at sectoral level. It also deals with strikes and lockouts, workplace forums and alternative dispute resolution.

Formal consultation of employees impacted by the organisational restructuring must be done in accordance with the Labour Relations Act pertaining to restructuring and retrenchments. In addition, any changes in regard to terms and conditions of employment can only be implemented through consultation and following a structured consultative process.

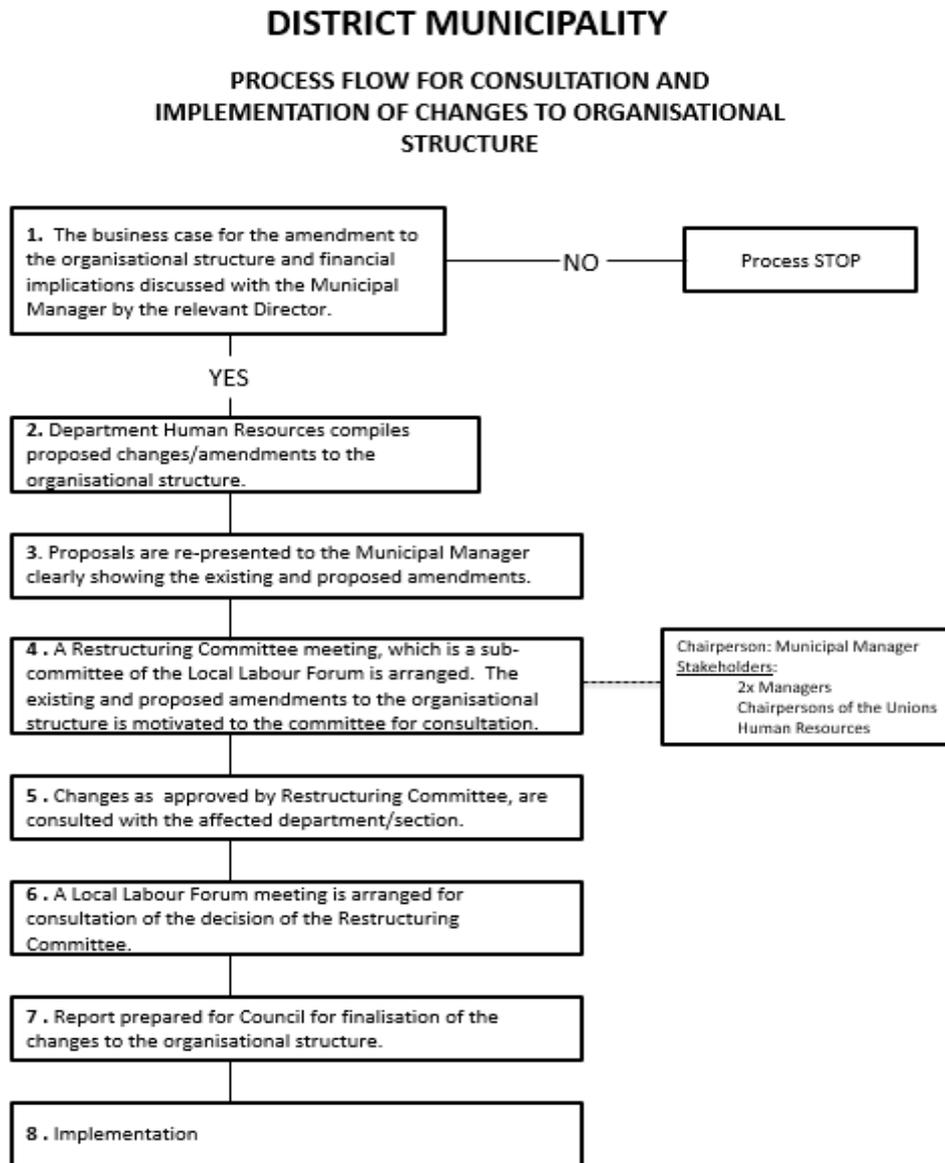
### **3.3.9 Basic Conditions of Employment Act (No. 75 of 1997)**

The purpose of the Basic Conditions of Employment Act (No. 75 of 1997) is to give effect to the right to fair labour practices, as referred to in Section 23(1) of the Constitution, by establishing and providing for the regulation of basic conditions of employment. The conditions of service must be consulted when reviewing and designing a functional organisational structure to ensure that proper processes are followed in compliance with the Basic Conditions of Employment Act.

### **3.3.10 Institutional arrangements**

Municipalities should have a policy or framework explaining how the staff establishment of a municipality must be formalised and what processes to follow in this regard. The district and the local municipality that were utilised in the research do not have specific policies, information processes and procedures to follow in order to design the organisational structure. It must be noted that although no policy exists, the district municipality mentioned in the research that it has a framework that it follows when reviewing and designing the municipal organisational structure.

The framework is captured in a process flow document, as indicated in Figure 3.1.



**Figure 3.1: Illustration of the district municipality's process flow for changes to the organisational structure**

The local municipality has no policy or framework and utilised the Municipal Systems Act, the Municipal Structures Act, the Constitution and the IDP as guidance to ensure that all functions are incorporated into the organisational structure. The local municipality has a specialist post in the organisation with a personnel member monitoring and maintaining the structure of the organisation. Any change requests to the structure must first be discussed with the municipal

manager and the staff member monitoring and maintaining the structure to ensure that the changes required align with the regulations, strategy and service delivery requirements.

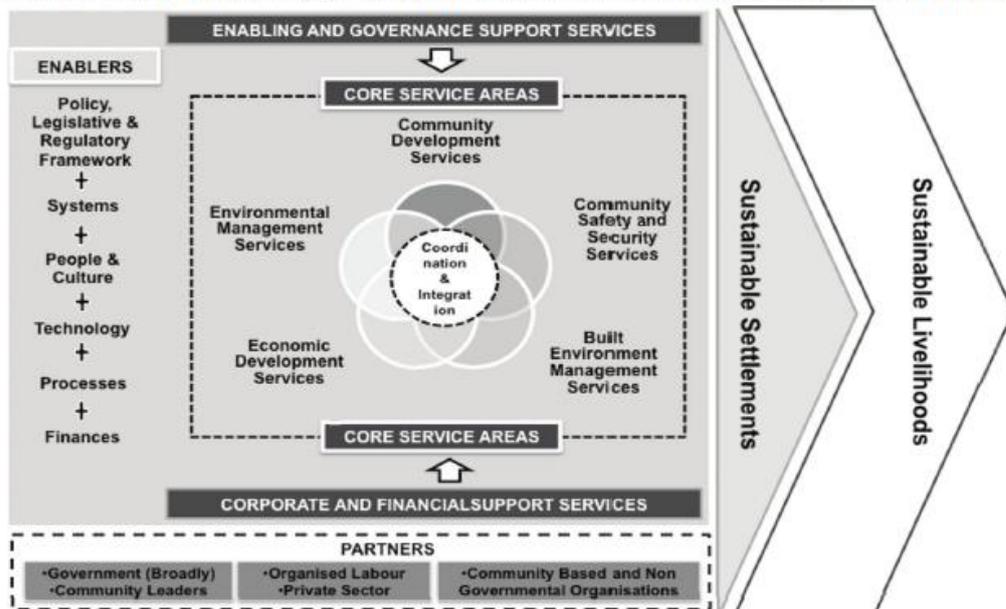
A placement policy exists in both municipalities, which needs to be implemented once a structure has been reviewed, designed and changes are made.

The argument, as expressed in the Municipal Systems Act, is that IDPs should be the framework according to which municipalities should be organised. However, in many cases, the basics of municipal organisational restructuring have not been addressed in the IDP and only the high-level management structure is mentioned. The inordinate focus on drafting IDPs has drawn attention away from this basic requirement of administrative competence.

A service delivery model should be developed in municipalities that incorporates the guidelines as stipulated in the legislation, relevant policies and procedures in order to ensure that the municipalities deliver on the mandate as set out in the Constitution of the Republic of South Africa, 1996.

Figure 3.2 indicates a sample of a service delivery model that may be considered by municipalities.

Source: South African Local Government Association: Local Government HRMD strategy



**Review of organisational design principles**

**Figure 3.2: Sample of a service delivery model (South African Local Government Association, 2016)**

### **3.4 Summary**

The overview of legislation, policies and procedures in this chapter serves as an indication of the commitment of all spheres of government to provide guidance to municipalities on the systems, processes and procedures that should be followed.

Designing an organisational structure in the public sector in isolation of these guidelines can create non-compliance with legislation, and important functions that are needed to provide services to the public may be left out.

The legislation also assists municipalities to distinguish between key service delivery areas and services related to support and governance .

The next chapter discusses the case studies of two municipalities that embarked on an organisational review and design project to ensure that their structures are optimally designed to bring about stable and sustainable organisational structures. This will result in sustainable service delivery to their citizens.

## **Chapter 4: Case studies: comparative analysis and findings**

### **4.1 Introduction**

This chapter discusses the organisational review and design project implementation, findings and analysis of the district and the local municipality that were utilised as case studies to conduct this research.

### **4.2 The case in the district and the local municipalities**

The research focused on a comparison of the organisational review and design projects in two municipalities in the Western Cape. The first case study was based on a district municipality situated in the Western Cape province. The IDP of the district municipality (Category C municipality) points out that there are four local municipalities (Category B municipalities) in the district. The district municipality's organisational structure was previously reviewed and designed in 2012 without any consultation with or participation by staff members and relevant stakeholders. The Municipal Structures Act, Chapter 3, Section 20 requires that the municipality must review its organisational structure to ensure that it aligns with the organisation's mandate and IDP (RSA, 1998). Therefore, the municipality embarked on the organisational review and design project, which was finalised in 2017, utilising an external service provider to manage the process.

The second case study was based on a local municipality situated in the Western Cape province. The local municipality's organisational structure was previously reviewed and designed in 2012, utilising an external service provider to manage the review and design process and consult with staff. The municipality embarked on an organisational review and design project, which was finalised in 2017, utilising an internal process.

#### **4.2.1 Case study of the district municipality**

The district municipality commenced with an organisational review and design project in order to optimise the organisational structure and to align the structure with the mandate, strategies and resources of the municipality. The project was facilitated by an external service provider. The project commenced in May 2015 and was finalised in 2017. The methodology that was used for this project is explained in this chapter. During the project implementation process, several benefits of the project and organisational design processes were identified through

observation and a project survey. The project implementation process and benefit realisation are also discussed in this chapter.

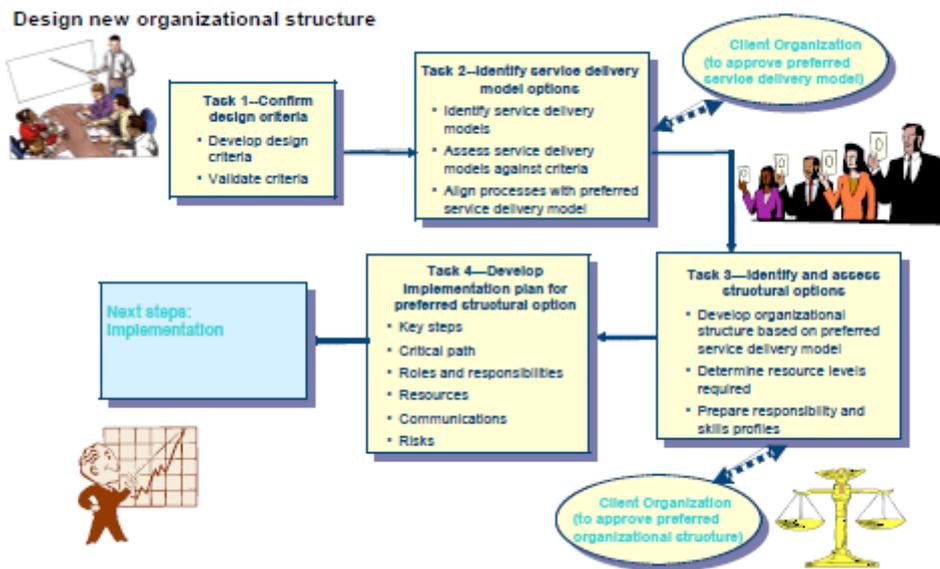
The implementation of the project was planned in a phased approach. The phases were the project introduction phase, current analysis phase, design phase, skills assessment phase, implementation phase and close-out phase.

The methodology utilised for the project was applied in a phased approach by PwC (2015), where Phase 1 focused on the review of the current organisational structure. During this phase, the relevant data were collected and relevant documentation in the organisation was analysed. In Phase 2 the optimal organisational structure was designed, aligning with the relevant legal and legislative requirements. These requirements included the Constitution of the Republic of South Africa, the White Paper on Local Government by the Department of Provincial and Local Government, the Municipal Structures Act, the Municipal Systems Act and the MFMA and other relevant documentation provided by the municipality. Phase 3 concentrated on the implementation of the optimal structure. An implementation plan was developed to assist the municipality to place the relevant staff in the relevant positions. Phase 4, was the close-out phase. This phase dealt with project closure. In this phase, the documentation related to the project, was finalised. Although the roll-out was in a phased approach, the golden thread throughout the project was the change management methodology and formal project management process. This is illustrated in Figure 4.1.



**Figure 4.1: Illustration of phases of the district municipality's organisational design project (The figure is designed by the researcher)**

Several methodologies are utilised by service providers to implement an organisational design project. An example of this is the methodology used by the Kelly Sears Consulting Group. This methodology or process focuses on tasks as indicated in figure 4.2. Task 1 of the illustration indicates design criteria, Task 2 of the illustration indicates the model options for delivery, Task 3 of the illustration indicates the organisational structure development aligning with the service delivery model and Task 4 of the illustration indicates the implementation plan of the structure.



**Figure 4.2: Illustration of the organisational design process utilised by Kelly Sears Consulting Group (2015)**

Some of the tasks mentioned in the above figure were incorporated into the process followed by the service provider in the implementation of the organisation review and design project of the district municipality. The phases of the project are discussed in more detail below.

The project commenced with the project introduction phase, which consisted of finalising the agreement between the client and the service provider, planning the project and finalising the scope of work, which included design principles. The design principles provided in Figure 4.3 formed part of the project documentation provided to the municipality.

***Apply Organisational design principles Examples***

- Organisation aligned with the IDP and strategic priorities and objectives
- Apply Principle of “structure follows strategy”
- Principle of centralisation versus decentralisation
- Principle of strategic priority
- Principle of span of control
- Principle of minimum levels of supervision
- Principle of logic arrangement of work
- Principle of busyness
- Principle of functional identification and grouping of work
- New demands and changed circumstances
- Define Reporting lines
- Affordability: The proposed structure should aim to contain expenditure on the organisational arrangements without jeopardising the institution’s capacity to deliver on its constitutional mandate

**Figure 4.3: Design principles (PwC, 2015)**

Once agreements and proposals were completed, the project was introduced to Council and the Local Labour Forum (LLF) and project introduction sessions were held with all staff members in the district municipality. During the project introduction sessions, value-add was confirmed by observing the feedback from Council, the LLF, senior management and staff members in the district municipality. Council was very excited and positive, and complimented the service provider and the municipal manager on the project roll-out plans, the manner in which this project was introduced and in which it will be implemented and rolled out. Buy-in from the unions was obtained and very positive feedback was received from the chairpersons.

The service provider gave a presentation to the staff members, explaining what an organisational review entails and how the organisational review and design project for the district municipality would be rolled out. Staff members were also allowed to pose any questions during the session, which were answered by the mayor, the mayoral committee member, the municipal manager and the service provider. The sessions were then closed by the municipal manager and mayor and staff members were thanked for their attendance. All of the introductory sessions for staff members in the organisation were done in the same and consistent manner.

The next phase of the project plan, namely Phase 1, as indicated in the figure 4.1, was called the current analysis phase. During this phase, relevant documentation was analysed, such as the following:

- The current approved structure
- The mandate of the district municipality as indicated in the Constitution
- The IDP
- Annual reports
- The Service Delivery and Budget Implementation Plan
- HR policies and other relevant organisational reports.

All the findings of the analysis of the documentation were captured in a findings report, and the results appeared very positive and are further explained in the thesis. It must be noted that the findings report documented the full project process, outcomes of analyses conducted, discussions held with staff, gaps identified in the structure and other related information on which the service provider advised the municipal manager.

This phase of the project also included focus group sessions with staff members to obtain information on the current structure and to obtain staff members' comments in a non-compulsory questionnaire, which included two questions on value-add. This was the first time in the organisation's history that staff members were included in the process and participated by giving input to the current structure. The service provider facilitated these sessions and documented all the comments from the staff members. The service provider utilised the comments when commencing with the design phase of the project. The reason the service provider designed a non-compulsory questionnaire for staff members to complete during the focus group session was to provide staff with the opportunity to comment on the current structure if they had felt the need to provide further input to the process and did not want to speak in front of their colleagues. Most of the staff members were satisfied that they gave sufficient input to the process and where needed, they completed the non-compulsory questionnaire.

The next phase of the project plan, namely Phase 2, was called the design phase. The design phase consisted of designing a macro and a micro structure. The macro structure was designed to indicate the functions without posts and positions. The functional design was consulted with relevant stakeholders, including the LLF and Council. Once agreement and approval were

received, the balance of the functional structure was completed and submitted to Council for approval.

After the macro structure was approved by Council, the micro structure or functional structure with posts was designed. The functional structure, which included posts, was then consulted with relevant stakeholders, which included the LLF, and sufficient time was provided for comments on the functional structure with posts (macro structure). Once the comments on the macro structure were received, it was discussed with the municipal manager. Relevant adjustments were made and the adjusted macro structure was tabled at Council for approval, whereafter the approved structure was communicated to the LLF and staff.

The next phase of the project plan, namely Phase 3, was called the skills assessment phase. This phase consisted of a skills assessment that was conducted by the municipality. Staff members completed relevant skills assessment forms. The forms were captured in a database, whereafter the data were analysed and the skills gaps identified.

The next phase of the project plan, namely Phase 4, was called the implementation phase. During this phase, an implementation plan was developed and the newly approved structure was implemented. The structure implementation consisted of placing staff members from the current structure into the posts of the newly approved structure. The phase was implemented by the municipality with technical advice and support from the service provider.

The last phase of the project plan, namely Phase 5, was called the close-out phase. This phase consisted of finalising all project documentation, submitting all outstanding invoices, submitting the closure report and conducting a project closure meeting.

As previously mentioned, communication sessions were held during the project implementation; however, it must be noted that the communication sessions were not the only communication during the project implementation. Other communication methods also existed for different reasons for different stakeholders. The project communication was managed through a project communication plan, whereby relevant stakeholders were identified as well as what would be communicated, to whom, through which medium and when. The organisational review and design project of the district municipality was a transparent process. Communication commenced with project introduction sessions, then followed by focus group sessions and ad hoc communication with staff members. Communication with executive management was done through project status reports, ad hoc meetings and steering committee meetings. The communication during the roadshow with the staff was conducted in three

languages, namely English, Afrikaans and isiXhosa. A staff member from the district municipality attended all the sessions with the service provider to allow interpreting into isiXhosa if staff members were not fluent in English or Afrikaans. This ensured that all staff members could receive communication and provide feedback in the language with which they were most comfortable.

In addition to encouraging further participation of staff, a questionnaire was designed with closed- and open-ended questions, that gave staff the opportunity to add comments related to the process and structure in a confidential manner. Two of the questions in the questionnaire focused on whether value was added for staff members during the review and design process. A total of 36 forms were completed. The number of staff that felt the process of the review and alignment of the structure process added value to the organisation, was 26 and the number of staff that felt that the process of the structure review and alignment process did not add value to the organisation, was 3. A number of 6 staff members did not answer the relevant question. The number of staff that felt that the review and alignment process added value in understanding the District Municipality's role and responsibilities better, was 28. The number of staff that felt that the review and alignment process added value in understanding the District Municipality's role and responsibilities better, was 1. The number of staff members that did not answer the question, was 7. The overall results show that the staff feels that the organisational review and design process added value to the organisation and understanding the District Municipality's role and responsibilities better. The district municipality agreed that the project questionnaires may be utilised in this thesis; however, the information had to be documented at a high level and detailed comments from staff members had to be kept confidential. The questionnaire is attached as Appendix A of the thesis.

The successful implementation of the project was mainly due to the buy-in and participation of stakeholders and in particular the leadership of the municipality. All stakeholders participated in a positive manner and assisted with providing momentum to the process. Steering committee meetings were held regularly to monitor the project implementation against set deadlines and the project was implemented within specific timeframes and budget.

#### **4.2.2 Case study of the local municipality**

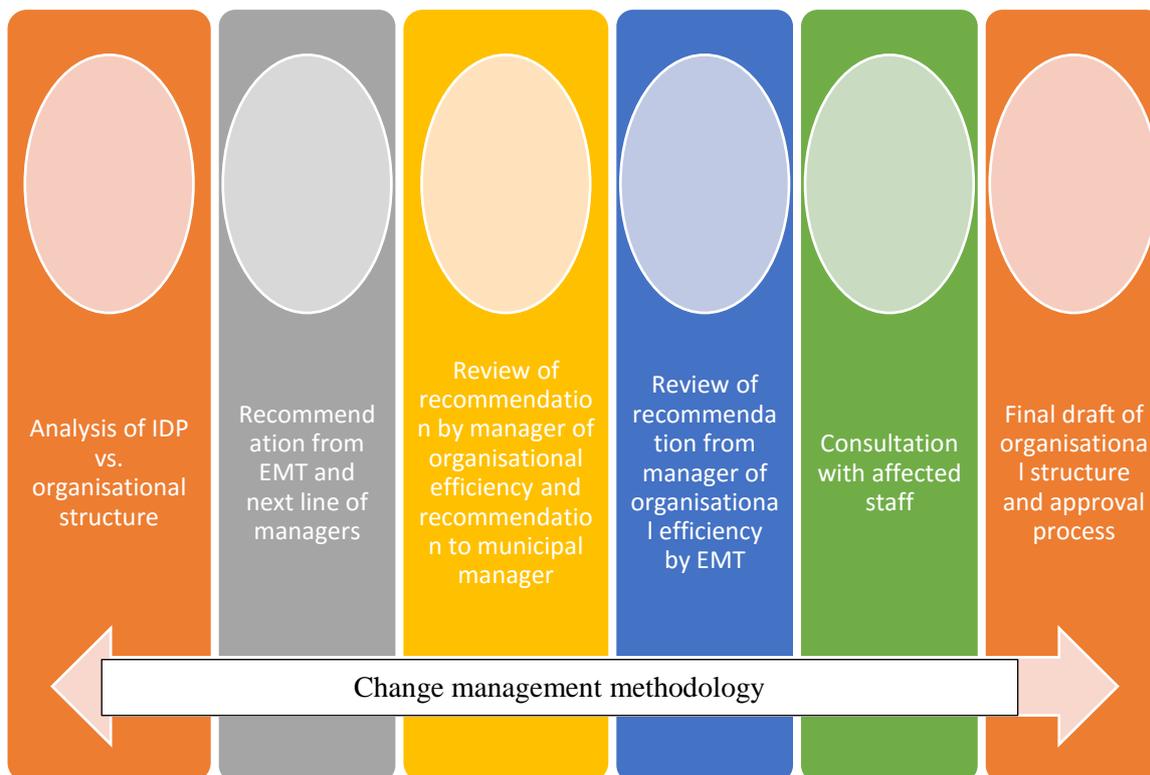
The local municipality followed an internal process. The internal process utilised did not follow a formal methodology, but some organisational design principles were utilised during the process. The project was not properly scoped, project management principles were not followed

and a formal gap analysis report process was not completed. They commenced with analysing the reviewed organisational strategy (IDP) against the current approved structure.

The Executive Management Team (EMT) discussed the reviewed organisational strategy and was given time to review the current approved structure of 2012 and make recommendations on how to align the structure with the reviewed strategy. The EMT then discussed the current structure and IDP alignment with the next level of managers, whereafter recommended changes to the organisational structure were proposed to the municipal manager and the manager of organisational efficiency for further analysis and review.

The manager of organisational efficiency then made a final recommendation utilising organisational design principles to the municipal manager and the EMT, whereafter the municipal manager made final decisions in consultation with the EMT. Once the structure was designed, the first draft was discussed with affected staff, additional small amendments were made and the process for Council approval was followed. In this case, only executive managers and the next level of managers reporting to executive managers gave input into the designing of the organisational structure.

The process is illustrated in Figure 4.4:



**Figure 4.4: Illustration of phrases of the local municipality's organisational review and design project (The figure is designed by the researcher)**

The change management process utilised was through consultation with the EMT and the next level of managers reporting to the EMT. The process was conducted through meetings and discussions relating to the current structure and adjustments required to align with the newly approved five-year organisational strategy (IDP).

During the 2018 financial year, many ad hoc requests were made by management to make small adjustments to the structure. Most of these were reporting line changes and requests for additional posts to be accommodated in the structure. The structure was amended again and approved in May 2018.

In December 2018, the municipal manager established a task team to review the structure and commence with a process to provide advice on how to improve cost-effectiveness in the municipality and how to do more with less – effectively a cost containment strategy.

Part of the brief was to identify the posts in the structure that were critical to the organisation for service delivery and to provide advice on how to improve productivity, efficiency and effectiveness without additional staff, additional posts or additional budget. The organisation was assessed and scanned to determine where areas of resource wastage could be redirected to

areas with a more critical need for service delivery. The researcher was part of the task team and this process was utilised to obtain additional empirical evidence to identify which processes to follow to ensure the objective of an optimised, stable and sustainable structure.

#### **4.2.3 Summary of the case studies**

In summary, the district municipality followed a formal process, receiving support and advice from an external service provider, and the local municipality followed an informal internal process that was managed by the municipal manager and senior management.

The next section focuses on the high-level findings and results relating to the organisational review and design processes of the district and the local municipalities.

#### **4.3 Findings in the district municipality**

This section discusses the findings that were identified during and after the project implementation for the district municipality.

It is the researcher's view that the manner in which this project was managed had improved the relationship between Council, the municipality and the unions, as the LLF felt it was an open and transparent process in which they were fully involved and this was mentioned at the LLF meeting held discussion the project. Positive feedback was received from the staff members during the project introduction session acknowledging that the organisation included them in the process and that they feel part of the process. The process allowed the mayor, mayoral committee member, municipal manager and senior management to be involved in roadshows, where staff members were visited and engaged with at their workplaces. Open communication was provided with regard to the process and the implementation of the project.

The researcher perceived that the staff morale improved after each session as the staff thanked the political leadership and management for engaged them directly and allowed them to be part of the process. The staff also felt that management cared and they therefore positively participated in the process. During the process, a questionnaire was also provided to staff in order to allow them to participate in the process if they felt they could not raise their concerns in open forums. The questionnaire was also utilised to gauge how staff felt about the project and process followed.

Interviews were also held with the municipal manager and senior management, during which they provided input to the proposed structure and on how they felt value could be added by

adding or merging certain functions in the organisational structure to achieve optimisation, stability and sustainability of the structure. During the interview session with the municipal manager, he indicated that value had been added through the organisational review and design process and that the alignment of the structure with the IDP and strategic objectives of the municipality had been achieved.

The structure stabilised after the project was concluded in 2017 and no further amendments were made to the structure.

Upon analysis of the results of the questionnaire and feedback from the staff and management, it is the researcher's finding that a formal organisational review and design process adds value to an organisation and results in an optimised, stable and sustainable structure.

The successful implementation of an organisational review and design project also depended on leadership and the involvement of leadership. In the district municipality, the leadership was committed to and involved in the process. The municipal manager managed the process and communication to the staff. The involvement and communication to staff resulted in good relations with the unions and with staff.

Not only did the process positively impact on staff, but the organisation was also aligned with its legislative mandate, and with the new design reporting lines were rectified and roles and responsibilities clarified. This improved the effectiveness of service delivery in the organisation and instilled stability of the structure, which allowed staff to focus on service delivery without an impact on structural changes.

#### **4.4 Findings in the local municipality**

In this section, the findings that were observed during and after the project implementation for the local municipality are discussed.

Overall, it was perceived by the researcher, that the organisational review and design project did not have any significant impact on staff morale, as only selected staff were involved in providing input to the structure and majority of staff were not really aware of the process and what was planned by management. The structure did not stabilise and changes to the structure were still underway after the project was concluded.

The approved 2012 structure was only implemented fully in 2014, and therefore the structure did not properly align with the IDP and strategic objectives in 2017. The structure needed to be

aligned with the IDP and the strategic objectives of the municipality and to provide for a five-year IDP implementation.

Although there was a recommendation from the Organisational Efficiency Unit of the local municipality to create another department focusing on the human settlement function, it was decided to rather move the human settlement function to the Planning and Development Department. After six months of assessment, it was decided that this arrangement did not work and a recommendation from senior management was made to split the human settlement function into two separate departments, with the rental stock function reporting to the Executive Director: Community Services and the human settlement function reporting to the Executive Director: Planning and Development. This was then further assessed for six months, and thereafter it was decided by senior management that it will be a better fit for the human settlement function to also report to the Executive Director: Community Services so as to allow better interaction and alignment between the two functions.

Additional posts were also allocated to departments in the structure and relevant reporting lines were changed for alignment with the objectives of the organisation. The office of the municipal manager was also optimised by abolishing posts not needed and allowing selected divisions to report directly to the municipal manager instead of creating another senior managerial post, which was not necessary. Due to the fact that staff did not provide input on gaps in the structure, the structure was amended with only input from top-level managers, who did not always understand the gaps in operations and where amendments in the structure were needed to address the gaps. This resulted in several additional changes being made to the structure in 2017, 2018 and 2019. The structure was therefore still not stabilised and changes were still introduced to the structure at the time of this study and requests for structural changes were still received by the Organisational Efficiency Unit in the municipality. Adequate communication did not exist when the organisational review and design process of the local municipality were implemented and proper communication to all levels could have avoided additional amendments to the structure in 2018 and 2019.

A task team was established in December 2018 to review the structure and commence with a process to provide advice on how to improve cost-effectiveness in the municipality and how to do more with less. The researcher was a member of the task team and this process was utilised to gather additional empirical evidence for the research. The task team identified that too many changes in the organisational structure were made on an ad hoc basis, which did not address the

real issues and staff needs. In many cases, where service delivery problems existed, managers wanted to address these challenges by adding more resources to the problem, instead of reallocating existing resources to address the challenges. The recommendation from the task team was that the municipality must consider doing more with less, and they provided advice to the municipal manager relating to the criteria with which managers must comply before requesting changes to the organisational structure. The criteria mainly focused on a business improvement exercise, in other words, whether the manager initiated a business process reengineering exercise whereby the manager could justify the changes to the organisational structure. This included identifying where processes could improve and where jobs could be enhanced (adding more functions to a post or combining functions into one post).

#### **4.5 Summary**

Understanding the relevant legislation of South Africa before reviewing and designing a municipal organisational structure is very important. The legislative framework will provide insight when analysing the municipal operations and how it aligns with the strategy of the municipality for effective service delivery. Management should not review and design the municipal structure in isolation, but rather involve staff to participate in the organisational review and design process in order to identify challenges in the operation. This could be resolved by undertaking a proper analysis of the functions and, where appropriate, implementing relevant business process reengineering initiatives for effective, efficient and economical service delivery. Proper methodologies and project management principles should also be followed to ensure an optimal, stable structure, resulting in a sustainable organisation with a focus on effective and efficient service delivery.

The next chapter focuses on the summary and conclusion of the thesis.

## **Chapter 5: Summary and conclusion**

### **5.1 Introduction**

A summary of the findings are presented in this chapter. The chapter also includes possibilities for future research relating to the subject and a final summary.

### **5.2 Review**

The research focused on a comparison of the organisational review and design projects in two municipalities situated in the Western Cape. The purpose of the research was to establish which of the review and design processes followed by the two municipalities was the most appropriate and effective process to follow to ultimately ensure optimisation, stability and sustainability of the organisational structure. Chapter 4 of the research discussed the case studies and the processes followed by the two municipalities and therefore the objective relating to exploring the processes followed by the municipalities has been achieved.

The research clearly revealed that one municipality followed a formal process and the other an informal process. The formal process consisted of following a project scope, an implementation plan as well as project management principles, which were thoroughly documented. The informal process was implemented without developing a project scope and implementation plan, project management principles were not utilised and the process was only partially documented. It must be noted that limitations to the research exists and that the research was based on perceptions of the researcher and interview answers from relevant stakeholders. The case studies in Chapter 4 indicated that both municipal structures were optimised; however, only one was stable and sustainable after the formal implementation process was followed. The objective of exploring the stability and sustainability of the structure and the impact of the two projects on the organisations after implementation of an organisational review and design project was therefore achieved.

Chapter 1 of the thesis provided the background to the research, which included an explanation of why the identities of the municipalities are not provided in the thesis. This chapter also provided a brief overview of all the chapters in the thesis.

Chapter 2 of the thesis clarified a few project methodologies and concepts that can be utilised when reviewing and designing an organisational structure. This included the concept of organisational review and design, which in short is a step-by-step approach to identify

functional aspects of workflow, procedures, structures and systems that should be aligned to fit current business realities and goals. The chapter also included a discussion of the concept of project management, which is a process of planning activities to meet project requirements. The planning should include activities, timeframes and costs and how the activities will be monitored to ensure that the quality of the implementation is acceptable for the organisation. Although other concepts were also discussed, these two concepts are of most importance when embarking on an organisational review and design project. The objective of the research of defining organisational review and design methodology concepts, illustrating organisational structure concepts and explaining concepts of change management and concepts of project management was therefore achieved in this chapter.

Chapter 3 of the thesis focused on legislation, policies and procedures that should be understood when reviewing and designing structures in municipalities. It provided guidance to municipalities on the systems, processes and procedures that should be followed. The review and design of the structure of a municipality is a critical business activity, which establishes the framework of how functions interact with one another to deliver services. In the research, focus was placed on the structural review and design processes of two different categories of municipalities.

The analysis of the processes followed to review and design the municipal structures was discussed in Chapter 4. Chapter 5 focuses on the findings, with recommendations on which approach would be more advantageous to ensure the optimisation, stability and sustainability of the municipal structure.

### **5.3 Summary of findings**

This section summarises the overall findings of the research. The organisational review and design project in both municipalities did not have a major impact on staff morale during the process, however the researcher did perceive that the staff morale improved after each session with staff in the district municipality. Overall, the project of the district municipality that had a formal structured process was more successful than the project of the local municipality that did not follow a formal structured process.

The structure of the district municipality was considered to be optimised, stable and sustainable for more than two years. The structure of the local municipality was not yet fully optimised,

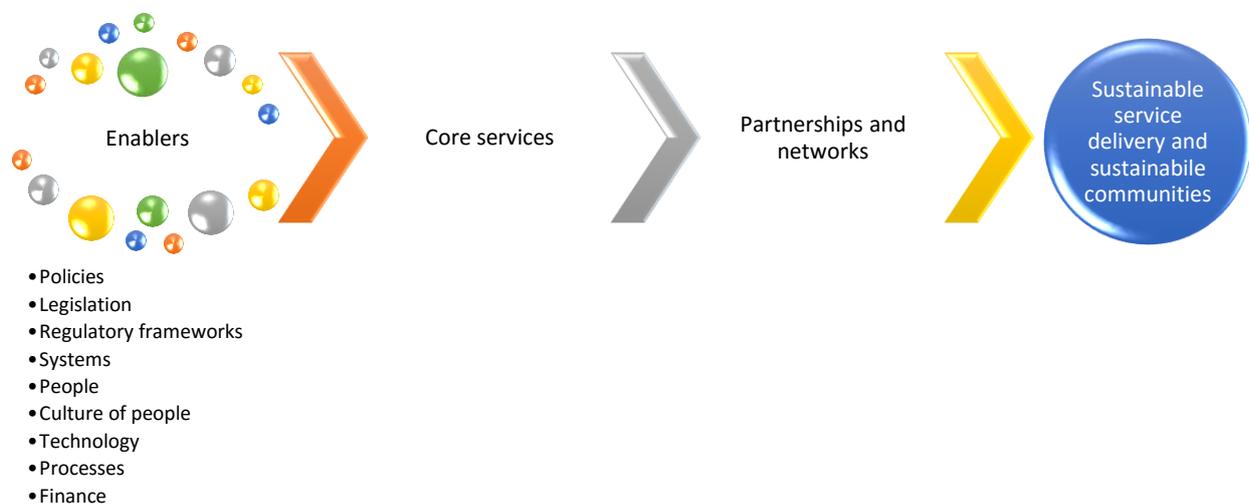
stable and sustainable at the time of the study, as further changes and adaptations are still ongoing in 2019.

The next section introduces additional recommendations that may be considered.

#### 5.4 Additional recommendations

This section focuses on additional recommendations that could be considered when embarking on an organisational review and design project.

Before embarking on an organisation review and design project, the organisation, in this case municipalities, should first develop a service delivery model. The service delivery model should typically consider enablers such as policy, legislation, regulatory frameworks, systems, people, culture of people, technology, processes and finance. The service delivery module should also identify the core service of the municipality and how they are coordinated and integrated. It should also include the partnerships that should be established, networks, relationships and outsourcing and insourcing modules. The figure below, figure 5.1 is an example of what information will be needed in a service delivery framework.



**Figure 5.1: Service delivery framework (The figure is designed by the researcher)**

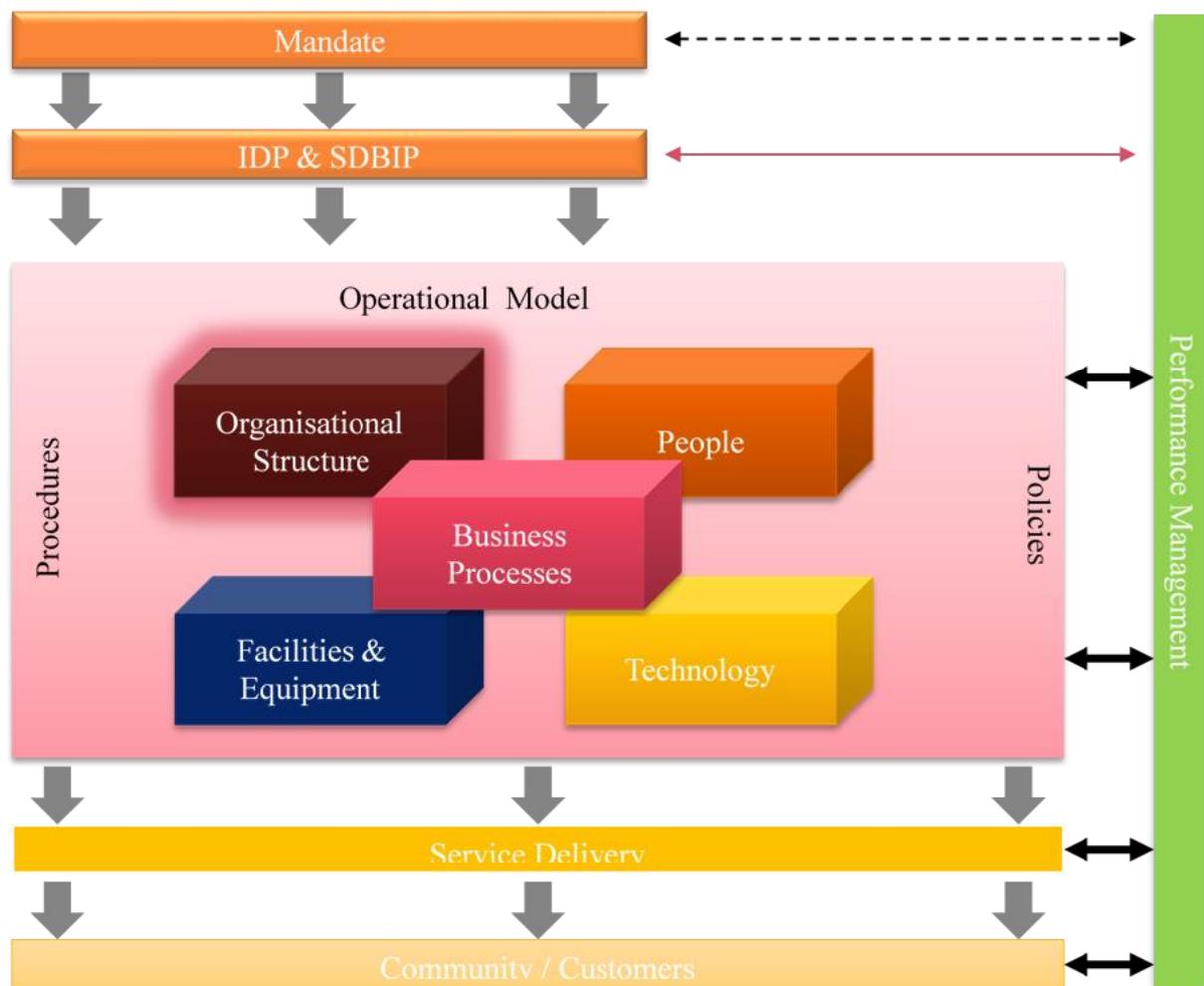
When reviewing and designing an organisational structure, leadership should provide an environment of trust and integrity as well as professional guidance throughout the process.

The roles of the municipal manager and the EMT should be clearly defined in the design process. It is recommended that a separate focus group or steering committee be established to manage organisational review and design processes. Roles that should be clarified are the following:

- The municipal manager must accept accountability for the review and design process.
- A project team should be established to manage the implementation of the review and design project.
- The municipal manager and project manager should identify the project team members and clarify their roles and responsibilities in the project.
- A person should be identified who will communicate the project and the progress to the organisation.
- The project manager should develop a project charter and plan.
- The project manager should ensure the availability of adequate and relevant resources to support.
- The municipal manager should create a clear and compelling vision and business strategy for the future of the organisation.
- The project team should clarify the business model and macro-organisational design.
- The project team should gain support from key stakeholders and keep them informed of progress.
- The municipal manager should ensure that political leadership is fully briefed on the entire project and what their roles and responsibilities should be.

The review and design of an organisational structure should be based on a clear understanding of the IDP and the strategic objectives of the municipality as well as legislative requirements. There should be a clear understanding of what is required to achieve the goals and how each position contributes to the overall purpose of the functions as well as the relationships between functions, positions and posts.

Figure 5.2 captures the interaction of legislation, processes, procedures, etc. that need to be considered when conducting an organisational review and design project.



**Figure 5.2: Integration of information for an organisational review and design project (The figure is designed by the researcher)**

The principles relating to the design of the organisational structure also need to be developed and documented. Recommended design principles are as follows:

- Affordability of the structure;
- Alignment with the strategy of the organisation (IDP, Spatial Development Framework and relevant sector plans), Apply Principle of “structure follows strategy”. Identify and design around the strategic priority;
- Efficient delivery of client service;
- Flexibility of structure (movement of functions and reporting lines must be modular and easy to move around) ;
- Integration and cooperation between functions;.

- Span of control – 10 to 20 direct reports, depending upon the nature of work (flatter structure and wider span of control);
- Centralisation versus decentralisation of functions;
- Key post identification. (The posts the organisation cannot function without);
- Like with like. (Group function that are responsible for similar outcomes together);
- Compliance with governance, legislation and reporting requirements;
- Skills needed to achieve the objectives
- Quick decision making (The functions must be structured in such a way to allow for quick decision making);
- Identification of positions and posts with accountability;
- Elimination of duplication or overlapping of functions;
- Allow for leave flexibility;
- Clear and well-informed decision making and communication lines;
- Supervisory level should add value;
- Structure around functions and not people;
- Clear accountability and reporting lines;
- Clear identification of multiple reporting lines;
- Support career progression for staff;
- Clear relationship between positions;
- Regular review of the structure; and
- Set structure review and design process.

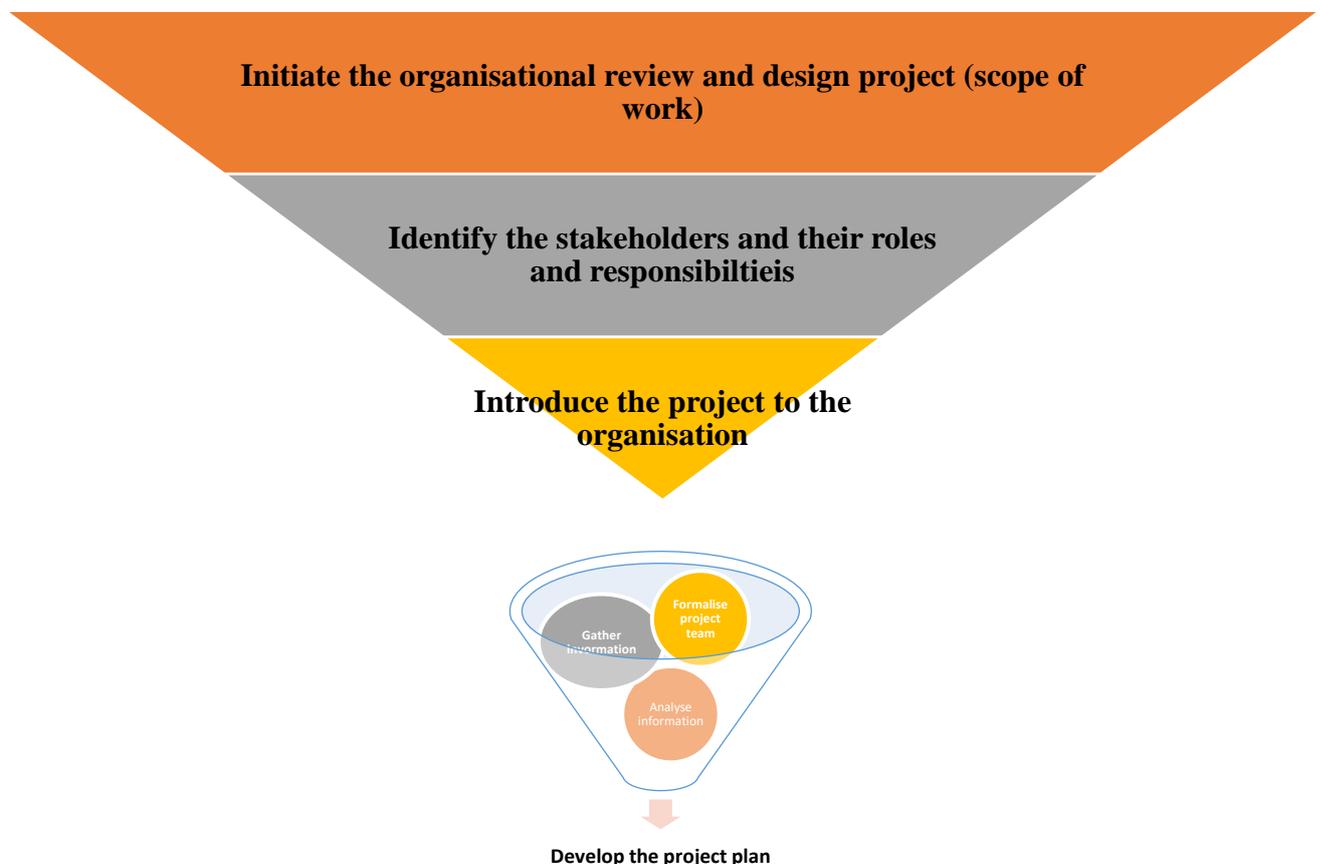
Information about the organisational structure should be continuously documented, and it is good governance practice to sign off each page of the approved organisational structure. This is also a sound internal control measure, as it prevents people from making unauthorised changes to the organisational structure. It also assists in identifying the correct version of the organisational structure. The organisational structure should be signed off by the persons with the delegated authority, namely the municipal manager and mayor.

The below steps can be utilised as an example of how to formalise an organisational review and design project:

- Identify the problem statement and scope of work.
- Identify the role players and their roles and responsibilities.
- Establish a project steering committee.

- Establish a project team.
- Design a formal project plan with timeframes and a budget.
- Design a communication plan.
- Introduce the project to the organisation and all the staff who perform the work.
- Determine or review the service model of the organisation.
- Identify and analyse legislative requirements, mandates, policies, procedures and business processes of the organisation.
- Conduct a gap analysis in consultation with the people who perform the work.
- Design a levelling model for the organisation.
- Design a high-level functional structure.
- Design an in-depth functional structure with posts.
- Obtain consultation and approval.
- Implement the project.
- Conduct monitoring and evaluation.

Figure 5.3 (spread across two pages below) provides a model that can be utilised to implement municipal review and design projects.





**Figure 5.3: Model that can be utilised to implement municipal review and design projects (The figure is designed by the researcher)**

The next sections conclude the findings of this study and provide recommendations for future research.

## 5.5 Conclusions

This section concludes the discussion on which process would be best to follow when reviewing and designing an organisational structure to ensure the optimisation, stability and sustainability of the organisational structure.

When embarking on an organisational review and design project in a municipality, the process should be planned, a framework for the roll-out of the design project should be developed and a project plan should be developed, which includes consultation sessions with staff and analysis of business processes, legislative requirements, strategies, policies and procedures. It should be noted that the relevant information on how business units are functioning is obtained by having discussions with the staff directly involved in delivering that service.

The next section gives recommendation for future research relevant to organisational structural review and design projects.

## **5.6 Future research**

Future research could focus on organisational models that are virtual and computer design-aided, based on a modular concept for fast review, design and alignment. From an organisation design perspective, there is a need to align municipal structures with best practices that ultimately will drive staff effectiveness. Research on current design principles that are successfully implemented in the private sector could be analysed to identify how these could be utilised in the public sector, and specifically in the design of municipal structures. Automation of processes and business process reengineering could be further explored for continuous improvement. Levelling models utilising the Standard Integrated People Practices methodology should be investigated for inclusion in design factors.

The next section provides a summary of Chapter 5.

## **5.7 Summary**

Organisational structures are much more than ‘boxes and wires’. There is no perfect organisation design, as each design poses its own opportunities and challenges that need to be addressed by applying the design principles. Strategic choices should be made in relation to the following key design models:

- Capability model: What the municipality does in order to deliver on its strategy or to the community served as per the legislative requirements
- Service delivery model: What, how and where services are delivered to execute the municipal mandate
- Functional operating model: How capabilities are optimally clustered or configured functionally to ensure service delivery focus and accountability.

These models or a mixture of the various models should be considered from an integration aspect when designing a municipal structure.

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## Appendix A

Organisational review and design questionnaire			
<b>Name</b>		<b>Surname</b>	
<b>Position</b>			
<b>1. What do you see as the core functions in your department?</b>			
<b>2. In your opinion, what are the strengths of the current organisational structure?</b>			
<b>3. In your opinion, what are the limitations of the current structure (constraints, problems challenges ...)?</b>			
<b>4. In your opinion, is there a link between the current structure and the IDP (strategy)?</b>			
<b>5. Are the roles and responsibilities in the current structure clearly defined for your function?</b>			
<b>6. Do you think the review and alignment of the structure could add value to your function? Why?</b>			
<b>7. Do you think the review and alignment process adds value to you in understanding the district municipality's role and responsibilities better?</b>			
<b>8. Please make any comment with regard to the organisational review project that you consider important.</b>			